

Inquiry into Tobacco Harm Reduction

QoN 007-01 Do you have a view about the tax treatment of nicotine for e-cigarettes?

Response from Prof. Ron Borland

If nicotine for e-cigarettes is treated as a therapeutic good, then it should be treated in the same way as other cessation aids and not taxed. However, if it were to be treated as a consumer good, it should be taxed, but at a meaningfully lower level than for cigarettes to encourage switching. Once cigarettes effectively disappear as a mass-use consumer product (something that is now imaginable, although far from certain as to how we will get there), then raising the tax to a level commensurate with its likely harms would be sensible public policy. As it can be very cheaply produced, there is considerable potential for governments to raise revenue in the longer term and higher prices will help to discourage youth use, but not so high as to encourage a black market.