

POSITION PAPER

Fair taxation

September 2021



IEVA

INDEPENDENT EUROPEAN
VAPE ALLIANCE

FAIR TAXATION

With the EU Member States increasingly in need of revenue sources to fund the recovery and replace tobacco excise as smoking declines, the vaping industry stands by to do its part. However, taxation on vaping products and their inclusion in the EU Excise Directive should not have perverse effects on public health or disadvantage small vaping businesses over the tobacco industry.

Taxation and risks to human health

While the rationale for taxing cigarettes is the clear detrimental effect they have on public health, this is simply not the case for vaping products. For many smokers, switching to vaping would be beneficial, given the significant reduction in their risk of smoking related disease. Evidence from numerous independent studies has demonstrated that overly burdensome excise duties inhibit smokers from switching.

- E-cigarettes offer smokers an alternative which is **95% less harmful than smoking**, a view shared by both the French Government and the Royal College of Physicians. Switching from tobacco to vapor has positive individual, social and economic implications and should be encouraged, not penalized by the tax system.
- A team of researchers funded by the US National Bureau of Economic Research (with no tobacco or vaping industry connections) estimates that **for every vaping cartridge not purchased, 6.2 extra packs of cigarettes are purchased instead.**¹
- According to the World Bank, data on those jurisdictions that already apply excise taxes to vaping products collect a level of revenue that is “very small compared with excise from traditional tobacco products”.

Taxes must therefore be pitched at a level so as to ensure that smokers are always better off financially by switching to vaping.

Taxation, big tobacco and the black market

A complex system of taxation favours major tobacco companies and black marketeers. The former already have systems in place to deal with excise, and the latter thrive precisely by avoiding it and selling far more cheaply than legitimate players can.

Any changes must allow smaller companies to prepare, maintain simple definitions of the excisable good and the point of taxation; and be accompanied by a crackdown on illicit products by enforcement authorities in Member States.

¹ Pesko et al (2010) The Effects of E-Cigarette Taxes on E-Cigarette Prices and Tobacco Product Sales: Evidence from Retail Panel Data.

