CITIMA,
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15th October 2025

Dear Deputy Stephenson,

CITIMA Submission to Proposed Budget 2026-2029 Review

Thank you for your letter and for the opportunity to set out CITIMA's comments and views on the proposed Budget.

For clarity, this letter is sent on behalf of my client CITIMA (the Channel Islands Tobacco Importers and Manufacturers Association), whose members comprise Fox Trading, Liberation Group, BAT and Imperial.

Our comments will focus on the two areas identified in your letter:

- Increasing duties on tobacco products by the sum of growth rate of June 2024 RPI and an additional 5% escalator.
- Introduction of a new excise duty on all vaping fluid at a rate of £0.20 per millilitre.

We made a submission to the Treasury Minister ahead of the publication of the Budget report to set out the argument that stable returns from excise duty can be achieved if a predictable escalator of no more than RPI+5% was in place, and concluding that she should be in a position to consider all sides of the argument.

I was informed that CITIMA's submission had not been considered as the Government of Jersey could not engage in aspects of tax policy with representatives of the tobacco industry as set out in the Framework Convention on Tobacco Control (FCTC). A set of the guidelines the government is following has now been published.

In parallel with CITIMA's submission to the Treasury Minister, the Association was invited by Revenue and Treasury to engage with them over the proposed vape tax which we were able to do.

1. Current tobacco duties

CITIMA has long argued for restraint when considering increases in excise duty, a point made even more important with the increase in costs in all households. Although it has been reassuring to see that the annual change in the Retail Prices Index was on a downward trajectory, there is some uncertainty on whether that will continue.

In its Economic Outlook May 2025[1], the Fiscal Policy Panel reported that an expected increase in the UK's Consumer Prices Index is likely to have knock-on inflationary effects in Jersey, with higher import costs feeding through to push prices up alongside the increase in underlying inflation during Q1 2025. As CITIMA observed last year, the rising cost of living remains a cause for concern among many ordinary island households and with the Bank of England anticipating higher food inflation, consumers are likely to see higher grocery bills due to factors beyond our government's control.

Alongside continued global volatility, it is a concern that the FPP is predicting a period of elevated inflation for 2025 and 2026, and that it won't be until 2027 that inflation returns to more moderate levels. Furthermore, the transition to the living wage is placing upward pressure on prices generally across the island as wages rise across the economy in response and higher costs are passed on.

In previous submissions, CITIMA has made the point that a further increase in duty on tobacco would not only put pressure on household budgets but also contribute to slowing the rate at which inflation is falling. Given the continued pressure on households, we argued that it was time to exercise restraint and review any plans to increase duty.

Figure 1, taken from the latest Jersey Opinions and Lifestyle Survey[2], shows that the proportion of adults who smoke has remained largely unchanged. CITIMA believes that the upward trajectory of excise duties in recent years is not having the desired effect of reducing smoking prevalence among the adult population.

Percent of responses	2014	2015	2016	2017	2018	2019	2020	2022	2023	2024
I have never smoked / I don't smoke	48	50	47	52	53	53	53	50	52	54
I used to smoke occasionally but don't now	15	14	14	13	17	13	14	16	15	13
I used to smoke daily but don't now	19	17	20	19	15	20	15	19	19	20
I smoke occasionally but not everyday	5	6	6	5	5	5	5	5	4	4
I smoke daily	14	12	13	11	10	11	13	10	10	9
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Figure 1, Percentage of adults who smoke. Source 2024 Jersey Opinions and Lifestyle Survey

The pandemic indicated how much the Treasury loses as adult smokers switch to more affordable channels. In 2022 revenue from tobacco duty dropped by the £11.9m (46%)[3] when travel resumed following the lifting of Covid-19 restrictions. Although the accompanying

[1] FPP Economic Outlook May 2025 – pages 21 & 22
[2] 2024 Jersey Opinions and Lifestyle Survey - https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/Jersey%20Opinions%20and%20Lifestyle%20Survey%20report%202024.pdf

[3] States Annual Report and Accounts, Impôt Duties page 88.

report notes that it is "*difficult to precisely separate the impact of duty free products and public health policy on the consumption of duty paid tobacco products*," the financial loss to the States of Jersey Group Accounts was, and remains, significant. Following consistently high increases in excise duty on tobacco, we felt that it was time to safeguard income by not disproportionately increasing duty levels. The latest States of Jersey Group Accounts[4] show that tobacco was the only category that generated more revenue income than had been estimated. The prudent course of action, we argued, would be to preserve that income as far as possible.

Therefore, we recommended that the proposed budget follow a predictable escalator of RPI+5%.

2. Rates of smoking

CITIMA has consistently argued that increasing duty in line with the health policy aim of reducing the prevalence of smoking has not worked. Although the volume of tobacco imported, along with other goods, has declined over an extended period (Figure 2.), receipts from impôt duties have remained consistent, which suggests a level has been reached which the government can reliably predict. Straying further upwards in setting that rate will push more people who do smoke to choose alternative ways of sourcing products, and that is reducing the long-term revenue that the government receives from tobacco sales.

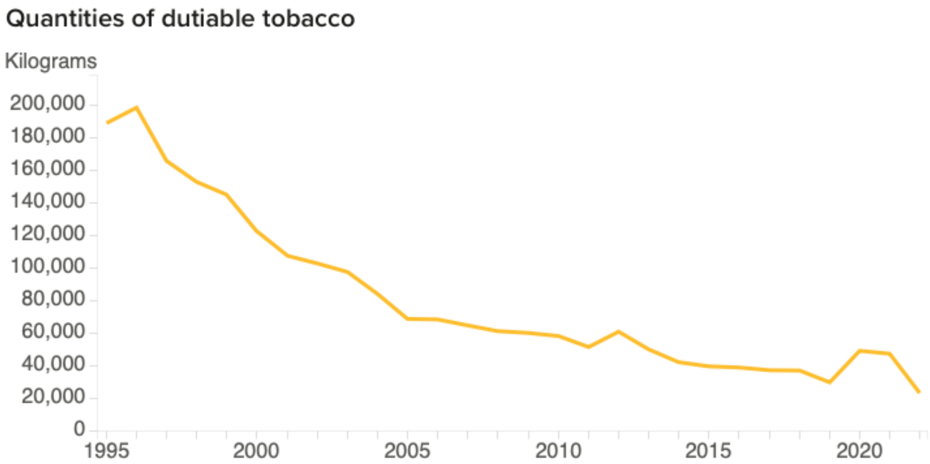

Figure 2, Quantities of dutiable tobacco imported, thousands of kilograms, 1995-2022. Source: Jersey Customs and Immigration Service.

Further evidence that the policy of excessive increases in excise duty is not working was illustrated in the Jersey Health Profile 2022 (Figure 3) which showed the number of adults that smoke daily or occasionally has had no meaningful change since 2018[5].

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[4] States of Jersey Group 2024 Annual Accounts and Statements page 144.

[5] Jersey Health Profile 2022, page 89. https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/Jersey%20Health%20Profile%202022.pdf

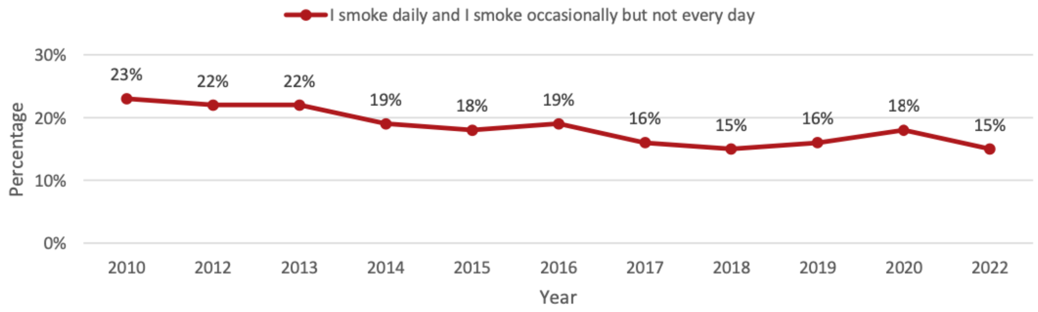

Figure 3, Percentage of adult who smoke daily and smoke occasionally but not every day (2010 – 2022)
Source: Jersey Health Profile 2022.

It is worth noting that the burden of paying tobacco duty tends to fall on those who can least afford it. Figure 4 below illustrates that people who work in manual and routine occupations are ranked as the highest proportion of smokers at 29%.

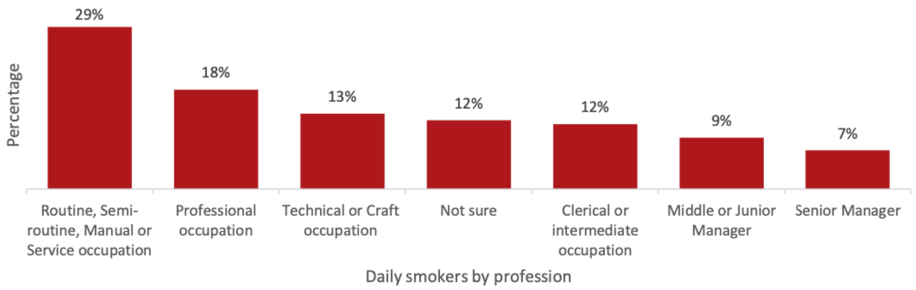

Figure 4, Prevalence of daily smoking by profession (2021)
Source: JOLS 2022.

CITIMA made the point that a substantial proportion of smokers who buy duty-paid tobacco products are from lower socio-economic groups and will be more likely to seek opportunities to buy from other sources where the price may be on average 50-60% lower. As more consumers are incentivised to buy from other sources, the revenue from duty-paid tobacco products will decrease and the Customs team will need to devote more resources to prevent abuse.

3. Excise Duty on Vaping Liquids

Vaping has made a positive contribution to public health in Jersey, enabling many smokers to switch to a reduced-risk alternative to smoking. CITIMA welcomed the proposal to impose duty on vaping liquid from April 2026. The Association believes the modest level of 20p per ml is appropriate for the market.

We have also argued that keeping a gap between the duty paid on tobacco and the duty paid on vaping liquid should be maintained, but that difference should be clear and consistent in future. While the stated aim of taxing vaping is to deter young people from using vapes, it should not rise to such a level that it's no longer seen as a viable alternative for smokers.

We would argue that if the duty on tobacco increases at a reasonable and sustainable rate, the duty on vaping remains modest enough to help people make the switch without being disproportionately penalised.

One area that we have sought clarity on is whether Jersey and Guernsey will follow the UK's tax stamp system for collecting duty. We are told that the CAESAR system in Jersey and the GEMS system in Guernsey will be used and that there are no plans to implement tax stamps on vaping products. The industry would wish to avoid a situation where it must produce separate packaging for the Channel Islands market and supports the plan to use the current duty collection systems.

4. Summary

Finally, as we always state, tobacco duty is a stable source of income for the government, with revenue used across all areas of spending. However, estimated revenues remain uncertain and while a steadier increase in revenue was predicted in the 2025 Budget (see Figures 5 and 6 below), the estimates in the 2026 Budget show that those returns were by no means guaranteed.

£'000	2025 Estimate	2026 Estimate	2027 Estimate	2028 Estimate
Impot Duties				
Tobacco	17,764	17,804	17,861	17,995

Figure 5, Summary Table 1 - States Income.
Source: Budget 2025-2028

£'000	2026 Estimate	2027 Estimate	2028 Estimate	2029 Estimate
Impot Duties				
Tobacco	16,033	15,874	15,777	15,632
Vaping	467	955	955	955

Figure 6, Summary Table 1 - States Income.
Source: Budget 2026-2029

The predictable escalator of RPI+5%, as set out in the Proposed Budget, does provide greater certainty, especially when combined with the proposal to introduce a modest tax on vaping from April.

Your sincerely,

Chris Rayner,
On behalf of CITIMA.