

The Real Effect of Soaring Tobacco Taxes is Opposite to the One Intended

HASTINGS, HAWKES BAY, NEW ZEALAND, April 26, 2015 /EINPresswire.com/ -- There is a broad rule of thumb that the Treasury is said to work by when it calculates the effects on the excise tax when the price of tobacco is raised. It is that for every 10 percent increase in price that five percent of users are thought to give up smoking. The effect though on the excise is in fact neutral, writes Randal Jackson in [News Sentinel](#)

The New Zealand government take of around \$1.5 billion a year remains unchanged. It is quite unaffected. The methodology may be relatively accurate as to the financial effect. But it is not when it comes to the actual number of smokers giving up.

This is because of the home-grown market. This has become increasingly more attractive to committed smokers as prices annually continue to soar due to increased excise. It is legal for people to grow tobacco for their own use. But it is not legal to sell it to others. An individual can grow and use up to 15kg of tobacco a year provided that it is grown on their own property.

Stories about home-cultivated tobacco have begun to appear in the mainstream media and on the internet. There is the Taranaki mother who claimed that home-grown tobacco was much healthier than the commercially available product which to her was virtually free.

A Southland couple were said to save \$60 a week by growing their own.

In 2012 a Motueka man was fined \$6000 for unlawful manufacture after a Customs raid discovered tobacco leaf that represented under \$2 million in revenue if it had been manufactured.

The grower was supplying the leaf to someone that he knew was in fact unlawfully manufacturing tobacco.

Another man was fined \$1500 for unlawfully manufacturing tobacco with the same Motueka man. It is thought that there are around 50 acres of tobacco growing in the Nelson-Motueka area and that there are around 20 acres growing in Northland.

It is obviously more difficult for the city dweller, given that a tobacco plant will grow to several feet tall. The process itself requires a lengthy period of drying. It is not uncommon though for urban dwellers to short circuit the process by drying the leaf in their kitchen oven.

At a Parliamentary health select committee hearing last year the tobacco industry warned that home grown tobacco would become the next major black market drug that would require government legislation. Fairfax Media reported that that BAT had shown it about 200 grams of home-grown tobacco sold illegally on the black market.

When authorities claim that large numbers of people are giving up smoking because of price increases they need to do more research in order to understand how many people choose instead to switch to home-grown.

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