Alcohol Taxation in Jamaica

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Overview of Jamaica

• Current population is approximately **2.7 million people**.

• Based on our history, we are an **alcohol producing island**, and our alcohol producing companies employs many Jamaicans

• **Eighteen (18) years** is the legal age for drinking.

• We produce rum product with content of **63%**, light beers content **3.7%**

• In **1991**, General consumption Tax (GCT) and Special Consumption Tax (SCT) replaced several duties and taxes
Overview of Jamaica

• A mixed tax system exists which includes direct and indirect taxes. However, indirect taxes are more utilized.

• SCT an indirect excise tax is levied on the following items: petroleum products, motor vehicles, tobacco and alcoholic beverages
Overview of Jamaica

• Prior to 2010 tax was not be applied to tonic wines.
Consequences of Alcohol Consumption

• Alcohol is a major risk factor for a number of noncommunicable disease such as cardiovascular diseases, diabetes and cancers (e.g., mouth, liver, prostate oesophagus, etc.) and motor vehicle accidents.
## Chronology of Alcohol Taxation

<table>
<thead>
<tr>
<th>Implementation Date</th>
<th>Specific SCT Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective December 1, 2010</td>
<td>$960 per LPA for inter alia Beer &amp; Stouts and $450 per LPA for White Overproof Rum.</td>
</tr>
<tr>
<td>Effective June 1, 2012</td>
<td>$960 per LPA for inter alia Beer &amp; Stouts and <strong>White Overproof</strong> Rum but $700 per LPA for alcoholic beverages for Tourism.</td>
</tr>
<tr>
<td>Effective April 22, 2014</td>
<td>$1,120 per LPA for all Alcoholic Beverages</td>
</tr>
<tr>
<td>Effective March 13, 2017</td>
<td>$1,230 per LPA for all Alcoholic Beverages</td>
</tr>
<tr>
<td>There has been no update to the taxes since 2017</td>
<td></td>
</tr>
</tbody>
</table>
The reform in 2010 on alcoholic beverage taxation focused on alcohol content rather than class of beverages and utilizes specific rather than ad valorem SCT rates.

A rate of $960 is placed on Pure Alcohol.

An SCT rate of US 0.4 per litre in wines, cordial and liqueurs imported, directly or taken out on bond by hotels, villas or registered cottages.
Reforms on Alcohol Taxation

• In 2010 the multiplicity of additional Stamp duty on brandy, whiskey, gin and vodka will be changed to a single ad valorem rate of 35%. Expected to generate 54 million at the time

• White overproof will have a specific SCT rate of $450 per litre of pure alcohol (LPA) equivalent of 30% ad valorem
Reasons for Alcohol Reforms

The existing ad valorem SCT charged on alcoholic beverages had:

• Frustrated responsible drinking efforts and unfairly penalized beverage with relatively low alcohol content (beer).

• Severely distorted competition within the local alcoholic beverage sector.
Reforms on Taxation

- A single Specific SCT rate for alcoholic beverage in Jamaica came into effect April 22, 2014.
- From 2010 to 2017, the increase was 28%
- From 2014 to 2017, the increase was roughly 9.8%
- Fiscal year 2020 - 2021 SCT* collection was approximately $28 billion
## Current Alcohol use in Children and Adult by age group

<table>
<thead>
<tr>
<th>Age (Years)</th>
<th>Prevalence (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-24</td>
<td>40.4</td>
</tr>
<tr>
<td>25-34</td>
<td>51.4</td>
</tr>
<tr>
<td>35-44</td>
<td>47.2</td>
</tr>
<tr>
<td>45-54</td>
<td>41.8</td>
</tr>
<tr>
<td>55-64</td>
<td>33.4</td>
</tr>
<tr>
<td>65-74</td>
<td>25.3</td>
</tr>
<tr>
<td>75+</td>
<td>14.6</td>
</tr>
</tbody>
</table>
Alcohol usage by Parish

• The parishes with the most alcohol usage are St. Elizabeth at 52% a major producer of alcohol is located in that parish).

• Kingston 50%, St. Andrew 49%, St. Thomas at 47% and St. Ann 59%, which is a major tourist destination.

• The prevalence of current alcohol use declined by 23% points between 2008 to 2017.

• There has been a 7.4 percent point or 14.1% decline in prevalence of current alcohol usage among 13-15 year old between 2010-2017.
Current Outlook on Alcohol Taxation

• In 2015, we have earned revenue in the amount of JMD$10 billion or USD 65.3 million
• In 2020, revenue fell to JMD$9.6 billion due to COVID-19
• In 2022, we earned JMD$11.8 billion or US$76.4 million.
Challenges

• The private sector – alcoholic beverages subjected to lower taxes erodes its volume and the market was depressed.

• One product (alcohol) is heavily taxed and a substitute is found (tonic wines)

• With the increase in taxation illicit trade will become more prevalent
Challenges continued

• Jamaica has a large informal sector and a large grass root population that consumes alcohol. Thus our tax system need to be geared toward reaching the informal sector.

• The economy of Jamaica produces rum and, the culture of its people is to celebrate with rum. Alcohol is a part of the tourism product of Jamaica and tourism industry is a large contributor to our GDP.

• We should be practicing health in all policies, but health related issue are normally channelled to the respected authority within the country.
Benefits of Taxes

• Business owners (shops and bars) reported a **reduction in sales** and a change in consumption patterns. Persons have opted for tonic wines instead.

• Taxation on alcohol **reduce health risk** and expand fiscal space for Universal Health Coverage.
Benefits

• Increased revenues for government to be utilized in areas of social services.
• The NHF in Jamaica receives 5% from SCT on Alcohol which goes towards the provision of medication for persons with chronic conditions.
Conclusion

• Prevalence of alcoholic consumption is high among youths

• Alcohol consumption has major implication on healthcare provision as negative externalities such as accidents, cancers, etc.

• Further increases can be done but it must be factored into the existing economic condition.
Thank You