

PESTEL analysis for Fiscal Policy

Fiscal policy project in France concerning
smoking

(see Public Senat, 28/11/23)

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Objectives

Cigarette prices (via Fiscal Policy)

- 2023 average 11€14
- (6€95 duty + 2€20 VAT = 9€15 tax = 82%)
- 2024 – no change
- 2025 objective 12€00 (+7.7%, + 3.4% pa)
- 2026 objective 13€00 (+17 , +5.7% pa)
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- Anecdote – see the Senate [reports](#) (Public Senat) on the government reducing fiscal targets in 2023.
- Legal measures – to increase non-smoking zones such as beaches and parks and to ban single-use electronic cigarettes

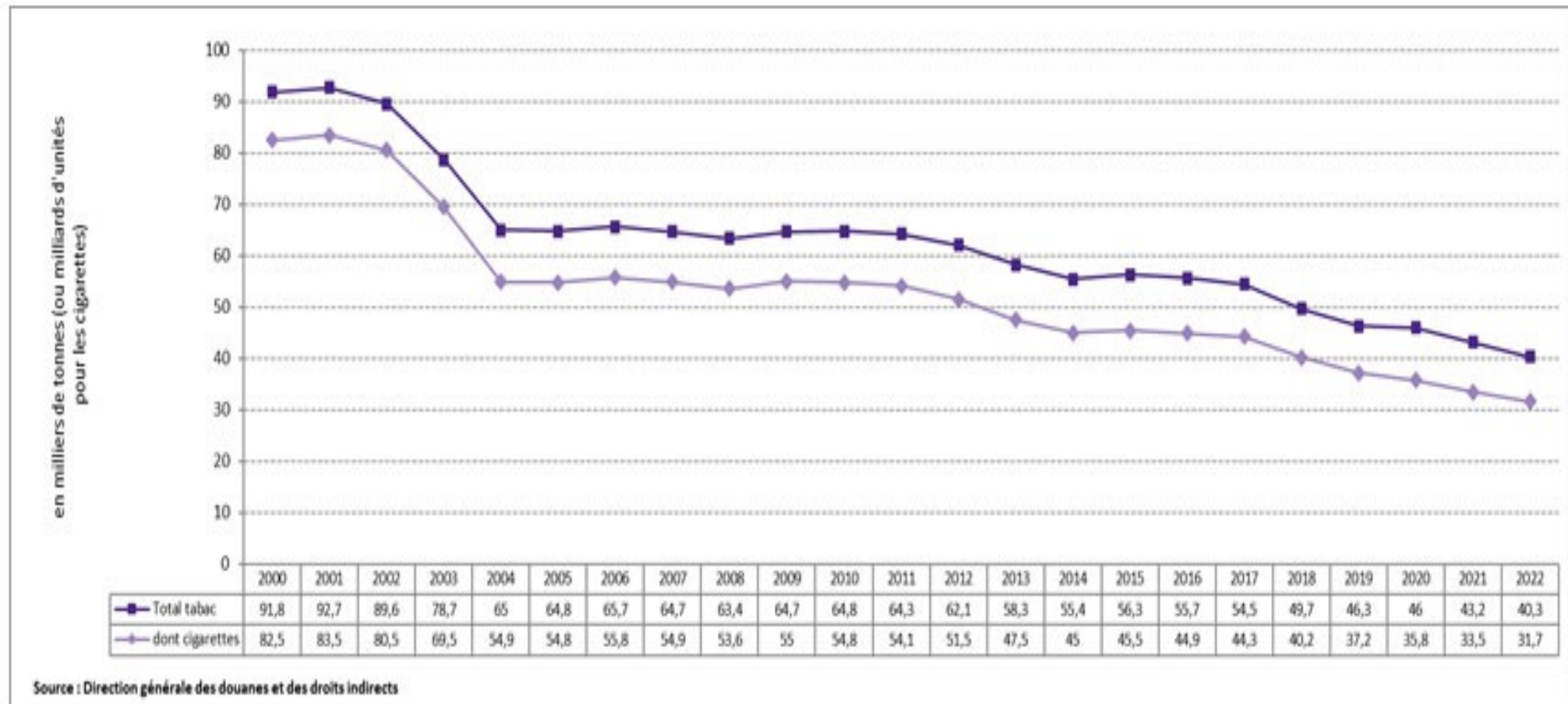
PESTEL analysis of this project

- **First, some data ([OFTD](#))**
- **Sales of tobacco in French shops**
 - 2000 92,000 tons
 - 2022 40,000 tons
 - (Commercial cigarettes 79%, Rolling tobacco 16%)
- Legally imported tobacco (tax drift) 17% ([JSTOR](#))
- Illegally imported tobacco 32% (16.9 billion cigarettes) ([EurActive](#))
- Therefore, Total smoking is probably 80,000 tons
 - Tobacco duty is paid on only half of this
 - Social costs (health) cover all of this

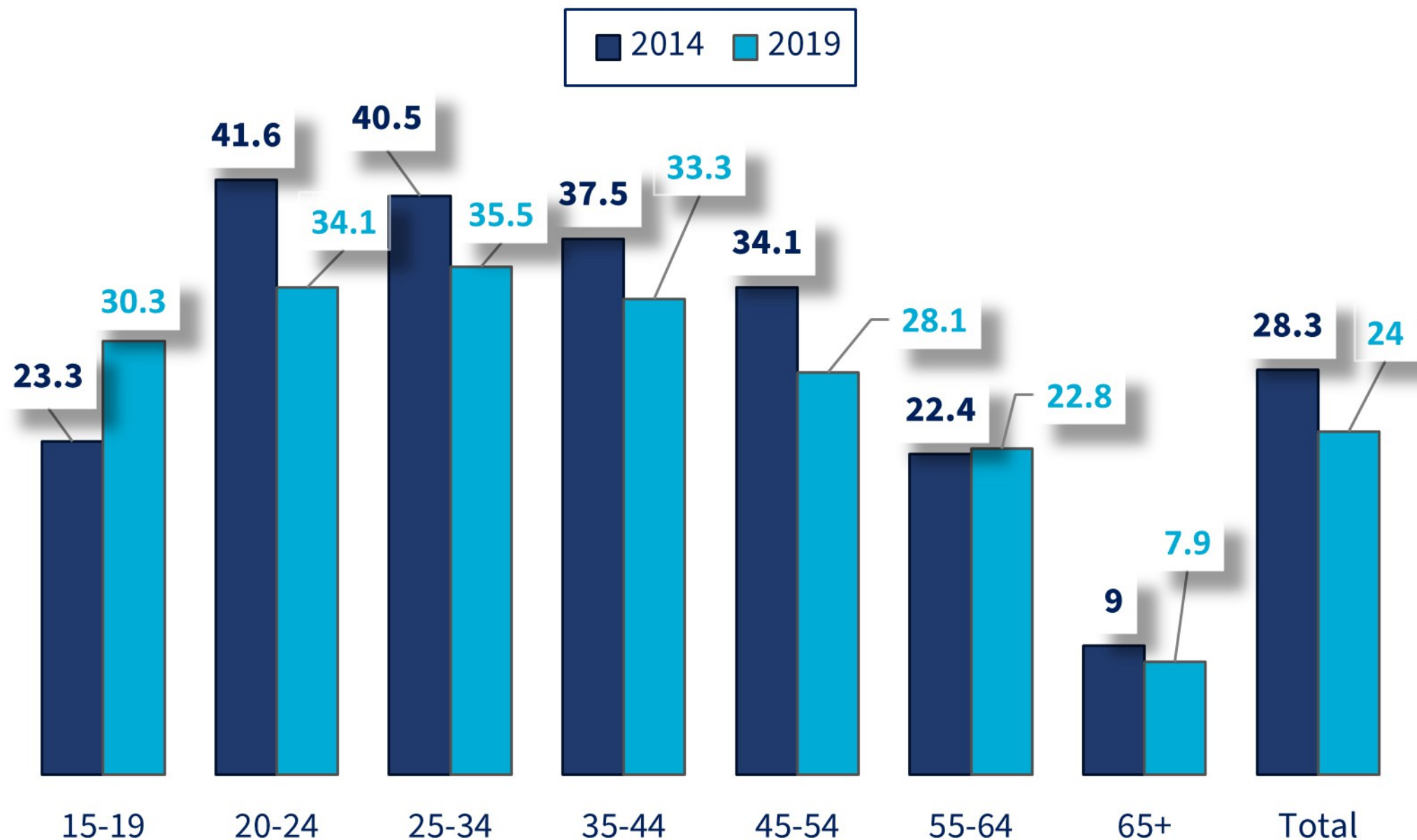
Fiscal revenue and Social Cost

- Data from [EuroNews.Next](#)
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- Tobacco duty revenue 13 billion Euros (*Unsure if VAT is included*)
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- Social cost of smoking 156 billion Euros
- 79,000 lives lost (115,000€ per life)
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- Deficit to France 143 billion Euros

Sales of tobacco (top line) and cigarettes (lower line) from 2000 to 2022 (doesn't include legal and illegal importation)



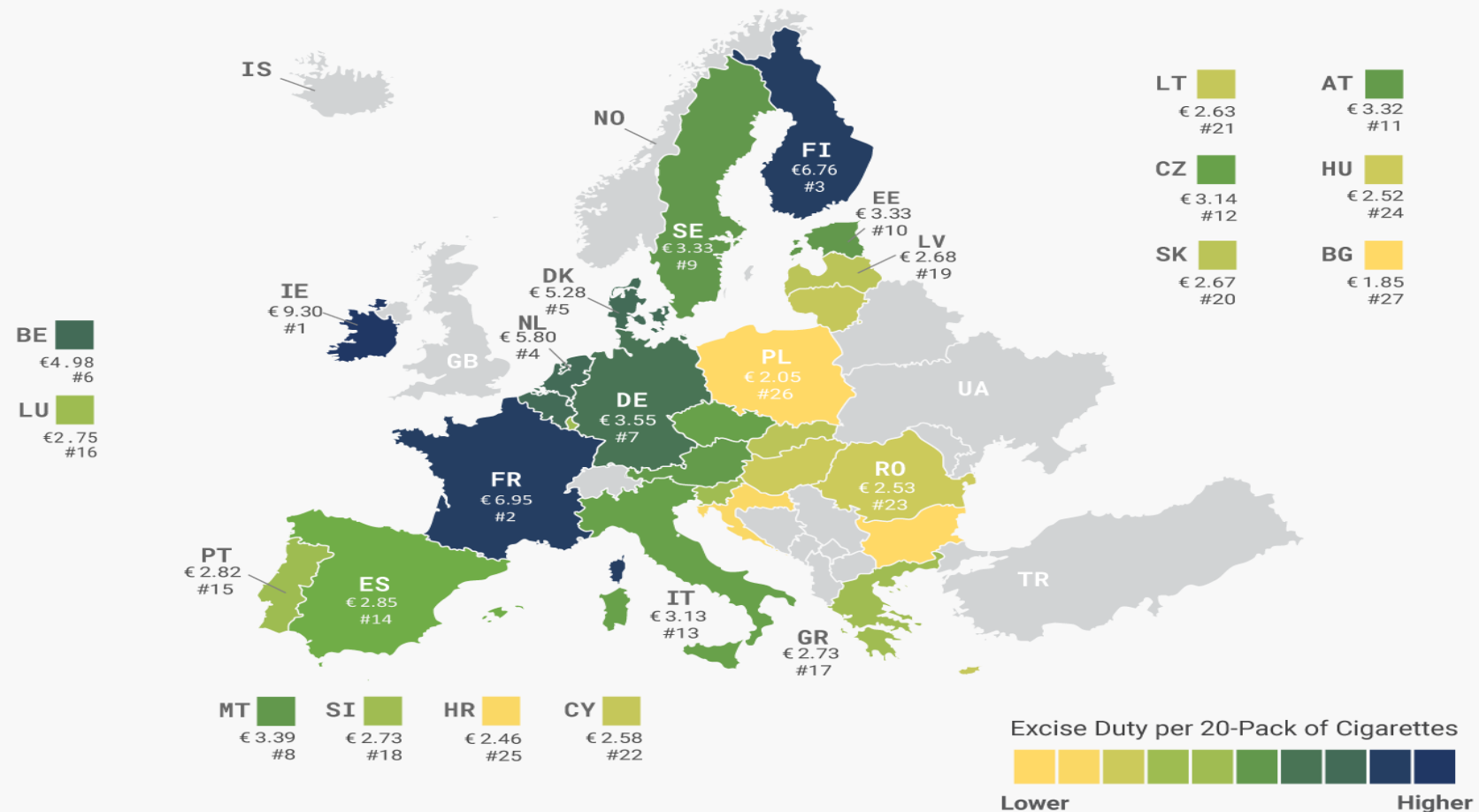
Current smokers (2014-2019) by age group FSFW



French tobacco duty 6€95 (2023) .

Cigarettes taxes in the European Union

Excise Duty per 20-Pack of Cigarettes in Euros, as of July 2023



Source: European Commission, "Taxes in Europe Database."

Tax Drift

- The loss of fiscal revenue due to cross-border shopping since the tax increase amounts to 2 billion euros over the period 2002–2007. Our findings highlight the need for improved coordination of policies aimed at reducing tobacco consumption across European Union countries. *(Lakhdar et al. Does smoke cross the border? Cigarette tax avoidance in France)*

Political consequences

For smokers, the price rise will be unpopular, especially at a time of inflation with increasing prices.

The new rules on non-smoking zones are likely to be highly unpopular. What will the sanctions be?
Non-smokers might be favourable.

About 28% of men smoke
About 23% of women smoke

"Smokers are disproportionately represented among economically disadvantaged groups. Smokers also feel that they are treated unfairly and face a disproportionate tax burden. The French group believed (76%) that governments have failed to take into account the unintended consequences of its approach to tobacco reduction" ([The Parliament, 2023](#))

Economic Consequences

- The Elasticity of smoking is estimated at -0.48 (Gallet, 2003)
- The price increases from 11€14 to 12€ over two years (boiling the frog) = + 3.4% pa.
- Population = 68 million.
- Price increases by 3.4%. Smoking decreases by $3.4 \times -0.48 = 1.63\%$.
- Tax income increases by $3.4 - 1.63 = 1.77\%$
- Increases from 13 billion € to 13.23 billion €
- Social costs decrease from 156 billion € to 153.5 billion €
- Total benefit = 0.23bn + 2.5bn = 2.73 billion €
- *BUT, this doesn't include an increase in legal (tax drift) and illegal purchases from outside France.*

Social Consequences

- Previously, since the elasticity of smoking is -0.48, smoking will decrease by 1.63%
- BUT – Nearly 50% of cigarettes smoked in France are imported (legally or illegally). France has the highest level of illegal imports in Europe.
- Therefore, will the increase in price simply increase imports or actually reduce smoking?
- This looks like 'Boiling the Frog', and does nothing to really deal with the social deficit of 143 billion € (2,100€ per person in France)
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Technological Consequences

- The gradual increase in tobacco duty in France has led to the use of electronic cigarettes (about 500,000 users)
- This led to development of production in France of the cigarette plus the different ingredients to be smoked.
- The new programme will ban disposable vapes (puffs).
- Cost – about 9€. Equivalent to 40 cigarettes.
- The industry will lobby heavily against this, but smoking will probably simply return to the standard electronic cigarette market. Maybe the use of coloured cigarettes (like puffs) will increase.

Environmental consequences

- Tobacco doesn't just negatively impact the health of individuals, it also endangers the health of the environment. E-cigarette and cigarette waste can make its way into the environment where it pollutes water, air, and land with toxic chemicals, heavy metals, and residual nicotine. An estimated 766,571 metric tons of cigarette butts make their way into the environment every year, and according to the Bureau of Investigative Journalism, at least five disposable e-cigarettes are being thrown away every second in the United States, amounting to 150 million devices per year – which together contain enough lithium for about 6,000 Teslas. E-cigarette waste contributes to the already overwhelming issue of general electronic waste: in 2019, Americans generated 6.92 kilotons of consumer electronic waste, including e-cigarette waste, all bound for landfills or incinerators. The total amount of e-waste generated globally in 2019 was 53.6 metric tons, and this number is projected to rise to 74.7 metric tons by 2030. ([Truth Initiative](#)). See also 'NLM. [Butt Really?](#))

Legal Consequences

- What penalties for smoking in new 'non-smoking' zones ?
- The legal results of an increase in illegal imports and better controlling legal imports (1kg / person)
- Controlling cigarettes and e-cigarettes designed for the adolescent smoker market.
- Finding more consensus in the EU on avoiding cross-border importation by harmonising tobacco duty.
- See [proposals](#) from the EU Commission of tobacco policy

Annexe 1

Individual tobacco duties in France

- Period March 1st, 2023 – December 31st, 2023:
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- Heated tobacco sticks: Specific tax of EUR 19.3 per 1000 sticks and ad valorem of 51.4% of the retail value, with a minimum tax of EUR 232 per 1000 sticks
- Cigarettes: Specific tax of EUR 68.1 per 1000 cigarettes and ad valorem of 55% of the retail value, with a minimum excise of EUR 360.6 per 1000 cigarettes
- Other heated tobacco: Specific tax of EUR 19.3 per 1000 sticks and ad valorem of 51.4% of the retail value, with a minimum tax of EUR 232 per 1000 sticks
- Other smoking tobacco (e.g., pipe tobacco) or other heated tobacco used for inhaling: Specific tax of EUR 33.6 per kg and ad valorem of 51.4% of the retail value, with a minimum excise of EUR 145.1 per kg
- Fine cut tobacco: Specific tax of EUR 91.7 per kg and ad valorem of 49.1% of the retail value, with a minimum tax of EUR 335.3 per kg
- Chewing tobacco: Ad valorem tax of 58.1% of the retail value
- Snuff tobacco: Ad valorem tax of 36.9% of the retail value