

Corporate Service Scrutiny Panel – Review of the Proposed Budget 2025-28

Following last year’s freeze on alcohol duties, continuing the freeze on alcohol duties in 2025.

Yes, continue, good for the consumer.

Following last year’s freeze on fuel duties, continuing the freeze on road fuel duties in 2025.

Yes, continue, good for consumers. The Council strongly supports avoiding increasing these duties further due to the current cost of living in Jersey, as these measures directly impact consumers at the point of sale.

Increasing duties on tobacco products by 8.6% which is the sum of the forecasted June 2024 Retail Price Index (RPI) of 3.6% and an additional 5% escalator.

The Council believe this is of benefit for Jersey consumers’ health.

- Support increasing duty payable on tobacco products as it has no economic impact on the majority of consumers, and some potential health benefits for those who do and may be persuaded to quit.
- The [2023 Jersey Opinion and Lifestyle Survey](#) found that 52% of Islanders have never smoked, another 33% used to but have given it up, and just around 14% still smoke.
- Overall, the majority of consumers would be unaffected by an increase in tobacco duty, with just one in seven Islanders regular or occasional smokers. That rate has decreased by around a third over the last decade, and the trend will likely continue in future.
- This might be the right move at this time, but as the number of smokers continues to decrease, the government may not want to rely on this too closely and explore other revenue-raising opportunities in future.
- In its own budget report (page 30), it states: “Tobacco duty has seen large fluctuations since the Covid-19 pandemic, with changing consumer behaviours and remains challenging to forecast. The 2025-2028 forecast across alcohol, tobacco and fuel relies upon long-term consumption trends.”
- One thought was that perhaps do not increase by the incendiary 5% escalator - if penalising smokers, encourage them with GST free health club activities.

Subjecting cigars to an increase of 11.6% in line with existing policy to close the gap between duty charged on cigars and cigarettes.

As with tobacco duty on the whole the Council thinks this would benefit Jersey consumers' health.

Increasing Vehicle Emissions Duty of the three highest emission bands by 5%,10% and 20% for non-commercial vehicles.

The Council feel that this will penalise the less well-off consumers who cannot afford a newer vehicle and have to use their vehicles for work due to expensive public transport.

Increasing Vehicle Emissions Duty by the forecasted RPI (3.6%) across all bands for commercial vehicles with the exception of Restricted Speed Agricultural Tractors VED rates, which will not be increased in 2025.

The Council are worried that this will penalise consumers indirectly even though it is a banded approach.

- As VED is only charged when a vehicle is first registered in Jersey, the impact on the consumer will only be felt when purchasing new cars – a luxury which many people won't be able to afford.
- The Council see that there two ways of looking at this:
 - If you can afford to purchase a new vehicle that has never been registered in Jersey before (for personal or business use), an additional few percent may not make a big difference.
 - Is there a risk that consumers and small business owners become “priced out” of being able to purchase new vehicles, and instead opt to keep their existing (potentially less reliable) vehicles on the road for longer? This could lead to motorists having to pay more in fuel by keeping less-efficient vehicles on the road for longer and goes against the lowering of emissions aim.
- If the proposed increase is tiered and only applies to the top three emissions bands and won't apply to agricultural vehicles the Council could support this – JCC caution on potentially applying VED increases to agricultural/commercial vehicles in future giving a knock-on impact of businesses passing the costs on to consumers (as we've seen with Condor's freight prices).

Does the government have any figures on how many vehicles in these affected bands are imported each year and eligible to pay VED?

Excise duty relief for craft spirits producers through the creation of a new category of relief for small producers and increasing the maximum volume that can be produced by the small producer from 10,000 litres of pure alcohol over five years to 40,000 litres annually to qualify for the lower rate.

The Council believe this would be good for consumers and will promote small business growth.

Second-hand Bicycle Margin Scheme which will extend the GST regulations already applied to second hand motor vehicles to pedal and electric bicycles (GST will be based on their value added).

The Council had conflicting views on this. Some members believe that this is not good at all for the average Island consumer.

Others believe that simplifying the GST legislation for second-hand bikes seems sensible, applying the same rule to pedal/electric bikes that is in place for second hand motor vehicles.

To cap reclaimable expenditure on home construction at £1 million for the GST refunds for the DIY Home Builders Scheme.

- From what the government has said in the budget (page 34), this seems like it would be sensible to close this loophole which is currently allowing high-value properties to be developed, and GST refunded on building costs.
- I wonder if the government has any stats on how many would-be homebuilders would be affected by this? If a £1 million cap was introduced, how many properties would still be eligible?
- How will it be determined what is DIY and what is development for sale or resale?

Fuel Duty Replacement Policy (future tax measures under consideration)

The Council believe that fuel duty should not be increased.

- Replacing fuel duty and expanding tobacco duty to vaping products seem like sensible evolutions of the existing taxes.
- The government says the shift away from fossil fuel-powered vehicles could see the Treasury take a potential hit of £26 million, while still having the cost of road maintenance and improvement to fund.
- A Road User Charge might be a fair way to do this, possibly scaling proportionally depending on the type of vehicles being used. (Cyclists paying less than car owners, who pay less than van owners, who pay less than HGV owners etc.)

Taxing Vaping Products (future tax measures under consideration)

The Council believe that future tax measures are needed for vaping products.

- Could some of this tax be used to help with education, prevention and quitting?
- Similarly, while more consumers are giving up smoking tobacco for vaping, the government should ensure its tax policies are applied fairly and in a way that doesn't dissuade people from giving up smoking

On Premises Retail Alcohol Sales: 'Tap Relief' (future tax measures under consideration)

The Council believe that Tap Relief should be considered.

The Council are generally in favour of increasing tax on alcohol for health reasons, however a big portion of the money raised should be ring fenced for support and prevention policies.

The Council is mindful that the average islander currently consumes more alcohol than residents of any other nation in the world, except one - consuming 12 litres of pure alcohol (8.1 pints of beer or 2.6 bottles of wine every week), with more people being admitted to hospital than the UK average and one in six crimes investigated by Jersey Police linked to alcohol.

Instead of offering relief to certain producers, the potential future introduction of Tap Relief might be a better way of reforming this area. Currently, Islanders are taxed less if they were to bulk-buy wines and spirits from an off-licence and sit at home drinking than they would be and order the same at a bar or pub.

The Council are also mindful that bars, nightclubs and pubs are on the decline and need help they are businesses and employ islanders.

Tap Relief might bring costs for consumers down (provided it is passed on), it may improve the economic outlook for pub owners and the island's nighttime economy and help to deter our current unhealthy lifestyle. Perhaps in a social setting, people may feel more aware of their surroundings and less prone to binge-drinking.

Review of International Services Entities (ISEs)

ISEs pay an annual fee to base themselves in Jersey but do not have to pay or charge GST on their services. It may be worth exploring whether additional revenue can be raised by multinational organisations choosing to base themselves in Jersey? That way they could contribute to the Island which their business benefits from?