New Nicotine Alliance UK
Registered charity in England and Wales – number 1160481

The Rt Hon James Murray MP
Financial Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London SW1A 2HQ
By email

12th October 2026

Dear Minister,

Vaping Products Duty: lessons from Canada and the need for a formal review

I am writing on behalf of the New Nicotine Alliance (NNA) regarding the introduction of Vaping Products Duty on 1 October 2026.

The New Nicotine Alliance is a registered charity and consumer association representing current and future consumers of low-risk alternatives to cigarettes, such as vaping products, nicotine pouches, snus and heated tobacco. We confirm no conflicts of interest concerning the tobacco, nicotine, or pharmaceutical industries. Many of us have experienced first-hand the benefits of vaping and other low-risk products to escape smoking. We also count public health experts among our board members, associates, and supporters.

The Government is introducing a duty of £2.20 per 10ml of vaping liquid, applying regardless of nicotine strength and including nicotine-free products. The Government has stated that the duty is intended to raise revenue while maintaining a financial incentive to choose vaping over smoking. Before the new duty becomes established, however, we believe the Government should consider carefully the potential unintended consequences of substantially increasing the cost of legal vaping products.

A recent paper by Ian Irvine of Concordia University, *Estimates of the Illegal Vaping Market in Canada (II)*, provides a timely warning. Drawing on Statistics Canada sales data, the paper finds substantial grey-market activity, particularly in provinces with more restrictive taxation and regulation. It also finds that Canada's legal vaping market declined significantly after taxation and regulatory changes, while the number of people vaping did not appear to decline to the same extent.

The Canadian evidence demonstrates why governments should not assume that consumers respond to higher prices and tighter regulation simply by stopping consumption. Consumers can also change where, how and from whom they purchase products.

The author concludes that policymakers need to consider incentives for illegal activity at the tax and regulatory stage, rather than relying solely on enforcement after an illicit market has developed.

The government's own impact assessment explicitly acknowledges that "individuals will respond to higher prices by moving to tobacco products", so this is directly relevant to the UK. The Government is introducing not only a new excise duty but also a new duty-stamping and enforcement regime. The measures may improve enforcement, but they do not remove the underlying economic incentive created when the price of legal products rises.

It is important to note that stop smoking services and NHS trusts will be affected by the extra duty which will impact their budgets. It could also accidentally undermine public health initiatives like the NHS "Swap to Stop" scheme, which utilises vaping as a crucial smoking cessation tool.

Our view somewhat aligns with Action on Smoking and Health (ASH). While ASH supports the introduction of Vaping Products Duty, its own recent guidance acknowledges that the impact of the new tax needs to be carefully monitored. It specifically identifies smoking and quitting behaviour, the price differential between vaping and tobacco, harm perceptions, and the illicit market, as areas requiring evaluation, and says that Treasury, HMRC and the Department of Health should assess whether taxation and regulation create unintended consequences.

We therefore urge the Government to establish a formal review mechanism from the outset, rather than waiting until problems become entrenched. The review should also account for the six-month transitional period during which retailers may continue selling eligible duty-free stock until 31 March 2027. As a result, the full effect of the duty on retail prices and consumer behaviour may not become apparent until after this period. We therefore suggest that monitoring begin immediately, with an initial assessment 12 months after the transitional period ends and a comprehensive review after 24 months. This would allow sufficient time to identify changes in purchasing behaviour, smoking cessation, illicit trade, and government revenues.

The review should monitor, at minimum:

- legal vaping sales and tax receipts;
- vaping and smoking prevalence;
- smoking cessation and switching behaviour;
- retail prices and the price differential between vaping and cigarettes;
- evidence of illicit, counterfeit and cross-border purchasing;
- consumer responses to the duty;
- and regulatory or product workarounds.

A fall in legal vaping sales should not automatically be interpreted as a public-health success. The Government needs to establish whether people have stopped vaping, reduced their consumption, switched to another nicotine product, returned to smoking, or simply moved to unregulated sources.

The introduction of Vaping Products Duty provides an opportunity for the UK to learn from unintended consequences before they occur here. If evidence shows that the duty is undermining switching, encouraging illicit trade or producing substantially lower revenues than anticipated, the Government should be prepared to review and adjust the policy.

Tax policy should be judged not only by what it is intended to achieve, but also by how consumers actually respond to it.

Yours sincerely,

Bernice Evans
Chair, New Nicotine Alliance