

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2022– 2025 (P.90/2021): TWENTY-FOURTH AMENDMENT

LOWER INCREASE TO ALCOHOL DUTIES

**Lodged au Greffe on 30th November 2021
by Corporate Services Scrutiny Panel**

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2022–2025 (P.90/2021): TWENTY-FOURTH AMENDMENT

1 PAGE 2, PARAGRAPH (a) –

After the words “Article 9(2)(a) of the Law” insert the words –

“, except that the 2022 Estimate for Impôt Duties Total shall be decreased by £231,000 by increasing the Impôt Duties for Spirits, Wine, Cider and Beer at 1% under RPI, with the relevant figures for 2022 in Appendix 2 – Summary Table 1 updated in line with the following table, and subsequent figures updated accordingly –

	2022 Estimate (£000)
Impôt Duties Spirits	7,364
Impôt Duties Wine	9,211
Impôt Duties Cider	842
Impôt Duties Beer	6,299

“

2 PAGE 2, PARAGRAPH (f) –

After the words “of the Report” insert the words –

“except that the Head of Expenditure for the General Reserve shall be reduced by £231,000 to accommodate a drop in States income caused by increasing the Impôt Duties for Spirits, Wine, Cider and Beer by 1% under RPI”.

CORPORATE SERVICES SCRUTINY PANEL

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2022 – 2025 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2022 as set out in Appendix 2 – Summary

Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, except that the 2022 Estimate for Impôt Duties Total shall be decreased by £231,000 by increasing the Impôt Duties for Spirits, Wine, Cider and Beer in line with RPI, with the relevant figures for 2022 in Appendix 2 – Summary Table 1 updated in line with the following table, and subsequent figures updated accordingly –

	2022 Estimate (£000)
Impôt Duties Spirits	7,364
Impôt Duties Wine	9,211
Impôt Duties Cider	842
Impôt Duties Beer	6,299

;

- (b) to approve the Changes to Approval for financing/borrowing for 2022, as shown in Appendix 2 – Summary Table 3 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;
- (c) to approve the transfers from one States fund to another for 2022 of up to and including the amounts set in Appendix 2 – Summary table 2 to the Report, noting that the transfer from the Consolidated Fund to the Technology Fund is subject to the Assembly’s approval of a proposition to create such a Fund in 2022, in line with Article 9(2)(b) of the Law;
- (d) to approve each major project that is to be started or continued in 2022 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (e) to endorse the efficiencies and other re-balancing measures for 2022 contained in the Government Plan as set out in Appendix 2 Summary Table 6 and reflected within each gross head of expenditure in Appendix 2 – Summary Table 5(i);
- (f) to approve the proposed amount to be appropriated from the Consolidated Fund for 2022, for each head of expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary

Tables 5(i) and (ii) of the Report, except that the Head of Expenditure for the General Reserve shall be reduced by £231,000 to accommodate a drop in States income caused by increasing the Impôt Duties for Spirits, Wine, Cider and Beer by 1% under RPI;

- (g) to approve up to £480 million to be appropriated from the Consolidated Fund for the Past Service Pension Liabilities Refinancing head of expenditure, subject to the availability of funding, which may include, in full or in part, use of the borrowing/financing referred in paragraph (b);
- (h) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2022 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (i) to approve the proposed amount to be appropriated from each States trading operation's trading fund for 2022 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 8 to the Report;
- (j) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2022 as set out in Appendix 2 – Summary Table 9 to the Report;
- (k) to approve an amendment to the policy of the Strategic Reserve Fund to enable that Fund to be used as a holding Fund for any or all monies related to the repayment of debt raised through external financing, with the monies used to offset the repayment of debt, as and when required; and
- (l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2022-2025, as set out at Appendix 3 to the Report.

REPORT

Introduction

1. This Government Plan 2022-25 proposes to freeze Alcohol Duty on all strengths of beer and cider whilst increasing the duty on all wines and spirits by 5%. This amendment seeks to level this increase across all alcohol in order to keep the duty broad simple and fair. The Panel is sympathetic to the impact that this will have to parts of the Island's economy recovering from disproportionate impact of the pandemic, as such believes that a rise of 1% below June 2021 inflation should be implemented.
2. If adopted this amendment will be enacted legally through amendment of the Draft Finance (2022 Budget) (Jersey) Law 202- (P.100/2021).

Summary

3. As highlighted in the Government Plan, when determining excise duties on alcoholic beverages the Council of Ministers consider the overall financial and economic position as well as the advice from public health officials. Alcohol duties can be identified as a way to address costs of alcohol-related harm by both raising revenue and reducing consumption.¹
4. Alcohol Duty was frozen in 2021, and as such a 3% to 6.5% would be in line with inflation in 2022.² The Government Plan 2020-2023 indeed introduced above inflationary increases to higher strength drinks (up to RPI+10.9%).³
5. In a public hearing with the Corporate Services Scrutiny Panel (the Panel) the Minister for Treasury Resources indicated that that the exclusion of beer and cider "had to be compensated for, so hence the increase in wine and spirits".⁴ The Minister was not able to explain why it had been decided that beer and cider should continue to be frozen. When questioned on the potential impact on the hospitality sector the Minister opined that the effect would be negligible.
6. However, the Jersey Hospitality Association has, in a submission to the Panel, expressed concern on the target above inflation increase in excise duty, indeed highlighting that it may encourage individuals to purchase cheaper Duty-Free spirits reducing the amount of revenue the Government can expect.⁵
7. The Panel is conscious that any increase in Alcohol Duty will impact upon those selling and consuming, yet it is also aware of the need to weigh up the balance of revenue raising, economic support and public health measures.

¹ Institute of Alcohol Studies and Alcohol Health Alliance UK (AHA), September 2020 [online] [retrieved 23.11.2021] available from: <https://committees.parliament.uk/writtenevidence/12554/default/>

² [Fiscal Policy Panel 2021 Annual Report, page 29](#)

³ [Government Plan 2020-23, page 163](#)

⁴ [Transcript - Corporate Services Government Plan 22-25 Review - Minister for Treasury and Resources - 12 October 2021, page 39](#)

⁵ [Submission - Government Plan Review 2022-25 - Jersey Hospitality Association - 12 November 2021](#)

8. As such the Panel has proposed a reduction in the planned 5% increase in duty on wine and spirits, and a halt to the freeze of duty on beer and cider to bring a level Alcohol Duty increase which is 1% under the Retail Prices Index (RPI) inflation to June 2021 of 3.5%, introducing a rise of 2.5%.⁶
9. The Panel has been informed that this amendment, if adopted, would amount to a decrease of £213,000 revenue being raised. Although slight, this decrease will act as additional economic assistance to those sectors hit most by the pandemic, for example hotels, restaurants and bars which saw a 45% contraction of the Gross Value Added in 2020.⁷ This negative outlook for the hospitality sector can be seen in the September 2021 Business Tendency Survey, for whom profitably and future business activity is pessimistic.⁸

Conclusion

10. The Panel believes that amending the Government Plan 2022-25 to include a level increase in Alcohol Duty will aid in keeping taxes low, broad, simple and fair. It is sympathetic to the potential impact upon the hospitality sector of any increase in Alcohol Duty, the Panel also believes that specifically targeting wine and spirit drinkers is unfair. The Panel therefore believes that an increase of 1% under RPI is a reasonable compromise between revenue raising, public health and economic support.

Financial and manpower implications

The Panel has been advised by the Treasury and Exchequer Department that this amendment will decrease income from Alcohol Duties by £231,000 which is to be met by reduction of allocation to the General Reserve.

There are no manpower implications.

⁶ [RPI June 2021 Report, Statistics Jersey](#)

⁷ [Fiscal Policy Panel 2021 Annual Report, page 9](#)

⁸ [Business Tendency Survey, September 2021, page 16](#)

Appendix 1 – P.100/2021 Amd.

DRAFT FINANCE (2022 BUDGET) (JERSEY) LAW 202- (P.100/2021): AMENDMENT

1 PAGE 30, ARTICLE 22 –

- (1) In paragraph (2), for “£22.30” substitute “£21.77”.
- (2) In paragraph (3), for “£44.56” substitute “£43.50”.
- (3) In paragraph (4), for “44.56” substitute “£43.50”.

2 PAGE 30, ARTICLE 23 –

For the table substitute –

<i>“Strength of wines</i>	<i>Rate per hectolitre of wine</i>
Wines exceeding 1.2% volume but not exceeding 5.5% volume	£84.83
Wines exceeding 5.5% volume but not exceeding 15% volume	£224.79
Wines exceeding 15% volume but not exceeding 22% volume	£296.37
	<i>Rate per litre of alcohol</i>
Wines exceeding 22% volume	£43.50”.

3 PAGE 30, ARTICLE 23 –

After Article 23 insert –

“24 Excise duty: beer

- (1) Paragraph 3 of Part 2 of Schedule 1 is amended as follows.
- (2) In sub-paragraph (a) (beer produced by a small independent brewer) –
 - (a) in paragraph (i), for “£17.24” there is substituted “£17.67”;
 - (b) in paragraph (ii), for “£34.46” there is substituted “£35.32”;
 - (c) in paragraph (iii), for “£64.14” there is substituted “£65.74”.
- (3) In sub-paragraph (b) (other beer) –
 - (a) in paragraph (i), for “£34.46” there is substituted “£35.32”;
 - (b) in paragraph (ii), for “£68.92” there is substituted “£70.64”;

- (c) in paragraph (iii), for “£128.26” there is substituted “£131.47”.

25 Excise duty: cider

- (1) Paragraph 4 of Part 2 of Schedule 1 is amended as follows.
- (2) In sub-paragraph (a) (cider produced by a small independent cider-maker) –
 - (a) in paragraph (i), for “£17.24” there is substituted “£17.67”;
 - (b) in paragraph (ii), for “£34.46” there is substituted “£35.32”;
 - (c) in paragraph (iii), for “£64.14” there is substituted “£65.74”.
- (3) In sub-paragraph (b) (other cider) –
 - (a) in paragraph (i), for “£34.46” there is substituted “£35.32”;
 - (b) in paragraph (ii), for “£68.92” there is substituted “£70.64”;
 - (c) in paragraph (iii), for “£128.26” there is substituted “£131.47”.

26 Excise duty: other alcoholic beverages

In paragraph 5 of Part 2 of Schedule 1, for “£42.44” there is substituted “£43.50.”,

and renumber the subsequent Articles accordingly.

CORPORATE SERVICES SCRUTINY PANEL