

MINISTRY PAPER

REVENUE MEASURES – F/Y 2010/2011

1. This Honourable House is being requested to take note of the following revenue Measures for the Fiscal Year 2010/2011.

2. Increase in the Special Consumption Tax (SCT) on Alcoholic Beverages

a) The Honourable House will recall that in the 2009/2010 Budget, the various ad valorem Special Consumption Tax rates on Underproof Distilled Spirits increased from 16%, 21%, 22% and 24% to 25%. The ad valorem SCT on Overproof Spirits and Wines, Cordials and Liqueurs had then remained unchanged at 30% and US\$0.40 per litre, respectively.

b) Studies have shown that the ad valorem SCT charged on alcoholic beverages severely distorts competition within the local alcoholic beverage sector, frustrates responsible drinking efforts and unfairly penalizes the beverages that have, by far, the lowest alcohol content.

c) It is being proposed to apply a single specific SCT rate based on the alcohol content at the rate of \$960.00 per litre of pure alcohol for the following alcoholic beverages:

Beers and Stouts, Wines (including beverages commonly known as Tonic Wines) Cordials, Liqueurs, Vodka, Whiskey, Brandy, Gin, Underproof and Overproof Rum (excepting White Overproof Rum).

d) A special regime will be put in place to maintain the existing SCT rate of US\$0.40 per litre on Wines, Cordials and Liqueurs imported directly or taken out of bond by **only** hotels/resort cottages registered with the Tourist Board, processed through the Tourist Board and using procedures set by the Commissioner of Customs.

e) White Overproof Rum will attract a specific SCT rate of \$450.00 per litre of pure alcohol which is the equivalent of the current 30% ad valorem SCT. In other words, there will be no increase for White Overproof Rum.

This measure is expected to yield \$618 Million. The effective date for implementation is December 1, 2010.

3. Increase in the Additional Stamp Duty (ASD) on Certain Alcoholic Beverages

It is also being proposed that the current multiplicity of ASD rates on Brandy, Whiskey, Gin and Vodka be changed to a single ad valorem rate of 35%

This measure is expected to yield \$54 Million. The effective date for implementation is December 1, 2010.

4. Reform of Tax Structure on Tobacco Products

In the 2008/2009 Budget the tax structure on tobacco related products was reformed by eliminating some of the ad valorem tax types and have them incorporated within one rate of Special Consumption Tax. The 2008/2009 reform resulted in the following:

- a) Elimination of the Additional Stamp Duty and ad valorem SCT on cigarettes.
- b) Increase in the specific tax from \$2,300 to \$6,000 per 1,000 sticks, and remit 20% of the tax revenues to the National Health Fund (Note that on January 1, 2010 the SCT was increased to \$10,500.00 per 1,000 sticks).
- c) Elimination of the excise duty, because the tax revenues had been shifted into the specific tax.

The 2008/2009 reform only applied to cigarettes containing tobacco and cigarettes containing tobacco substitutes. Cigars, cigarillos and cheroots were not affected by that reform and this created a loophole in the law, as cigarettes could be imported under the guise of *inter alia* cigars, cigarillos and cheroots.

It is being proposed that in order to plug the loophole created by the different tax treatments on tobacco related products, that a uniformed tax treatment should be applied. Cigars, cheroots and cigarillos of tobacco and tobacco substitutes will now attract the same tax treatment as cigarettes.

This measure is expected to yield \$100 Million. The effective date for implementation is December 1, 2010.

SUMMARY OF REVISED REVENUE MEASURES

Increase in the SCT on Alcoholic Beverages	\$M
	618
Increase in the ASD on Certain Alcoholic Beverages	54
Reform of Tax Structure on Tobacco Products	<u>100</u>
Total	<u>772</u>



Audley Shaw, MP
Minister of Finance and the Public Service
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APPENDIX I

Table 1: Potential Effects on Prices of Selected Alcoholic Beverages Under Reform

Category/Product	Current Price per Bottle	Pack Size by ml	Alcohol By Volume (ABV)	Volume in litre of LPA per Bottle	New Proposed LPA	SCT Per Bottle	New Tax per bottle	Potential tax difference per bottle
Rums: Under Proof								
Appleton Estate Rum 750m	\$1,190.00	750	40.0%	0.30	960.00	\$210.79	\$288.00	\$77.21
Beers and Stouts								
Red Stripe Light	\$116.67	275	3.6%	0.01	960.00	\$18.69	\$9.50	-\$9.18
Red Stripe	\$108.33	341	4.7%	0.02	960.00	\$16.81	\$15.39	-\$1.42
Heineken	\$116.67	275	5.0%	0.01	960.00	\$18.69	\$13.20	-\$5.49
Guinness	\$116.67	275	5.0%	0.02	960.00	\$18.69	\$17.16	-\$1.53
Dragon Stout	\$108.33	248	6.5%	0.02	960.00	\$16.81	\$17.86	\$1.05
Tonic Wine								
Magnum	\$125.00	200	16.5%	0.03	960.00	\$7.14	\$31.68	\$24.54
Mandingo	\$125.00	200	10.5%	0.02	960.00	\$7.14	\$20.16	\$13.02
Sanatogen	\$134.09	175	15.0%	0.03	960.00	\$6.24	\$25.20	\$18.96
Stones	\$170.00	200	14.5%	0.03	960.00	\$7.14	\$27.84	\$20.70
Red Label Wine	\$116.67	200	13.7%	0.03	960.00	\$7.14	\$26.30	\$19.17
Wincarnis	\$160.00	200	17.9%	0.04	960.00	\$7.14	\$34.37	\$27.23
Rum Creams Liqueur								
Baileys Irish Cream Orig	\$1,175.00	750	17.0%	0.13	960.00	\$26.76	\$122.40	\$95.64
Mud Slide	\$173.31	200	15.0%	0.03	960.00	\$7.14	\$28.80	\$21.66
Wray & Nephew Rum Cream	\$135.57	200	15.0%	0.03	960.00	\$7.14	\$28.80	\$21.66

Source: Compiled by the Taxation Policy Division using data from various reta: