Vaping products duty consultation

Indirect Tax

Vaping products duty consultation
18 June 2024

At the Spring Budget, the government announced that vaping products duty would be applied to vaping products from 1 October 2026. Following roundtable discussions between government and stakeholders, CIOT responded to this consultation.

Following the Budget announcement about vaping products duty (VPD), aimed at addressing public health concerns about vaping raised by the Department of Health and Social Care, HM Treasury and HMRC published their joint consultation, 'Vaping Products Duty consultation' (tinyurl.com/52wtpt94) on 6 March.

The main aim of the duty is to discourage young people and non-smokers from taking up vaping by applying the highest duty rates to products with stronger nicotine strengths, whilst also balancing a financial incentive for existing smokers to switch to vaping. Accordingly, there will be an increase in tobacco duties at the same time that VPD is launched. This consultation set out proposals for how the duty will be designed and implemented.

Interested stakeholders were invited to attend a series of virtual roundtable meetings during the consultation period, which closed on 29 May 2024. CIOT representatives attended the meetings with other industry representatives and submitted its written response to the consultation.

CIOT's feedback

In our written submission, we said that, broadly, the aims for VPD would be met by the proposals. However, we noted that stakeholders had consistently raised the issue that the addition of duty could increase the attractiveness for consumers to seek out contraband vaping products and smuggled cigarettes. In the roundtable meetings, HMRC said that it would collaborate with border and domestic agencies, as well as the industry itself, to increase safeguards to tackle non?compliance, avoidance and evasion.

We were concerned about the measure to bring into scope individuals who make their own vaping products for home use, especially as one of the aims is to 'ensure that the duty is proportionate to administer for both businesses and HMRC.' We would prefer that VPD applies to businesses only and that VPD should be due on the supplies to such individuals.

We mentioned that we would like to see a light touch approach to penalties for non-deliberate behaviour for a period after the introduction of VPD. The sector will be new to the excise regime and we would like an educational approach taken by HMRC in the early period post-launch.

VPD becomes due early in the supply chain (similar to alcohol and tobacco excise duty), either at the completion of manufacture or when imported into free circulation in the UK, rather than being declarable at retailers. We noted that it appeared possible that retailers could buy in large volumes of stock prior to the duty becoming applicable on 1 October 2026 (industry feedback said this could even be a year's stock), so HMRC may wish to consider whether any anti-forestalling measures should apply.

Further comments can be read in the full response, which is on our website here: www.tax.org.uk/ref1307.

Next steps

There will be further consultation on VPD in due course and the government policy teams are keen to have smaller businesses involved in the conversations. If you have clients in this sector (including retailers), they can contact HMRC at vapingproductsduty@hmrc.gov.uk to request that they are invited to future roundtable meetings.

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