

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2014 (P.122/2013): SECOND AMENDMENT (P.122/2013 Amd.(2)) – SECOND AMENDMENT

**Lodged au Greffe on 26th November 2013
by the Minister for Treasury and Resources**

STATES GREFFE

PAGE 2, AMENDMENT (i) –

For paragraph (i) substitute the following paragraph –

- “(i) by the amounts shown below by amending duties on alcohol for the items listed below in the following manner and not as proposed in the Draft Budget Statement –
 - (A) increasing the duty on wines by 3.6% (a decrease of £101,000);
 - (B) increasing the duty on beers and ciders exceeding 2.8% abv but not exceeding 4.9% abv by 3% (a decrease of £85,000);
 - (C) introducing a new lower band of duty on beers and ciders exceeding 1.2% abv but not exceeding 2.8% abv (a nil decrease), with this new band of duty being calculated at 50% of the duty rate for beers in the 2.8% abv but not exceeding 4.9% abv band.”

MINISTER FOR TREASURY AND RESOURCES

REPORT

The Minister for Treasury and Resources cannot accept the amendment put forward by the Connétable of St. Helier. After consultation with officers from the Health and Social Services Department, and following a recent meeting with representatives from the alcohol trade, including both off- and on-licence members, and the Jersey Hospitality Association, the Minister is proposing some amendments to the alcohol proposals put forward by the Connétable.

ALCOHOL

(a) Spirits

The proposed increase on spirits remains unchanged at 11%.

There are strong health arguments for increasing the duty on spirits above the cost of living and these are listed below –

- Market research in the UK links an increased preference for drinking spirits amongst young women, as well as amongst more problematic and higher-risk drinkers.
- UK data looking at alcohol bought for home consumption showed that, while sensible drinkers and increasing higher-risk drinkers were equally likely to buy wine and beer, the increasing and higher-risk drinkers were significantly more likely to buy spirits and liqueurs (39% of sensible drinkers and 47% of increasing and higher-risk drinkers bought these, 59% of increasing and higher-risk drinkers aged 18–34 were likely to buy spirits to drink at home).¹
- Spirits are the type of drink most frequently consumed by young women aged 16–24 years – averaging 37% of total weekly consumption – with vodka, which is odourless and tasteless, the most popular amongst them.²
- A local survey³ showed that 10% of the Jersey adult population prefer to drink spirits. This was not prevalent in the 16–24 age-group (23% of 16–24 year-olds). In the age-group of 25–34 year-olds it was 12%, and for those aged 75 and over it was 11%.
- The Jersey Health-Related Behaviour Survey has also shown that, since 1996, spirits, followed by pre-mixed spirits, have been the most popular drink for 13–14 year-old females (Year 10) who drink alcohol.⁴
- Deaths from pancreatic cancers have recently been shown to be linked to drinking spirits rather than beer or wine.⁵

¹ *Public Perceptions of Alcohol Pricing – Market research report, Jacquie Carnejee, Jacki Squires, Tanya Parkinson, November 2010*

² *NHS Statistics on Alcohol: England 2011*

³ *2008 Jersey Annual Social Survey, Jersey Statistics Unit*

⁴ *A picture of Health Jersey 2010, Health Intelligence Department, Public Health*

⁵ *2011: Association of alcohol intake with pancreatic cancer mortality in never-smokers. S.M. Gapstur et al. Archives of Internal Medicine 171,5 444-451*

(b) Beer/Cider

Following a proposal from representatives of the licensing trade, the Minister has decided to introduce a new lower duty rate band for low-alcohol beer in the banding range 1.2% abv to 2.8% abv. (Any alcohol below 1.2% abv is not liable to impôts duty.) This is in line with a similar decision taken by the UK Government in March 2011. The new rate will be set at 50% of the current weaker beer rate –

- £15.21 per hectolitre for beer produced by a small brewery (the rate of duty in this band will be 8.5p per pint);
- £30.41 per hectolitre for the standard beer rate (the rate of duty in this band will be 17p per pint).

At the present time importation of such beers is low. The introduction of this band range, however, will allow local traders to take advantage of the lower duty rate as production of these types of beers increases, and more brewers start selling beer/lager with lower alcohol contents.

In relation to weaker beers/ciders, the Minister proposes to reduce the proposed increase from 5% to 3%. This will result in a 1p increase in duty on a pint of beer, down from the 2p originally proposed. The overall impact of the decrease will be a reduction in the 2014 estimated income on weaker beers/cider of £85,000.

The proposed increase on beers exceeding 4.9% abv remains unchanged at 11%.

(c) Wines

The proposed increase on wines will reduce from 7p to 5p. The duty increase, therefore, is reduced from 5% to 3.6%. The overall impact of the decrease will be a reduction in the 2014 estimated income on wines of £101,000.

The total estimated increase in income for alcohol for 2014 will now be £1,068,000.

(d) Working Group

As a result of the meeting with the alcohol trade, it has been agreed that a separate working group will be set up so that, in future, the industry will work with the States and come up with plans and actions on alcohol-related issues.

(e) Summary

In summary, therefore, the Minister for Treasury and Resources' proposals for alcohol in the 2014 Budget are as follows –

- 11% increase on spirits
- 3% increase on beer/cider exceeding 2.8% abv but not exceeding 4.9% abv

- 11% increase on beer/cider exceeding 4.9% abv
- the introduction of a new band of duty for beer/cider exceeding 1.2% abv but not exceeding 2.8% abv (this new rate will be set at 50% of the 2.8% abv but not exceeding 4.9% abv band)
- 3.6% increase on all wines.

TOBACCO

The Connétable states that the numbers on consumption, revenue, imports and duty-free use do not support huge daily increases as a kind of stand-in social policy on tobacco use. No reference is made to the impact that smoking has on health. Again, it is appropriate to refer to the Medical Officer of Health, who has recently stated –

“We continue to have significantly high rates of lung cancer and of head and neck cancers (the majority of which are smoking related) compared with the South West region of England. The Cancer in Jersey independent report from the National Cancer Intelligence Network, published in summer 2013, attributes Jersey’s high rates of these cancers to the legacy of high rates of smoking, originating from an era when cigarettes were very cheap. We are beginning to see some improvement in the figures of smoking related cancers, thought due to the combined efforts to drive down smoking rates in our existing tobacco strategy, coupled with effective fiscal measures such as impôts increases”.

There are approximately 200 smoking-related deaths in Jersey every year, and the cost to the health service, let alone the individuals and their families and friends, is considerable.

As far as higher duty-free sales are concerned, it is apparent from evidence provided by officers from the Customs and Immigration Service that increasingly, passengers are importing cigarettes in excess of their duty-free allowance. There is still no evidence or intelligence, however, to indicate that commercial smuggling of tobacco is taking place.

In addition, it is not possible to verify the results of the Channel Islands Tobacco Importers and Manufacturers Association’s survey which indicated that 41% of cigarettes consumed in Jersey come from duty-free sources. Publication of the Channel Islands Competition Regulatory Authority’s report on the tobacco market is expected imminently.

FUEL

The proposed 2% increase on fuel will result in a 1p increase on duty on a litre of unleaded petrol. Taking into account that there has been no increase in duty on fuel for the last 2 years, and only one increase of 2p per litre in the last 5 years, it is considered that this increase is very modest. States Members might be interested to know that the recent Guernsey Budget increased the duty on fuel by 5%, which followed on from a 1.5% increase in the 2013 Budget.

Financial and manpower implications

There are no manpower implications. The financial implications are self-explanatory – this amendment to the amendment of the Connétable of St. Helier would lead to a £186,000 decrease in income from duties on alcohol in 2014.