

E-liquid Products Tax - Impact Assessment

General Description of Measure

A domestic tax on e-liquid products is to be introduced in Ireland mid-year 2025 subject to Ministerial commencement order.

The preferred means of approach would be via a harmonised tax regime for new products, including e-cigarettes, as part of a revision of the Tobacco Products Tax Directive (2011/64/EU), given the importance of harmonisation at EU level and control and movement provisions. However, following the Commission decision not to proceed with a revision of Directive 2011/64/EU, for the moment at least, the Minister for Finance announced in Budget 2024 that he would introduce a tax on e-liquid products in Budget 2025.

The decision to proceed with a domestic tax is primarily on public health grounds and was further influenced by the fact that a significant number of other Member States have already introduced domestic taxes on e-cigarette products. It is understood that at this stage 18 of the 27 EU Member States operate a tax on e-cigarette products based on e-liquid content, with further Member States in the process of introducing a tax.

The proposed structure of the e-liquid products tax in Ireland will be as follows:

- It will apply to all e-liquids (nicotine and non-nicotine containing). This is in line with the approach taken in most other Member States and limits the administrative and operational difficulties for tax authorities given potential tax avoidance issues.
- It will be an excise tax.
- There will be a standard rate of tax per ml of e-liquid. It is noted that some Member States have a higher rate for e-liquids with a higher content of nicotine, but for the moment it is not proposed to take this approach in Ireland.
- As the tax will be per ml of e-liquid, there will be no differentiation in the rate applied between single-use, disposable vapes and refillable cartridges.
- The taxing point will be the first supply of e-liquid in the State.
- As a high excise Member State in relation to tobacco products, and as Ireland has a high e-cigarette prevalence rate in comparison to other EU MS (8% as of 2023), a tax rate of 50 cent per millilitre of e-liquid is proposed.

Policy Rationale

Although e-cigarettes may be used as a smoking cessation aid in some instances, their popularity among young people is a primary public health concern. According to the Healthy Ireland Survey 2023¹, prevalence of e-cigarette usage in the adult population in Ireland has doubled from 4% in 2021 to 8% in 2023. There has been a particular increase in the usage of e-cigarettes among 15-24 year olds, from 4% in 2021 to 18% of this age cohort using e-cigarettes either daily or occasionally in 2023.

A Health Research Board (HRB) review into the use of e-cigarettes found that adolescents who had tried e-cigarettes were between three to five times more likely to begin smoking cigarettes compared to those who had never tried an e-cigarette². In addition, a HSE focus group study on e-cigarette and smoking use among adolescents in Ireland also acknowledged the potential “gateway effect” of e-cigarettes and the growing concern that the variety of e-liquid flavours available are making such products more appealing to young people³. Research by McConnell, et al. (2017) concluded that young people in particular are more at risk from the harms associated with e-cigarettes, particularly in relation to respiratory health⁴.

A paper published by the Royal College of Physicians of Ireland (RCPI)⁵ in October 2023 highlighted the harms caused by vaping and identified youth vaping in particular as a significant public health concern, supported by reports from the US Surgeon General⁶ and the World Health Organisation (WHO)⁷. The paper underlined that many e-cigarette products contain nicotine, a highly addictive substance which can lead to addiction and cause long-

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² O’Brien, D., Long, J., Quigley, J., Lee, C., McCarthy, A. and Kavanagh, P. (2021) “Association between electronic cigarette use and tobacco cigarette smoking initiation in adolescents: a systematic review and meta-analysis”. *BMC Public Health*, 21(1). Available at:

<https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-021-10935-1#citeas>

³ Evans, D.S. & Hickey, P. (2020) “E-cigarette and smoking use among adolescents in Ireland: A Focus Group Study: Report prepared on behalf of the Tobacco Control Operational Unit, Health Service Executive”.

Available at: <https://www.lenus.ie/bitstream/handle/10147/628953/ecigfg%20repdf.pdf?sequence=1&isAllowed=y>

⁴ R. McConnell, et al. (2017) “Electronic cigarette use and respiratory symptoms in adolescents”, *American Journal of Respiratory and Critical Care Medicine*, 195(8), pp. 1043–1049. Available at:

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5422647/>

⁵ Royal College of Physicians of Ireland. “Faculty of Paediatrics Position Statement: Disposable Vapes and Young People” (September 2023). Available at:

https://www.rcpi.ie/Portals/0/Document%20Repository/News/Publications_FPaeds_PositionPaper_DisposableVapesandYoungPeople_October2023.pdf?ver=qS-8VgDDuKsm3iydXaZMVg%3d%3d

⁶ National Center for Chronic Disease Prevention and Health Promotion (US) Office on Smoking and Health.

“E-Cigarette Use Among Youth and Young Adults: A Report of the Surgeon General”. Atlanta (GA): Centers for Disease Control and Prevention (US); 2016. Available at: <https://www.ncbi.nlm.nih.gov/books/NBK538680/>

⁷ World Health Organisation (2020). Departmental News - “E-cigarettes are harmful to health”.

<https://www.who.int/news/item/05-02-2020-e-cigarettes-are-harmful-to-health>

term impacts on brain development, particularly in young people. Additional toxic substances contained in vapes are associated with “increased risk of cardiovascular diseases, lung disorders and adverse effects on foetal development”, and vape usage has been linked to asthma and other substance abuse.

In Ireland, the National Stop Smoking Clinical Guidelines, which were published in 2022, do not recommend e-cigarettes as a smoking cessation aid⁸. As these products have not gone through the same quality and safety checks as licensed stop smoking medicines, such as nicotine replacement therapies, they are not advocated as a cessation method. The WHO published its first global guidelines for smoking cessation in July 2024 and did not recommend e-cigarettes for smoking cessation on similar grounds⁹.

Aside from nicotine, there are health risks associated with the other ingredients contained in e-liquids. A 2022 study determined that propylene glycol, the main component of e-liquid, is harmful to the human respiratory system. In addition, propylene glycol and glycerine can produce toxic compounds if they are overheated¹⁰. Another 2021 study¹¹ on the effects of vaping on lung function concluded that “e-cigarette use fundamentally alters the immunologic and physiologic state of the lungs”.

In applying a tax to e-liquids, it is widely accepted that a balance must be struck in order to ensure that such products are not priced, through the taxation measure, at a level that pushes people into the consumption of traditional tobacco products.

Who will be affected

As part of the proposed legislation, all e-liquid products will be taxed equally, regardless of where they are manufactured. Imported products for sale will be liable to the same tax rate as domestic supplies, a flat rate of tax based on the volume of e-liquid (both nicotine and non-nicotine containing).

⁸ Quigley, J.M. et al. (2021) “Efficacy and safety of electronic cigarettes as a smoking cessation intervention: A systematic review and network meta-analysis.” *Tobacco prevention & cessation* vol. 7 69. Available at: <https://pubmed.ncbi.nlm.nih.gov/34877438/>

⁹ WHO clinical treatment guideline for tobacco cessation in adults. Geneva: World Health Organization; 2024. Available at: <https://www.who.int/publications/i/item/9789240096431>

¹⁰ Komura, M., Sato, T., Yoshikawa, H. et al. (2022) “Propylene glycol, a component of electronic cigarette liquid, damages epithelial cells in human small airways”. *Respir Res* 23, 216. Available at: <https://link.springer.com/article/10.1186/s12931-022-02142-2>

¹¹ Masso-Silva, J.A., Byun, M.K. and Crotty Alexander, L.E. (2021) “Acute and chronic effects of vaping electronic devices on lung physiology and inflammation”. *Current Opinion in Physiology*, 22, p.100447. Available at: <https://www.sciencedirect.com/science/article/pii/S2468867321000729>

The tax will not apply to medicines licenced or authorised by the Health Products Regulatory Authority supplied for the purpose of nicotine replacement therapy.

Commencement

Subject to approval from the European Commission, the tax will commence mid-year 2025.

Legislation

Draft legislation is attached to this submission.

Impacts

Health Impacts

While the primary aim of excise duty is to raise revenue for the Exchequer, there are also additional objectives, including the deterrence of the consumption of harmful products, and the reflection of the external cost placed on society due to the consumption of such products. The health impacts are outlined above.

Economic Impacts

While it is difficult to determine the exact yield the e-liquid products tax will generate, based on the e-cigarette market size in Ireland, revenue generated and the prevalence of e-cigarette products, is estimated that a tax of 50 cent per millilitre of e-liquid will yield €7 million in 2025 and €17 million in a full year. The tax will be subject to a commencement order mid-year 2025, and so a full year yield will not be realised until 2026.

Business Impacts

The measure will have an impact on businesses. The tax is to be applied at the first point of supply in the State and therefore suppliers shall be accountable for and liable to pay the tax. Before an e-liquid product is first supplied in Ireland, the supplier shall (if not already so registered) register with the Irish tax authority, the Revenue Commissioners, in order to pay and file the tax return. This will give rise to administrative burden in terms of filing and paying the tax and keeping required records. However, best practice dictates that these records should be kept and systems will be updated relatively easily to account for the new tax.