

STATES OF JERSEY



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

**Presented to the States on 2nd December 2013
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

Deputy S.S.P.A. Power of St. Brelade has indicated his wish to amend the amendment lodged by the Connétable of St. Helier to the Draft Budget Statement 2014 (P.122/2013) by not increasing the impôts duties on alcohol, tobacco and fuel. The impact of this amendment, if successful, would be a reduction in income of £3,119,000.

The Minister for Treasury and Resources strongly opposes this amendment.

Alcohol

The Deputy states that the Health and Social Services Department is used as an excuse to raise levels of duty on alcohol. That is not correct.

In deciding duty increases on alcohol, consultation takes place with the Ministers for Health and Social Services, Economic Development and Home Affairs, as well as other members of the Council of Ministers. In reaching agreement on proposed increases, the following is taken into account –

- (i) the economic interests of the Island;
- (ii) the impact on the Island's hospitality industry;
- (iii) the impact upon consumers of alcohol within the Island as a whole; and
- (iv) concerns for public health.

Having taken these factors into account, the current Alcohol Policy states that –

“in an attempt to reduce per capita consumption of alcohol, impôts duties on alcohol (may) be increased annually over and above the level of inflation if deemed advisable”.

In discussions with the Medical Officer of Health, it has been clearly indicated that alcohol consumption in Jersey is causing damage to the Island's society, health and economy. In particular –

- Jersey has the highest alcohol consumption per capita compared with UK and European neighbours.
- The local death rate for conditions caused by alcohol consumption is TWICE as high as the average rate in England.
- The local death rate for Chronic Liver Disease, much of which is caused by alcohol, ranks among those of the worst deprived areas of England.
- The local rate of admission to hospital for alcohol-related conditions is second only to that in the North-East region of England and higher than everywhere else.
- A high proportion of crime in the Island, including domestic violence, is linked with excessive alcohol consumption.

- The Jersey Annual Social Survey (JASS) has shown that a quarter of Jersey adults who drink alcohol report their consumption at the ‘hazardous’ level – that is over 8 units of alcohol daily for men, or 6 units per day for women. These self-reports are probably underestimates, partly because of lack of understanding about how much constitutes a unit of alcohol in higher strength beers and wines and larger glasses of the latter.

It is also the Medical Officer of Health’s view that the raising of impôts duties on alcohol is one contribution that fiscal policy can and should make towards reducing the consumption of alcohol.

Health is not the only reason for increasing duties on alcohol. Alcohol-related crime continues to be an issue, and particularly that related to domestic abuse. The ‘Building a Safer Society’ 2012 annual report stated that 11% of recorded crime was linked to domestic abuse, and that the States of Jersey Police attended 1,048 domestic incidents in 2012. Over half of all domestic incidents involved alcohol. The Minister for Home Affairs has been quoted as follows –

“... alcohol remains an issue. While consumption has fallen, it is still higher than other similar places and remains a factor in many domestic incidents and night time assaults”.

As a result of the Minister for Treasury and Resources’ amendment to the Connétable of St. Helier’s amendment, the duty increases in relation to alcohol are as follows –

- £1.27 on a litre of spirits
- 6p on a pint of beer exceeding 4.9% abv
- 5p on a bottle of wine
- 1p on a pint of standard beer
- At the request of the alcohol trade, the introduction of a new lower duty band for low alcohol beers/ciders between 1.2% abv and 2.8% abv has been proposed. This will result in a duty rate of 8.5p per pint for beers brewed by a small brewery and 17p per pint for all other beers.

It is the view of the Minister for Treasury and Resources and the members of the Council of Ministers that these increases cannot be considered excessive.

In addition to the above, it is relevant to point out that, following a recent meeting with representatives from the alcohol trade, agreement has been reached to set up a States/Industry working group that, in future, will work together and come up with plans and actions on alcohol-related issues.

Tobacco

In his amendment, Deputy Power states that impôts on tobacco products has fallen dramatically. That is not correct. In 1995 the impôts collected on tobacco was approximately £7.8 million. That figure has risen steadily over the years and in 2012 the duty collected totalled approximately £15.8 million. The Medium Term Financial Plan estimated that in 2013 the duty yield from tobacco would be approximately £14 million. The Customs and Immigration Service has recently reported that this estimate is likely to be achieved. Importations of tobacco on which duty is collected has declined over the years, down from approximately 198,000 kilos in 1995 to

approximately 61,000 kilos in 2012. From a health perspective that is considered a positive thing, and particularly as revenues have continued to increase. It is worth pointing out that in 2012, quantities of tobacco put to duty actually increased by 18% on the 2011 figure. That is the first time that this has occurred since 1996.

The CITIMA survey conducted in August 2013 stated that 41% of cigarettes consumed in Jersey came from duty-free sources. At this stage it has not been possible to verify this figure. It is known, however, that officers in the Customs and Immigration Service continue to encounter passengers importing cigarettes in excess of their duty-free allowance and take action accordingly. (During 2011/2012, 1,100 tobacco duty-free infractions were identified by Customs Officers; and to the end of September 2013 there had been 455 such instances in 2013. In that sense, therefore, Customs Officers are being proactive in identifying such passengers. Officers in the Customs and Immigration Service continue to report that there is neither evidence nor intelligence which suggests that commercial tobacco smuggling is taking place.

It is not clear to the Officers in the Customs and Immigration Service what is meant by Deputy Power's comment that: "There are now well developed and sophisticated routes for personal importation of tobacco product that may be legal or illegal".

In relation to a duty-free shop at the Elizabeth Terminal, it is not the role of the Treasury to be either encouraging or discouraging duty-free sales at the harbour. If the Ports of Jersey wanted to pursue this opportunity in the future, then that would be a matter for them, and the issue could be considered by the Council of Ministers in the same way that the airport duty-free shop was considered.

There are certain logistical issues to be overcome at the Elizabeth Terminal, should the issue be given serious consideration in the future. In particular –

- it would have to be located sea-side
- how would car passengers get access to the shop? (it would be a serious health and safety issue to have car passengers walking in a restricted area to get access to the duty-free shop in the Elizabeth Terminal whilst waiting to embark their departing vessel).

As far as duty increases on cigarettes are concerned, Deputy Power is correct in stating that they have more than doubled since 2000. The duty increase proposed for cigarette/tobacco in the 2014 Budget is not unusually high compared to previous years. Previous double digit increases have occurred in the following years –

2000	14.3%
2002	15.6%
2003	13.5%
2011	11.1%
2012	10%
2013	13.2%
2014	11%

If you take the overall average yearly increase for cigarettes since 2000, then the percentage increase is approximately 9.2% per year. Again, this is an indication that the duty increase proposal for cigarettes for 2014 is just slightly above the average for the last 15 years.

Fuel

Deputy Power states that “the ordinary family unit that comprises “middle Jersey” is being asked to accept almost a 10% increase in fuel charges”. This is not correct. The duty proposal for fuel is a 1p per litre increase, 2% in percentage terms. This is a very modest increase when you take into account the fact that there have been no increases in fuel duty for the last 2 years and only one increase of 2p per litre in the last 5 years. Deputy Power has previously made comparisons to Guernsey in his amendment, and 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. The proposed increase on fuel will increase the duty on a litre of unleaded petrol in Jersey to 44p. In Guernsey, the duty is 49p per litre and in the UK it is 58p.

Deputy Power states that with the increase, it will mean that the Minister for Treasury and Resources will take almost 60% of the price charged at the forecourt! The price data used in the draft 2014 Budget statement related to the pricing as at the end of the second quarter of 2013. At that time, even if the proposed duty increase is taken into account, the duty/GST percentage of the price was calculated at 40%. Comparisons with Guernsey and the UK showed that the figure was 42% and 60% respectively.

Deputy Power makes reference to the establishment of a duty-free fuel outlet on property adjacent to the Harbour so that fuel could be sold to vehicles leaving Jersey. Such sales would be contrary to the Excise Duty (Relief and Drawback) (Jersey) Order 2000. The Minister for Treasury and Resources could amend the Order so as to allow this, but it would probably be prudent to obtain approval for such a course of action from the States Assembly. Any such fuel sales, however, have to be marked with an appropriate marker to signify that the fuel came from duty-free sources.

This marker is permanent. Should vehicles be subject to Customs checks in either the UK or France, and be found to be using such duty-free fuel on French/UK roads, then they would be likely to face prosecution in the country concerned. On that basis, it is likely that there would be little take-up for such an initiative.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

The Minister apologises to the Assembly for the lateness of these comments, which was due to extra work being done to make sure that these were as useful as possible to all States Members.