

CITIMA,
chris@directinput.ie

3 November 2023.

Deputy Sam Mézec,
Chair
Corporate Services Scrutiny Panel

Dear Deputy Mézec,

Proposed Government Plan 2024-2027 Review

Thank you for the opportunity to submit these comments which I hope will assist you and your panel during your review of the Proposed Government Plan.

My client CITIMA is made up of local companies and international businesses that manufacture and import tobacco products to the Channel Islands. CITIMA's members comprise Fox Trading, Liberation Group, BAT, Imperial Tobacco Ltd and Japan Tobacco International.

As we have stated on previous occasions, CITIMA remains concerned at the excessively high level of impot duty set out in the Proposed Government Plan and are firmly of the view that the policy of above inflation increases has gone beyond the point of diminishing returns.

CITIMA contends that the use of excise duty as a means of encouraging adults to cease, reduce or not start smoking does not achieve its aim and that it should be replaced with a more considered approach using a predictable escalator which would preserve returns to the Treasury without significantly penalising smokers.

Furthermore, CITIMA argues that if the Treasury continues to use RPI to set the rate, it should link to the lower RPIx figure, as Guernsey does, as it will be fairer while still supporting the Government's stated aims.

CITIMA remains concerned that despite raising the issue of the inflationary effects of excise duties for the last two years, no study has been carried out. We would also raise this point with the panel: the treasury team does not carry out modelling exercises to test how its revenue raising measures affect businesses, the economy and ordinary islanders.

CITIMA Representation to the Treasury Team

The Association was invited to make a submission to the Treasury Minister in May. In that document, we argued that despite measures put in place to help meet the significantly higher

living costs, many islanders were struggling against the pressures of higher prices across the board.

Since we made that submission, the Fiscal Policy Panel gave an update to the Minister¹ stating that while inflation had started to fall, it was doing so at a slower rate than had been expected. It warned that with Jersey's tight labour market, wage inflation could keep inflation higher for longer. This echoed the point the Panel made in 2022, that the impact of inflation would be more drawn out in Jersey than elsewhere.

It is also worth noting that in its July 2022 Special Report, the FPP said that the large inflation increases would be challenging for many households 'especially for those where it outstrips wages, which the Panel predicts will be the case on average.'²

It is CITIMA's view that attaching duty increases to substantially higher rates of inflation will drive more smokers to purchase tobacco products from more affordable channels and increases the risk that the expected returns will not be reached.

We made the point that a further increase in duty on tobacco and other items would not only put pressure on household budgets, but also contribute to slowing the rate at which inflation is falling. Given the pressure on household budgets, surely it is time to exercise restraint and pause all plans to increase duty rather than repeat last year's significant increase in excise duty on tobacco.

Other Income Raising Proposals

The Government Plan does not contain many new ideas, but it does state that future revenue raising streams will be explored. CITIMA argues that while consideration is being given to those, the Government should seek to safeguard current excise duty and not risk reduced returns by continuing to have unprecedented increases.

One of the new measures being considered is collecting excise duty from e-cigarettes. Vaping plays a new and vital role in public health policy aimed at reducing the number of people that smoke tobacco. It is a reduced risk product but both Jersey and Guernsey lack the regulation needed to ensure that the market operates appropriately and responsibly.

CITIMA shares widely held concerns about the number of young people who are vaping and is supportive of legislation that mirrors much of what the UK already has in place. Currently, only Jersey has a ban on selling vapes to people under the age of 18. There are no other regulations in place in either island.

¹ [Updated Economic Assumptions](#) – 26 July 2023

² [Jersey's Fiscal Policy Panel Medium Term Report July 2022](#) – Page 41.

There is currently a debate about banning categories of vaping products and the Association believes that efforts should be switched to developing regulations that mirror UK laws first and that those are introduced at the same time in Jersey and Guernsey.

CITIMA members are also supportive of the introduction of low-level excise duty on vaping products, as this would provide a consistent source of revenue that would replace duty on tobacco as more smokers switch to vaping as they have done in countries such as Sweden which this year announced its Smoke-Free status³.

Therefore, CITIMA argues that while aligning legislation in Jersey and Guernsey should be the first step, excise duties on tobacco products should be set at a more reasonable level and that work is carried out to bring forward a low-level of excise on vaping products that will act as an additional revenue stream as the duty collected on motor fuel and tobacco decline. It may be of interest to the panel to note that the Guernsey Budget 2024⁴ includes a proposition to introduce a levy on disposable vapes.

Thank you for the opportunity to submit these comments. I would welcome further discussion at a time convenient for you.

Your sincerely,

Chris

**Chris Rayner,
On behalf of CITIMA.**

³ [Smoke Free Sweden 2023](#)

⁴ [Guernsey Budget 2024](#) - para 2.44, page 30.