TAX STRATEGY GROUP

GENERAL EXCISE DUTIES (TOBACCO, ALCOHOL, BETTING AND OTHERS)

INTRODUCTION

1. This paper examines those non-environmental excise duties which apply in the State. It outlines the rates that have applied and the revenue yielded from excise duties in recent years. It also examines trends in consumption of excisable products. It considers both new and ongoing social, economic and political issues which may affect excise yields or consumption of the products on which excise duties apply. The paper also puts forward revenue raising options from excise duties. Finally the paper considers new potential excise duties which may be considered to fulfil a social or economic role. The paper is divided in to four sections:
    - A. Tobacco Products Tax
    - B. Alcohol Products Tax
    - C. Betting Duty
    - D. Sugar-Sweetened Drinks Tax

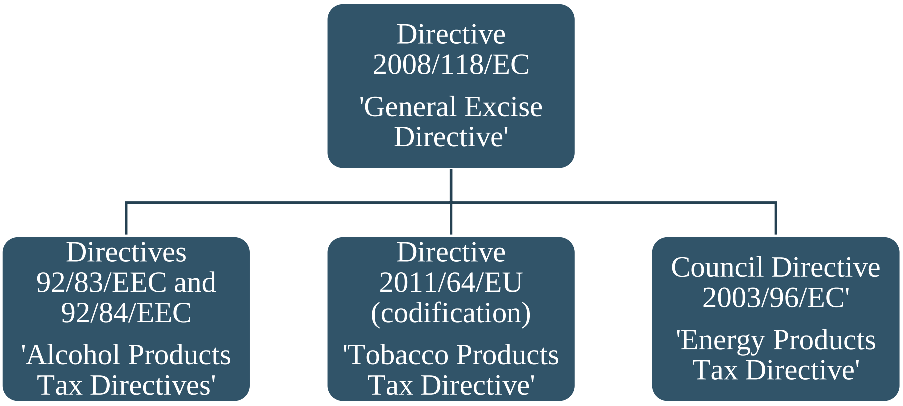
POLICY APPROACH TO EXCISE DUTIES

LEGAL BASIS OF HARMONISED EXCISE DUTIES

2. Excise duties are taxes levied on specific goods and products. Following the widespread adoption of VAT through membership of the European Union (EU), many excise duties were abolished in Western Europe. The completion of the Single Market of the EU in 1993, on foot of the Single European Act signed in 1986, required the abolition of many of Ireland's remaining excise duties. Accordingly, in Budget 1992, excise duties on large televisions, video players, and soft drinks were removed, with tobacco, alcohol, energy products and vehicles remaining as the primary subjects of excise taxation.

3. The move to complete the Single Market in the early 1990s led to the adoption of a number of Directives, some of which have since been updated, to govern the structure and rates of excise duty on certain excisable products throughout what is now the European Union. Article 17 of the Single European Act amended the Treaty of Rome to insert a positive obligation on the Council to harmonise turnover taxes, excise duties and other indirect taxes. This is now codified in Article 113 TFEU. As such, Ireland's excise duties in relation to tobacco, alcohol and energy products must comply with EU Directives in those areas, as well as with the Directive 2008/118/EC, which covers general arrangements for excise duty.

Chart 1. Legislative Framework for excise duties in the EU



OBJECTIVES OF GENERAL EXCISE DUTIES

4. While the primary aim of excise duties is to raise revenue for the Exchequer, there are also ancillary objectives, including the deterrence of the consumption of harmful products, and the reflection of the external cost placed on society resulting from the consumption of such products. When excise duties impact on the final price of excisable products, they ensure that at least part of the externalities associated with excisable products are reflected in the market price. For example, tobacco consumption places significant current and future costs on the health service, while the abusive consumption of alcohol is linked to public order offences and negative health outcomes.

5. Policy towards tobacco and alcohol duties have been increasingly influenced by public health policy in recent years. In March 2013 the Government published *Healthy Ireland*, a Framework document outlining public health objectives out to 2025. The Framework outlined a preliminary objective of reducing smoking prevalence to 5% by 2025, and of reducing alcohol consumption per capita to the OECD average. Ireland's high rates of excise duty on alcohol and tobacco play an important role in Ireland's public health policy.

6. Sharing a land border with another jurisdiction with different tax rates and a floating currency, creates the possibility of sharp divergences in the relative price of excisable products. Three main variables can contribute to divergence of prices between North and South: (i) VAT and excise, (ii) exchange rates, and (iii) the pricing strategies of retailers. Given that monetary policy is set by the European Central Bank, and given that retailers (and in the case of tobacco products, manufacturers) set their own pricing strategies, the only variables the State can influence are VAT and excise rates. Accordingly, the need to prevent significant cross-border leakage is a feature in determining excise duty policy.

RECENT DEVELOPMENTS

TOBACCO

7. Successive excise increases have been imposed on tobacco products over the past number of years. Smoking prevalence in Ireland has reduced by 9 percentage points since 2003. Fewer people are smoking than ten years ago and those that smoke are smoking less. The rates of non-Irish duty paid and illicit cigarettes consumed in the country has reduced from 20% in 2009 to 16% in 2014. Ireland currently imposes the second highest level of excise duty in nominal terms in the EU-28, only the UK has higher excises on tobacco. The Public Health (Standardised Packaging of Tobacco) Act 2015 is expected to come into force from May 2016, and will remove all forms of branding including trademarks, logo, colours and graphics from packs, except for the brand and variant name which will be presented in a uniform typeface.

ALCOHOL

8. In Budget 2010, excise duty on all alcohol products was reduced by 20% (including VAT). Excise duty on alcohol products was increased in Budgets 2013 and 2014. Alcohol consumption per capita has reduced significantly in recent years from 14.0 litres in 2000 to 10.6 litres in 2013, but is expected to rise to 11.3 in 2015. There has also been a shift in the type of alcohol products. While there has been a large increase (+106%) in the litres of wine cleared for consumption since 2000, there has been a significant decrease in the litres of beer cleared for consumption (-18%) over the same period.

BETTING

9. The Betting (Amendment) Act 2015 was enacted on 15th March 2015. The Act provides a regulatory system for remote bookmakers and betting intermediaries, otherwise known as betting exchanges, offering betting services in Ireland regardless of their location. The Act provides for a fair and equal treatment of all bookmakers by extending betting duty to remote operators, thus widening the tax base and protecting the Exchequer from the leakage of potential tax revenue. The application of duty to remote operators came into effect on 1st August 2015. Licenced remote bookmakers are now liable for duty at 1% on the amount of a bet from customers in the State and licenced remote betting intermediaries are liable for duty of 15% on the commission charged to customers in the State.

SUGAR-SWEETENED DRINKS

10. Recently there have been calls, particularly by the Irish Heart Foundation (IHF), to introduce a tax on sugar-sweetened drinks to combat the obesity problem in Ireland, particularly among the young. France, Finland and Hungary all now operate a type of tax on sugar drink products, and Belgium has announced it will introduce such a duty.

CONTRIBUTION OF EXCISE DUTIES TO EXCHEQUER REVENUE

HISTORICAL CONTRIBUTION

11. While the nominal contribution of excise duties has risen in line with economic expansion, the contribution of excise duty to the Exchequer has fallen gradually as a percentage of Exchequer revenue since 1984, as indicated by Chart 2. It is estimated that general excise duties (tobacco, alcohol and betting duty, and excise licences) will

raise €2,250m in 2015, with some €2,082m accruing to the Exchequer and some €168m of the Tobacco Products Tax yield accruing to the Department of Health as an appropriation-in-aid. This represents 41% of all duties raised in 2015, with 59% raised by environmental excise duties (mineral oil tax, carbon tax and VRT).

Chart 2. Yield from Environmental and General excise duties (€m) and excise revenue as % of Exchequer revenue

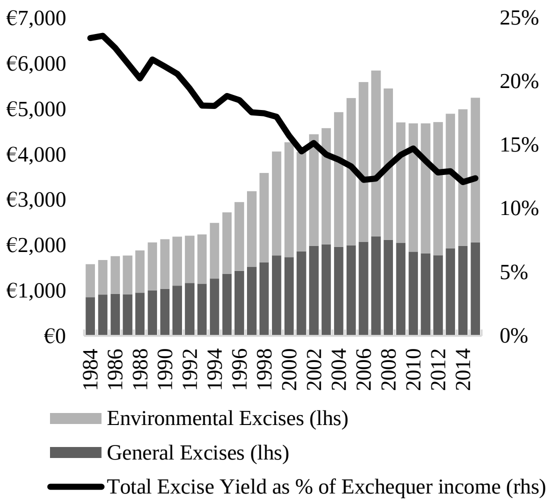
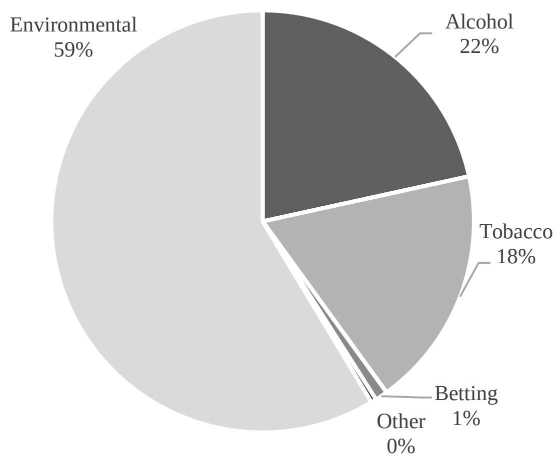


Chart 3. Percentage contribution to total excise duty yield by duty type, 2015



PROJECTED RECEIPTS FOR 2015

12. Receipts from excise duties on all categories of tobacco totalled €983.6m in 2014, down from €1,063.9m in 2013. Receipts from excise duties on all alcohol products totalled €1,139.8m in 2014 up from €1,002.0m in 2013. Betting receipts in 2014 totalled €26.2m up from €25.4m in 2013. The table below indicates the projected receipts for 2015 against the actual receipts for 2014.

	2014 Receipts	Projected Receipts 2015	+/- 2015 against 2014
Tobacco	€983.6	€1,003.0m	+€19.4m
Alcohol	€1,139.8m	€1,172.9m	+€32.2m
Betting	€26.2m	€52m	+€25.8m
Total	€2,149.6m	€2,227.9m	+€77.4m

13. Receipts from excise duty on tobacco are down €6.1m against profile in 2015 to end July, while receipts from excise duty on alcohol are down €0.6m against profile over the same period. Betting duty receipts are down €10.8m against profile to end July due to unforeseen delays in the enactment of the Betting Act. The table below indicates the differences in receipts from tobacco, alcohol and betting over the first seven months of 2014 and 2015, and the performance of excise receipts against profile.

	2014 Receipts to end July 2014	2015 Receipts end July 2015	+/- over same period in 2014	+/- against profile 2015
Tobacco	€414.2m	€428.4m	+€14.2m	-€6.1m
Alcohol	€593.0m	€610.8m	+€17.8m	-€0.6m
Betting	€18.7m	€19.4m	+€0.7m	-€10.8m*
Total	€1,025.9m	€1058.6m	+€32.7m	-€17.5m

A. ALCOHOL PRODUCTS TAX

INTRODUCTION

14. The current rates and structures of excise duty are harmonised across the European Union through Directives 92/83/EEC and 92/84/EEC ('Alcohol Products Tax Directives'). Recent changes to rates, yields and consumption patterns are outlined below. In addition, the main policy considerations regarding the Alcohol Products Tax are outlined: (i) non-Irish duty paid products including cross-border issues and the incidence of counterfeit alcohol products; (ii) public health policy and the impact of Minimum Unit Pricing; (iii) applying turnover-based licencing to the off-trade; (iv) reliefs for small independent producers; (v) the possibility of making changes to the Alcohol Products Tax Directives; and (vi) potential revenue raising measures.

RECENT CHANGES TO RATES, YIELD, AND CONSUMPTION

RECENT YIELD CHANGES (COMPOSITION AND QUANTUM)

15. The long period of relatively stable rates of APT between 1994 and 2009 led to the APT contributing less to the Exchequer as a percentage of total Exchequer tax revenue. While the APT yield rose in nominal terms from €629m in 1994 to €1,130m in 2007, it fell from contributing 4.57% of Exchequer tax revenue to 2.39% in the same time period. The APT reductions in 2009 further eroded the yield, but the increases in 2013 and 2014 have restored the importance of its contribution somewhat. In terms of the four main categories of alcohol products, wine has grown significantly as a source of Exchequer revenue from contributing just over 9.3% of APT receipts in 1994 to an estimated 31.8% in 2015. This reflects both a sustained growth in the consumption of wine, and relatively large increases in the duty on wine. The table below indicates yield from 2005 to 2015:

Year	Wine	Beer	Spirits	Cider/Perry	Total
2005	€195.1m	€457.3m	€319.8m	€66.1m	€1,038.3m
2006	€209.2m	€460.7m	€338.0m	€69.2m	€1,077.1m
2007	€230.2m	€464.8m	€367.6m	€68.3m	€1,130.9m
2008	€231.3m	€427.2m	€350.9m	€60.6m	€1,069.9m
2009*	€242.5m	€404.3m	€264.1m	€57.1m	€968.0m
2010*	€218.8m	€320.1m	€243.5m	€44.0m	€826.4m
2011	€231.0m	€307.3m	€247.3m	€44.0m	€829.5m
2012	€231.4m	€308.0m	€263.9m	€42.8m	€846.1m
2013*	€302.1m	€358.0m	€290.3m	€51.6m	€1,002.0m
2014*	€354.6m	€424.8m	€301.8m	€58.5m	€1,139.8m
2015**	€372.9m	€434.4m	€305.7m	€59.9m	€1,172.9m

*Rate Change

**Estimated

RECENT RATE CHANGES

16. As of July 2015, Ireland has the highest rates of duty on wine and sparkling wine, and the third highest rates of duty on spirits and beer in the EU (see Annex I). This reflects a long-standing policy of levying high rates of excise duty, relative to our fellow Member States, on alcohol products. Recent Budget changes have included:
    - Increasing duty on cider to equalise its treatment with beer in Budget 2002;
    - Increasing duty (VAT-inclusive) on spirits by 20 cent and abolishing the reduced rate for spirit based alcopops in Budget 2003;
    - Increasing duty (VAT-inclusive) on wine by 50 cent in Budget 2009;
    - Reducing duty (VAT-inclusive) on all alcohol products by 20% in Budget 2010;
    - Increasing duty (VAT-inclusive) on wine by €1 and beer and spirits by 10 cent in Budget 2013; and
    - Increasing duty (VAT-inclusive) on wine by €0.50 and beer and spirits by 10 cent in Budget 2014.

17. The table below indicates changes in the main rates of duty and their incidence on the representative alcohol product since 1993, when the current structure of the Alcohol Products Tax (APT) came into effect.

Year	**Beer (4.3% ABV Pint)**	**Wine (12.5% ABV bottle)**	**Spirits (40% ABV glass)**	**Cider (4.5% ABV Pint)**
1993	€0.45	€1.94	€0.39	€0.22
1994	**€0.49**	**€2.05**	€0.39	**€0.25**
2002	€0.49	€2.05	€0.39	**€0.47**
2003	€0.49	€2.05	**€0.55**	€0.47
2009	€0.49	**€2.46**	€0.55	€0.47
2010	**€0.38**	**€1.97**	**€0.44**	**€0.37**
2013	**€0.47**	**€2.78**	**€0.52**	**€0.46**
2014	**€0.55**	**€3.19**	**€0.60**	**€0.54**

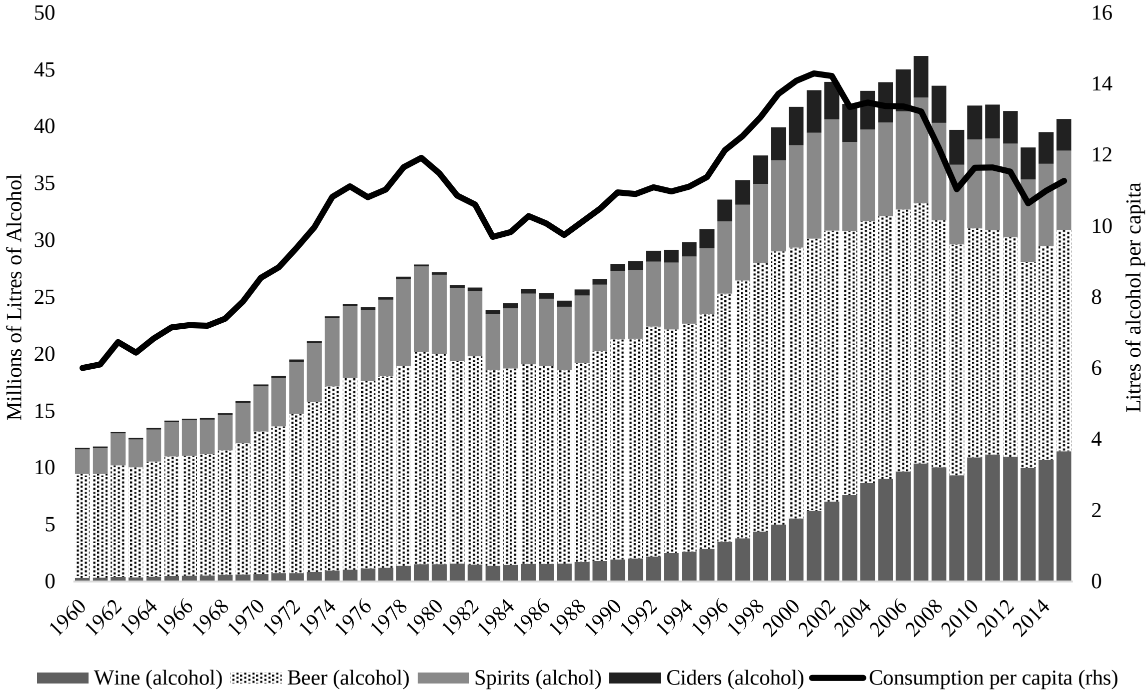
CHANGES TO CONSUMPTION PATTERNS

18. The chart below indicates the total nominal quantity of alcohol by product released for Irish consumption, and the associated per capita consumption of pure alcohol. Consumption per capita declined to its lowest point since 1990 in 2013 at 10.64 litres per adult and rose in 2014, despite duty increases, to 11 litres per adult. It is estimated that per capita consumption will rise to 11.3 litres per adult in 2015. It should be noted that the graph below does not capture alcohol products purchased outside the State.

19. The chart below also indicates that consumer taste has changed, with greater consumption of cider and perry, and of wine. The increased consumption of wine has had implications for the pub trade, as over 80% of wine is purchased in the off-trade while the less than 20% of wine purchased on the on trade is often consumed in restaurants rather than in pubs. The consumption, and composition of consumption, of alcohol products is driven by personal disposable income, individual consumer

preference, the availability of alcohol products, the pricing strategies of multiples and publicans, and cultural changes.

Chart 4 - Nominal consumption of alcohol products (lhs) and litres of alcohol consumed per capita (black line rhs), 1960 to 2015



RECENT RETAIL PRICE DEVELOPMENTS

20. Price developments over the past 10 years present a divergent picture. In the on trade retail prices have steadily increased. Given that there were no changes to the main rates of the Alcohol Products Tax between Budgets 2003 and 2009, and no change to the standard rate of duty on beer between 1994 and 2010, excise duty as a percentage of the price of alcohol products sold in the on trade fell steadily between 2003 and 2010. Following the sharp reductions in excise duty on all alcohol products in Budget 2010, excise as a percentage of the retail price fell to historically low levels. Despite increases in excise duty in Budgets 2013 and 2014, the level of duty as a percentage of the price of a pint of stout in May 2015 remains lower than it was in 2003. The tables below indicate the development of the national average price of the representative pint of stout, pint of lager, bottle of cider and glass of whiskey sold in the on and off trade.

On-Trade Prices

Pint - Stout (4.2% ABV)			
Year	Excise	Price	Excise % of Price
2003	€0.47	€3.38	13.9%
2009	€0.47	€4.09	11.5%
2010	€0.37	€3.96	9.3%
2011	€0.37	€3.95	9.4%
2012	€0.37	€4.00	9.3%
2013	€0.46	€4.18	11.0%
2014	€0.54	€4.30	12.6%
2015	€0.54	€4.30	12.6%

Pint - Lager (4.3% ABV)			
Year	Excise	Price	Excise % of Price
2003	€0.49	€3.76	13.0%
2009	€0.49	€4.50	10.9%
2010	€0.38	€4.35	8.7%
2011	€0.38	€4.33	8.8%
2012	€0.38	€4.35	8.7%
2013	€0.47	€4.56	10.3%
2014	€0.55	€4.67	11.8%
2015	€0.55	€4.68	11.8%

Whiskey (35.5ml) (40% ABV)			
Year	Excise	Price	Excise % of Price
2003	€0.56	€3.23	17.3%
2009	€0.56	€3.79	14.8%
2010	€0.44	€3.69	11.9%
2011	€0.44	€3.70	11.9%
2012	€0.44	€3.75	11.7%
2013	€0.52	€3.91	13.3%
2014	€0.60	€4.03	14.9%
2015	€0.60	€4.07	14.7%

Pint – Cider (4.5% ABV)			
Year	Excise	Price	Excise % of Price
2003	€0.47	€3.80	12.4%
2009	€0.47	€4.63	10.2%
2010	€0.37	€4.47	8.3%
2011	€0.37	€4.45	8.3%
2012	€0.37	€4.48	8.3%
2013	€0.46	€4.61	10.0%
2014	€0.54	€4.74	11.4%
2015	€0.54	€4.74	11.4%

21. Prices in the off-trade have demonstrated a different pattern, with the national average price of a can of lager sold on the off-trade remaining broadly stable over the past thirteen years, reflecting significant price competition in the off trade.

Off-Trade Prices

Can - Lager (4.3%)			
Year	Excise	Price	Excise % of Price
2003	€0.43	€1.77	24.3%
2009	€0.43	€1.83	23.5%
2010	€0.34	€1.77	19.2%
2011	€0.34	€1.80	18.9%
2012	€0.34	€1.78	19.1%
2013	€0.41	€1.88	21.8%
2014	€0.48	€1.98	24.2%
2015	€0.48	€1.96	24.5%

Can - Cider (4.5% ABV)			
Year	Excise	Price	Excise % of Price
2003	€0.42	€2.06	20.4%
2009	€0.42	€2.25	18.7%
2010	€0.33	€2.18	15.1%
2011	€0.33	€2.16	15.3%
2012	€0.33	€2.10	15.7%
2013	€0.40	€2.22	18.0%
2014	€0.47	€2.32	20.3%
2015	€0.47	€2.31	20.3%

Bottle – Wine (12.5% ABV)			
Year	Excise	Price	Excise % of Price
2003	€2.05	€9.07	22.6%
2009	€2.46	€9.54	25.8%
2010	€1.97	€9.07	21.7%
2011	€1.97	€9.09	21.7%
2012	€1.97	€8.94	22.0%
2013	€2.78	€9.99	27.8%
2014	€3.19	€10.52	30.3%
2015	€3.19	€10.68	29.9%

Bottle - Whiskey (750ml)			
	Excise	Price	Excise % of Price
2003	€10.99	€23.65	46.5%
2009	€10.99	€25.26	43.5%
2010	€8.72	€22.64	38.5%
2011	€8.72	€22.05	39.5%
2012	€8.72	€21.51	40.5%
2013	€10.32	€23.63	43.7%
2014	€11.92	€25.20	47.3%
2015	€11.92	€25.71	46.4%

22. Duty on wine has increased significantly in recent Budgets, and this is reflected in excise as a proportion of the price of an average bottle of wine, which is now nearly 30% of price of a €10.68 bottle of wine.

NON-IRISH DUTY PAID ALCOHOL: CROSS-BORDER PURCHASES

CROSS-BORDER PURCHASES

23. As noted in paragraph 6 (of the general excise introduction), fluctuations in prices between the South and North are determined by (i) VAT and excise rates, (ii) exchange rates, and (iii) the pricing strategies of retailers. Given that Britain imposes similarly high rates of excise duty on alcohol products, the most important determinant of price fluctuations tends to be the exchange rate. In December 2008, Britain reduced their standard VAT rate to 15%, while the standard VAT rate in Ireland was increased to 21.5%. During 2009, sterling depreciated rapidly vis-à-vis the euro, creating large differences in cross-border prices of all groceries, including alcohol products. Special modules of the Quarterly National Household Survey conducted in Q2 2009 and Q2 2010 indicated that €428m and €418m respectively was spent on cross border shopping in the twelve months prior to Q2 of both years.

24. Given the relatively high tax content of products sold in the off-trade, reductions in duty in Budget 2010 were used to reduce prices of alcohol products in the South relative to Northern Ireland in an effort to discourage cross-border shopping. In addition, the standard VAT rate was dropped to 21%. However, reductions in duty on alcohol products have no effect on the price of groceries or other products.

25. Annex II indicates the results of the most recent cross-border price survey carried out by the Revenue Commissioners. The tables below indicates the differential in price and duty in selected comparable alcohol products as measured by the Revenue Commissioners in the first month the survey was carried out subsequent to a UK budget:

Can – Lager (500ml) Off-Trade

Year	Price in this State	Price in N. Irl	Price Difference	Total Tax State	Total Tax NI	Tax Difference	€/£ exchange rate
2015	1.95	1.95	0.00	0.85	0.92	-0.07	0.7403
2014	2.05	1.69	0.36	0.87	0.85	0.02	0.7911
2013	2.02	1.62	0.40	0.79	0.81	-0.02	0.8516
2012	1.88	1.50	0.38	0.74	0.86	-0.11	0.8057
2011	1.44	1.54	-0.10	0.64	0.79	-0.15	0.8696
2010	1.88	1.46	0.42	0.72	0.74	-0.02	0.8279
2009	1.99	1.37	0.62	0.85	0.66	0.19	0.8486

Bottle of Wine (Chardonnay) Off-Trade

Year	Price in this State	Price in N. Irl	Price Difference	Total Tax State	Total Tax NI	Tax Difference	€/£ exchange rate
2015	11.70	10.04	1.66	5.37	4.44	0.93	0.7403
2014	9.75	8.90	0.85	5.01	4.07	0.94	0.7911
2013	10.00	8.84	1.16	4.65	3.82	0.83	0.8516
2012	7.99	8.76	-0.77	3.46	3.82	-0.36	0.8057
2011	8.88	8.46	0.42	3.51	3.49	0.02	0.8696
2010	6.50	7.63	-1.13	3.09	3.18	-0.08	0.8279
2009	9.49	7.71	1.78	4.14	2.90	1.24	0.8486

PUBLIC HEALTH POLICY AND MINIMUM UNIT PRICING

PUBLIC HEALTH POLICY TOWARDS ALCOHOL

26. As the Chart 4 shows, per capita consumption of pure alcohol peaked in 2001 at 14.2 litres, fell to 10.6 in 2013, the lowest since 1990. Since then clearances of alcohol products have risen, and is estimated to rise to 11.3 in 2015. The *Healthy Ireland Strategy*, published by Government in 2013, which outlines a high-level framework and targets for public health policy, included an objective of reducing alcohol consumption to below the OECD average of 9.2 litres of alcohol per capita. It noted that alcohol is responsible for approximately 90 deaths every month in Ireland, which include many alcohol-related cancers and heart diseases.

27. The Steering Group Report on a National Substance Misuse Strategy, published in 2012, provides a set of public health policies related to alcohol consumption. The Report made four recommendations relating to excise duty: maintain excise rates at high levels; further increase excise rates for higher alcohol content products; increase the differential between excise rates applied to alcohol content levels in each alcohol product category; and increase the annual excise fee for the renewal of Off Licences.

28. In addition to rate changes over the last fifteen years, certain changes to the structure of APT have been made with a view to public health objectives:
    a. in Budget 2002, the rate of duty on cider was equalised with beer;
    b. in Budget 2003, the lower rate of duty applying to spirit-based alcopops was equalised with the rate of duty applying to higher-strength spirits, and the rate of duty applying to spirits was raised;
    c. in Budget 2009, a reduced rate of duty was introduced for low-strength beer and cider.

29. On foot of the Report on a National Substance Misuse Strategy, the Government announced in October 2013 that it would introduce a Public Health (Alcohol) Bill to tackle alcohol misuse. The Heads of the Bill published in February 2015 provide for: health labelling of alcohol products; minimum unit pricing (MUP) for retailing of alcohol products; regulation of marketing and advertising of alcohol; and enforcement powers for Environmental Health Officers.

MINIMUM UNIT PRICING

30. The Public Health (Alcohol) Bill is now being drafted by the Office of Parliamentary Counsel. The draft Bill provides for the following formula for MUP:

    Minimum unit price*number of grammes of alcohol = minimum price of alcohol products

To provide an example of the operation of the MUP, the most popular stout sold in Ireland has an alcohol by volume (ABV) of 4.2%, so that a pint (or 568ml) of stout contains 23.86ml of alcohol. This converts to 18.82g of alcohol. Applying a MUP of 100c per 10g yields a MUP for a pint of stout of €1.88. Accordingly, a pint of stout containing 23.86ml of alcohol may not be sold for less than €1.88 if the MUP is set at 100c. The tables below indicate the effects of applying an MUP of 100c to products sold on the off-trade at the national average price, and to products sold at lower prices.

National Average Price					
Product – Off trade	ABV	Alcohol in grams	MUP	Price	Increase in Price
Can of Lager (500ml)	4.30%	16.96	€1.70	€1.98	€0.00
Can of Cider (500ml)	4.50%	17.75	€1.78	€2.32	€0.00
Bottle - Wine (750ml)	12.50%	73.97	€7.40	€10.52	€0.00
Bottle - Whiskey (70cl)	40%	220.92	€22.09	€25.20	€0.00
Cheaper alcohol products					
Product – Off trade	ABV	Alcohol in grams	MUP	Price	Increase in Price
Cheap Can of Lager (500ml)	4.00%	15.78	€1.58	€1.17	€0.41
Cheap Can of Cider (500ml)	6.00%	23.67	€2.37	€1.37	€1.00
Cheap Bottle - Wine (750ml)	12.50%	73.97	€7.40	€5.99	€1.41
Cheap Bottle - Whiskey (70cl)	40%	220.92	€22.09	€15.99	€6.10

31. It is envisioned that an MUP will be provided for in Northern Ireland and in the State simultaneously. The Department of Health, Social Services and Public Safety in Northern Ireland and the Department of Health commissioned the University of Sheffield Alcohol Research Group (SARG) to carry out a health impact assessment (HIA) on the health and income effects of a range of minimum unit prices using the Alcohol Research Group's Alcohol Policy Model (APM). On foot of these reports, appropriate minimum unit prices will be put in place North and South. Due to different consumption patterns in the North, the HIA has concluded that lower MUP in that jurisdiction would have the same effect on consumption as a higher one in the South. Different rates of MUP in North and South would obviously be a concern for cross-border trade.

32. The MUP will be determined by the Department of Health in consultation with the Department of Finance, and the appropriate MUP will be set with a view to maximising the impact on public health while minimising the effect on the cross-border trade. The Office of Parliamentary Counsel have advised the Department of Health that the level of MUP should be specified in primary legislation.

33. The SARG paper also estimated the revenue that will accrue to retailers for a range of MUPs which are provided below. It should be noted that these estimates apply to a 2013 baseline and so do not take account of the increases in the price of alcohol products imposed on foot of Budget 2014. The purpose of the MUP is to reduce consumption, accordingly excise receipts, which are volume based, should fall although this will be offset somewhat by an increase in VAT receipts. However, SARG also estimate that retailers of alcohol on the off-trade will register an increase in net revenue as a result of increased prices. It should also be noted that the additional revenue will not accrue to the pub trade, who retail alcohol products at a price significantly above the threshold of MUPs under consideration. The table below shows the estimated revenue gain and loss to the Exchequer and retailers of alcohol products of selected MUP based on the SARG analysis.

	90c	**100c**	**110c**
Exchequer loss	-€21.4m	-€34.3m	-€50.8m
Revenue to retailers	€62.6m	€77.8m	€86.2m

34. The Scottish Parliament legislated for minimum pricing in 2012, with an initial minimum price of 50p per unit. However, the Alcohol (Minimum Pricing) (Scotland) Act 2012 has yet to be commenced as this legislation has been challenged by the Scotch Whiskey Association. The Scottish Court of Sessions - the highest court in Scotland – has referred the issue of whether the MUP is compatible with EU law to the Court of Justice of the European Union (CJEU). The final judgement of the CJEU is not expected

until the end-2015 but will have implications for the compatibility of MUP with the European Treaties.

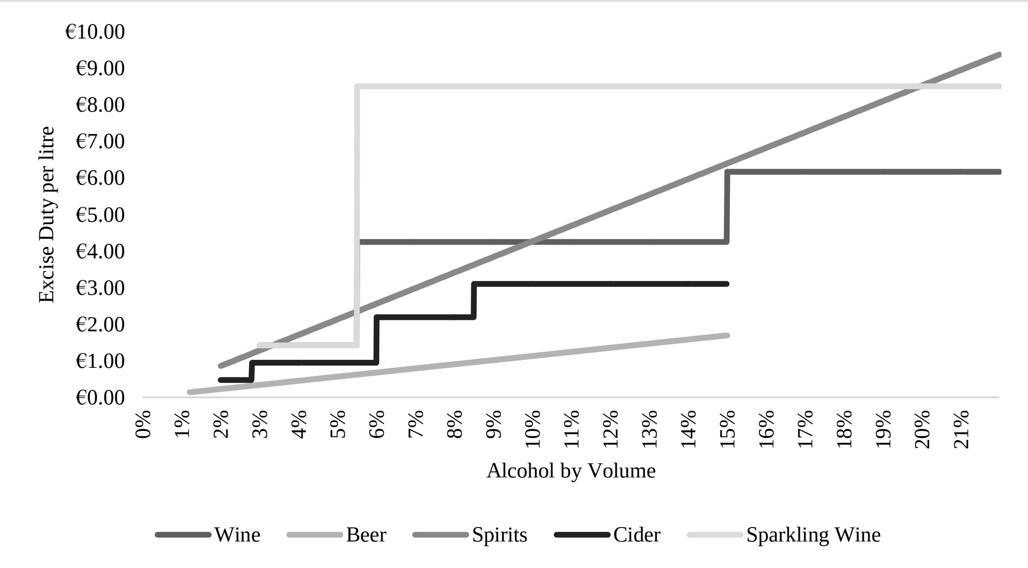
CAPTURING THE GAIN TO THE RETAILER FROM MUP

35. In June 2015, the Oireachtas Joint Committee on Health and Children issued a report on the pre-legislative scrutiny of the Public Health (Alcohol) Bill, and recommended that a 'social responsibility levy', as recommended by Steering Group Report on a National Substance Misuse Strategy, be introduced to capture some of the revenue accruing to retailers of alcohol products. The Committee's report referred to the Scottish social responsibility levy which was provided for under sections 14 and 15 of the Alcohol (Scotland) Act 2010, which gave the Scottish Government the power to make Regulations to allow Scottish Local Authorities impose a levy – which it called the Social Responsibility Levy – on a holder of a licence to sell alcohol. Scotland has not yet provided for the levy.

Box 1. The Structure of Alcohol Product Taxation

The taxation of alcohol products is harmonised at EU level through Directives 92/83/EEC and 92/84/EEC, which outline the definition of alcohol products, and structure and minimum rates of excise duty which shall apply to alcohol products. The structure of taxation for beer and spirits provided for by the Directives is such that the duty is levied by reference to the volume of alcohol contained in the product. The structure of taxation for wine and cider provided for by the Directives is such that the duty is levied by reference to the volume of alcohol product, with reference to a wider category of alcohol content.

The graph below indicates the level of excise duty imposed on a litre of alcohol product by ABV. As shown below, the level of duty applying to wine is such that a litre of wine of medium strength (8% ABV) is the same as that applying to a litre of wine of high strength (14% ABV). From the point of view of taxing the alcohol content of alcohol products, the ideal alcohol products taxation structure would follow the structure of spirits or beer, so that higher volumes of alcohol attract higher rates, which would more closely align the rate of duty imposed with alcohol content.



Any change to the structure of alcohol taxation would requirement an amendment to the Alcohol Product Tax Directives, which can only be achieved with the unanimous agreement of the twenty-eight Member States of the European Union.

POTENTIAL POLICY DEVELOPMENTS

APPLYING TURNOVER-BASED LICENCING TO THE OFF TRADE

36. Up to the enactment of Finance Act 1992 each public house paid an annual duty of £100 irrespective of turnover. In that Finance Act, a system of turnover-based licencing was applied to publicans' licences, so that at present a publican pays a turnover based duty of excise for a spirits licence which entitles the licensee to sell the full range of alcohol products subject to the Licencing Acts.

37. 'Annual Turnover' is defined in Section 155 of the Finance Act 1992 and includes the provision of entertainment, sale of snack foods, beverages or meals for consumption on the premises and sale of tobacco products. The rates of duty have not been adjusted since 1992 and the yield is outlined below for licencing year 2014/2015.

Turnover Band	Duty	Number Issued	% of total	Yield
€0 - €190,499	€250	4,341	54.06%	€1,085,250
€190,500 - €380,999	€505	1,897	23.62%	€957,985
€381,000 - €634,999	€1,140	784	9.76%	€893,760
€635,000 - €952,499	€1,775	453	5.64%	€804,075
€952,500 - €1,269,999	€2,535	229	2.85%	€580,515
€1,270,000 or more	€3,805	326	4.06%	€1,240,430
Totals		**8,030**		**€5,562,015**

38. There have been a number of calls from interest groups to apply turnover based licencing to the off-trade. It is seen as a mechanism to level the playing field between the on-trade and off-trade, and to tackle below-cost selling by increasing the charge on off-licences. The Minister of State at the Departments of Finance, Public Expenditure and Reform, and An Taoiseach informed the Seanad in December 2014 that the Department of Finance and the Revenue Commissioners would examine the alcohol licencing regime with a view to exploring whether it would be feasible to extend the turnover based licencing system applied to the pub trade to the off-trade.

39. The Licensing Acts 1833 to 2010, together with the Finance (1909-10) Act 1910, provide the regulatory framework for liquor licences. Accordingly, the Minister for Finance is limited to setting the duty rates for to the kinds of liquor licences that are currently available, as the Licencing Acts are a matter for the Minister for Justice and Equality.

40. The present rates of excise duty charged on off-licences were most recently adjusted in Finance (No. 2) Act 2008. The current rates of excise duty charged on Retailers' off licences in relation to wine, beer, and spirits are €500 for each licence. The table below shows the number of Retailers' Off Licences broken down by licence as of May 2015, which encompasses nearly all those registered for the 2014/2015 licencing period:

Type of Licence	No. of licences	Yield
Beer Retailer's Off Licence	1,617	€808,500
Cider Retailer's Off Licence	8	€4,000
Wine Retailer's Off Licence	3,126	€1,563,000
Spirit Retailer's Off Licence	1,598	€799,000
Total	6,349	€3,174,500

41. If a similar turnover duty were applied to the off-trade, 'annual turnover' could be defined to apply either to all turnover, or to alcohol product turnover. Indicative turnover and duty bands based on applying the pub licence turnover bands to the Retailers' Off-licences, based on industry reports on the respective alcohol based turnover of retailers on the off trade, are outlined below. It should be noted that the licences below indicate either a Beer, Wine or Spirit Retailer's Off Licence, so a typical large retailer in the highest turnover band would pay a total of €11,415 for all three licences.

Turnover Band	Duty charge	Number	Receipts
Under €190,500	€250	c. 2,500	€625,000
€190,500 to €380,999	€505	c. 1,000	€505,000
€381,000 to €634,999	€1,140	c. 600	€684,000
€635,000 to €952,499	€1,775	c. 600	€1,065,000
€952,500 to €1,269,999	€2,535	c. 500	€1,267,500
€1,270,000 or more	€3,805	c. 1,000	€3,805,000
Total		c. 6,200	€7,951,500

42. The yield from such a proposal at nearly €8m would be more than twice that currently collected from Retailers' Off licences (currently €3.1m). It would reduce the incidence of duty on the c. 2500 licences applying to premises with alcohol related turnover of below €190,500. However, there are a number of concerns at the impact of this proposal, particularly as it benefits forecourts and convenience stores, because of their relatively low turnover on alcohol products, and who are often deemed responsible for providing increase availability of alcohol products. Supermarkets would face a higher tax incidence based on their higher sales. However it is likely that specialist off-licences would be particularly affected by this measure owing to the entirety of their turnover being alcohol product related.

RELIEFS FOR SMALL INDEPENDENT PRODUCERS

43. Article 4 of EU Directive 92/83/EEC provides for the application of reduced rates, or relief, of excise duty of up to 50% less than the national rate of excise duty in respect of breweries producing 200,000 hectolitres or less of beer per annum. In Budget 2005, relief of 50% on excise duty in respect of on beer produced by breweries producing up to 20,000 hectolitres (hl) was provided to reduce barriers of entry to the brewing sector and to promote competition in that sector. This applies to any microbrewery within the

European Union so that importers releasing European beer produced by a microbrewery producing 20,000 hl or less could avail of the relief. Accordingly, the duty of excise on a 4.3% ABV pint of beer produced by a microbrewery is €0.28 compared to €0.55 on a 4.3% ABV non-qualifying pint of beer. In Budget 2015, the limit was extended to microbreweries producing not more than 30,000 hectolitres.

44. Many Member States provide the Alcohol Products Tax reduction for small independent breweries as a reduction on the duty paid rather than through a repayment of excise. This improves the cash-flow of small independent breweries. Given the objective of the relief for small independent breweries is to remove barriers to entry to this market, it may be appropriate to consider providing for a reduced rate of duty upfront rather than a repayment of excise.

45. In 2013, 25 microbreweries availed of this relief at a cost €1,112,897, and in 2014, 54 microbreweries availed of this relief at a cost of €2,334,409.

46. It is not possible to extend the reduced rate relief applying to small independent producers of beer to small independent producers of cider. While the UK offer an excise duty exemption to small cider producers producing up 70hl, this pre-dated the UK entry to the European Union, and the UK now face infringement proceedings by the European Commission.

<u>POTENTIAL CHANGES TO THE ALCOHOL PRODUCTS DIRECTIVE</u>

47. The European Commission is considering bringing forward a number of proposals to amend the Alcohol Products Tax Directives. In the UK Summer Budget 2015, the UK Treasury indicated that they would seek to amend the Alcohol Products Tax Directives to allow for the provision of reduced rates to small cider producers.

48. There is a strong argument for levying duty on alcohol products based on the volume of alcohol contained in the alcohol product. At present, the structure of duty on beer and spirits achieves this goal. However, the structure of cider and wine taxation, as provided for in the Alcohol Products Tax Directives, does not, as Box 1 indicates. It can be argued that an optimal structure of taxation is one in which the duty of excise should stay constant per marginal unit of alcohol, so that those alcohol products with a higher alcohol content are always taxed more heavily. There may be an opportunity to propose changes to the Alcohol Products Tax Directives to adjust the basis of taxation of cider and wine to better assist the achievement of public health policy objectives.

REVENUE RAISING MEASURES

49. Alcohol Action Ireland has recommended an increase in APT on all alcohol products to raise revenue and reduce consumption, and has also recommended a ‘social responsibility levy’ be imposed on the alcohol products industry. Both the Drinks Industry Group of Ireland, which represents the wider drinks industry, and the National Off-Licence Association (Noffla) have called for a reversal in the increases in APT

introduced in Budget 2014. Noffla has also called for duty on wine to be reduced further. IBEC have called for an APT reduction amounting to €50 million in Budget 2016.

50. The following table shows the estimated effect of a range of VAT inclusive increases in terms of yield:

	1c	**2c**	**3c**	**4c**	**5c**	**10c**	**15c**	**20c**
Beer (per pint)	€7.0m	€13.9m	€20.8m	€27.7m	€34.6m	€68.7m	€102.5m	€135.7m
Spirits (1/2 glass)	€3.4m	€6.8m	€10.2m	€13.6m	€16.9m	€33.2m	€48.9m	€63.9m
Cider (per pint)	€1.0m	€1.9m	€2.9m	€3.8m	€4.8m	€9.5m	€14.1m	€18.7m

	5c	**10c**	**15c**	**20c**	**25c**	**50c**	**75c**	**100c**
Wine (per bottle)	€3.0m	€6.0m	€8.9m	€11.8m	€14.6m	€28.2m	€40.8m	€52.4m

B. TOBACCO PRODUCTS TAX

INTRODUCTION

51. The current rates and structures of excise duty on tobacco products are harmonised across the European Union through Directive 2011/64/EU ('Tobacco Products Tax Directive'). Recent changes to rates, yields and consumption patterns are outlined below. In addition, the main policy considerations regarding the Tobacco Products Tax are outlined: non-Irish duty paid products including tobacco smuggling and cross-border issues; public health policy and the impact of standardised packaging; the impact of adjusting the current structure of the Tobacco Products Tax; the potential impact of novel tobacco products and e-cigarettes; and the possibility of changes to the Tobacco Products Tax Directive.

RECENT CHANGES TO RATES, YIELD, AND CONSUMPTION

RECENT RATE CHANGES

52. As of July 2015, Ireland has the second highest rates of duty on tobacco products, including on cigarettes and roll-your-own (RYO) tobacco in the EU (see Annex III). This reflects a long-standing policy of levying high rates of excise duty, relative to our fellow Member States, on tobacco products. Duty on tobacco products was increased in twenty of the last twenty-three Budgets. The rate of duty on RYO tobacco is currently €273.177 per kilogram, €6.83 per 25g pack. The price of a pack of 20 cigarettes in the most popular price category (MPPC) now stands at €10.00, with a tax content of €7.87 split between €6.00 of duty and €1.87 in VAT. The table below shows the tax increase, trade increase and tax content of the MPPC of a pack of 20 cigarettes following each of the past fourteen budgets.

Budget	Tax Increase	Trade Increase	Tax Content	Trade content as % of price
Budget 2003	50c	16c	€4.60	78.4%
Budget 2004	25c	13c	€4.90	78.4%
Budget 2005	0c	10c	€4.93	77.7%
Budget 2006	0c	20c	€5.00	76.4%
Budget 2007	50c	10c	€5.54	77.5%
Budget 2008	30c	10c	€5.88	77.8%
Budget 2009	52.7c	12.3c	€6.42	79.3%
Budget 2009 (supp.)	25c	10c	€6.69	79.4%
Budget 2010	-3.5c	13.5c	€6.71	78.5%
Budget 2011	0c	10c	€6.75	78.0%
Budget 2012	44.3c	10.7c	€7.21	78.4%
Budget 2013	10c	10c	€7.34	78.1%
Budget 2014	10c	10c	€7.47	77.8%
Budget 2015	40c	0c	€7.87	78.7%

RECENT YIELD CHANGES (COMPOSITION AND QUANTUM)

53. Despite a regular decline in consumption of cigarettes per capita (see paragraph 54). The TPT rose in nominal terms from €586m in 1994 and peaked at €1,216m in 2009. Since 2009, yield from the TPT has declined, falling to €984m in 2014. Over the period 1994 to 2014, TPT fell from contributing 4.3% of Exchequer tax revenue to 2.4%. Since 2008, there has been an increase in the consumption of RYO tobacco, driven by reductions in disposable income between 2009 and 2013, and by the differentials in price between RYO and cigarettes. Accordingly, receipts from tobacco products other than cigarettes rose from 3.5% of TPT receipts in 2008 to 9.1% of receipts in 2014.

Year	Cigarettes	Other Smoking Tobacco	Total
2005	€1,053.6m	€26.0m	€1,079.6m
2006	€1,071.4m	€31.9m	€1,103.3m
2007*	€1,155.0m	€37.0m	€1,192.0m
2008*	€1,131.5m	€39.5m	€1,171.0m
2009*	€1,155.4m	€61.1m	€1,216.5m
2010*	€1,100.9m	€58.7m	€1,159.6m
2011	€1,056.8m	€69.4m	€1,126.1m
2012*	€989.6m	€82.7m	€1,072.3m
2013*	€955.2m	€108.7m	€1,063.9m
2014*	€881.3m	€102.3m	€983.6m
2015*	€893.0m	€110.0m	€1,003.0m

*Rate Change

CHANGES TO CONSUMPTION PATTERNS

54. The charts below indicate the decline in total nominal consumption of cigarettes and per capita consumption of cigarettes since 1978, and recent rise in nominal and per capita consumption of RYO tobacco. However, despite the rise in consumption of RYO, it still only represents approximately 10% of tobacco consumption by value.

Chart 5. Number of cigarettes released for consumption (lhs) and consumption of cigarettes per capita (rhs)

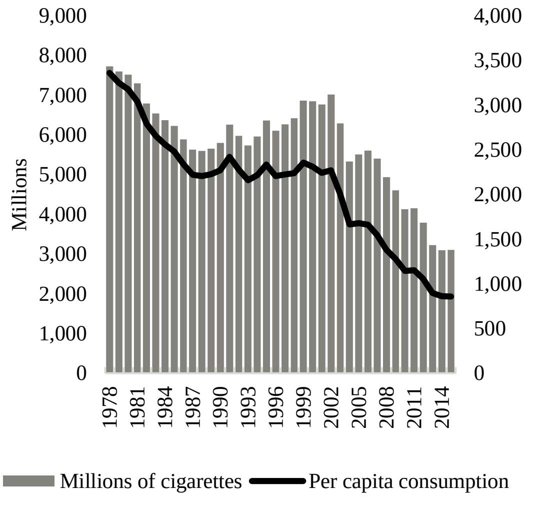
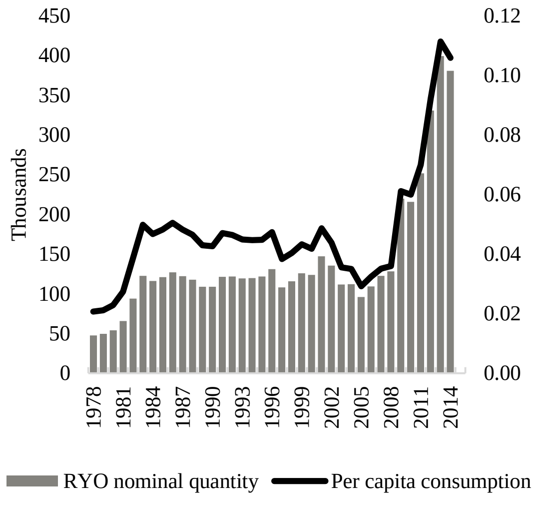


Chart 6. KGs of RYO released for consumption (lhs) and consumption of RYO in kg per capita (rhs)



RECENT RETAIL PRICE DEVELOPMENTS

55. Paragraph 52 above indicates the increase in the price of a pack of 20 cigarettes in the MPPC over the last thirteen years, from €5.87 in 2003 to €10.00 in 2015. The tobacco industry has imposed price increases of its own in response to duty increases to maintain the industry content of a pack of 20 at around 22%. Accordingly, the nominal industry content of the price of a pack of 20 has also increased from Budget to Budget, from €1.27 in 2003 to €2.13 in 2015. The Irish market remains dominated by three tobacco companies, with nearly 58% of cigarettes purchased in any one year being clustered in the MPPC (currently €10).

NON-IRISH DUTY PAID TOBACCO: CROSS-BORDER PURCHASES AND TOBACCO SMUGGLING

ILLEGAL TOBACCO PRODUCTS

56. Results from the latest Ipsos MRBI survey conducted on behalf of the Revenue Commissioners and the National Tobacco Control office of the Health Service Executive indicate that 11% of cigarette consumed in the State in 2014 were illicit. As the table below shows, the amount of illegal cigarettes has decreased steadily since 2009, suggested the extent of tobacco smuggling has been contained.

Year	Illegal Cigarettes	Estimated tax loss*	Non-Irish duty Paid
2009	15%	€285m	5%
2010	14%	€249m	9%
2011	14%	€258m	7%
2012	13%	€240m	6%
2013	11%	€212m	5%
2014	11%	€214m	6%

*Assuming illegal cigarettes consumed displaced equivalent tax-paid quantity of cigarettes

57. Revenue have seized 35 million cigarettes with a value of €17.5m to end-July 2015. The quantity of cigarettes and tobacco seized since 2005 and the estimated value of those seizures is outline below.

	Cigarettes			**Other Tobacco**		
Year	**No. of Seizures**	**Quantity**	**Estimated Retail Value**	**No. of Seizures**	**Quantity**	**Estimated Retail Value**
2005	13,397	51.29m	€15.64m	497	1,108	€0.31m
2006	17,266	52.34m	€17.98m	640	2,068	€0.59m
2007	15,481	74.50m	€25.60m	763	1,516	€0.43m
2008	10,191	135.2m	€54.4m	1,100	3,083	€1.10m
2009	10,610	218.53m	€92.06m	1,171	10,451	€3.72m
2010	9,026	178.40m	€75.20m	1,171	3,367	€1.20m
2011	10,581	109.10m	€45.93m	1,500	11,158	€4.00m
2012	8,108	95.60m	€43.30m	1,395	5,277	€1.95m
2013	5,802	40.80m	€18.90m	1,086	4,203	€1.70m
2014	5,852	53.45m	€25.47m	1,014	9,824	€4.20m
***2015**	3,396	35.09m	€17.54m	753	1,453	€0.66m

*End July 2015

58. The high level of seizures over recent years reflects ongoing enforcement action by the Revenue Commissioners aimed at all key points in the supply chain. It is also a clear indication, however, of the significant level of both small-scale and bulk smuggling activity. Legislative action has been taken in recent years to further strengthen the Commissioner's powers to combat the illegal tobacco trade in the Finance Act 2012, the Finance Act 2013 and the Finance (No. 2) Act 2013.

NON-DUTY PAID TOBACCO PRODUCTS

59. Ireland currently imposes the second highest level of excise duty in nominal terms based on the weighted average prices of cigarettes in the EU-28 behind the UK (see Annex III). However, there is currently little incentive for cross-border shopping, as the combination of the prevailing tax and duty rates, pricing decisions and currency movements ensures that cigarettes and tobacco are more expensive in Northern Ireland than in the State. The table below indicates the differential in price and duty in a 20 pack of cigarettes as measured by the Revenue Commissioners in the first cross-border survey carried out following a UK budget:

Year	**Price in this State (€)**	**Price in N. Irl (€)**	**Price Difference (€)**	**Total Tax State (€)**	**Total Tax NI (€)**	**Tax Difference (€)**	**€/£ exchange rate**
2015	10.00	12.47	-2.47	7.87	9.25	-1.39	0.7403
2014	9.60	11.14	-1.54	7.47	8.35	-0.88	0.7911
2013	9.40	9.46	-0.06	7.34	7.28	0.06	0.8516
2012	9.10	9.41	-0.31	7.19	7.28	-0.09	0.8057
2011	8.55	8.05	0.50	6.71	6.23	0.48	0.8696
2010	8.55	7.69	0.86	6.71	5.87	0.84	0.8279

60. There is an incentive to bring non-Irish duty paid tobacco products into the State from other States. The quantity of cigarettes a person may bring into the State duty free from outside the EU for personal use, or from territories where EU rules on VAT and excise duties do not apply, is limited to 200 cigarettes. From 1 January 2014, Ireland has utilised Article 46 of the EU Excise Directive (2008/118/EU), which has allowed Member States impose a quantitative restriction of 300 on the number of cigarettes that may be brought in from those Member States (Bulgaria, Croatia, Hungary, Latvia, Lithuania, and Romania) that have not yet reached the EU minimum tobacco product tax levels. Those Member States must have reached the minimum tax levels by 31 December 2017.

PUBLIC HEALTH POLICY AND STANDARDISED PACKAGING

PUBLIC HEALTH POLICY TOWARDS TOBACCO

61. The Department of Health indicate that smoking remains the leading cause of preventable death in Ireland, accounting for nearly 19% (or 5,200) of deaths annually. It is estimated that one out of every two long-term smokers will die of a disease related to their tobacco use. The *Healthy Ireland* included an objective of reducing smoking prevalence by 1 percentage point per annum to 2025. In October 2013 the Department of Health published *Tobacco Free Ireland: Report of the Tobacco Policy Review Group*, confirming a target of less than 5% smoking prevalence by 2025, which implies

a near 74% reduction in the numbers smoking between 2014 and 2025. As chart 7 below shows, smoking prevalence, as measured by a survey carried out by the National Tobacco Control office of the Health Service Executive has fallen from 28.3% in June 2003 to 19.5% in 2014.

Chart 7. Smoking prevalence, 2003-2014

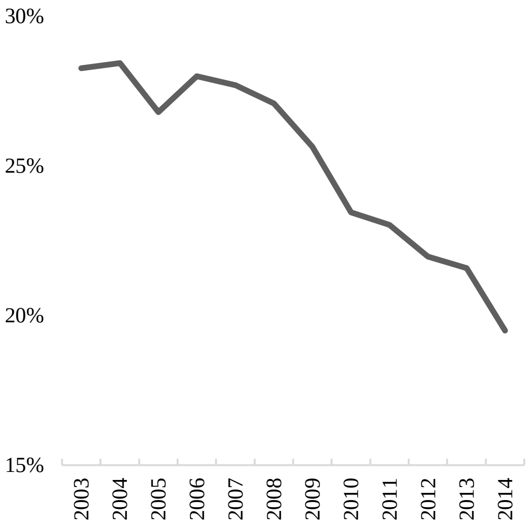
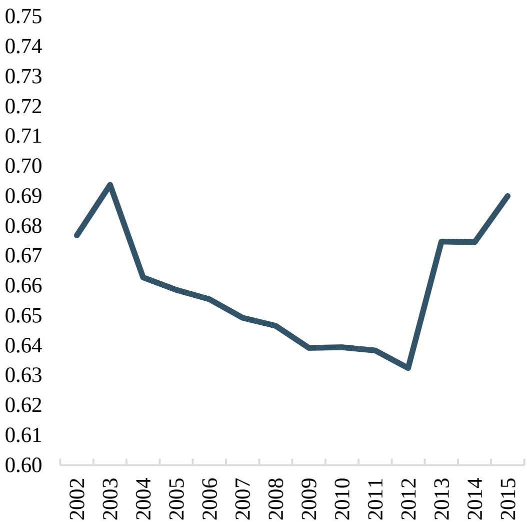


Chart 8. Ratio of excise duty on RYO tobacco to excise duty on cigarettes



62. In *Tobacco Free Ireland*, the Department of Health made a number of recommendations in relation to fiscal policy, including raising excise duty on tobacco products over a five year period and reducing the price differential between RYO and cigarettes. As chart 8 shows, the differential between RYO and cigarettes (based on the assumption that a 1kg of RYO tobacco equals 1,320 commercially-produced cigarettes) was initially addressed in Budget 2012 with an additional 50c VAT inclusive excise increase applied to a 25g pack of RYO in addition to the pro-rata 10c applied in that Budget. In Budget 2015, the rate of duty on a 25g pack of RYO was increased by an additional 20c in addition to the pro-rate 40c increase applied that Budget.

63. Increasing excise duty on tobacco products is only one of a number of measures that contributes to the overall strategy to reducing tobacco consumption and smoking prevalence. As part of tobacco control policy a range of initiatives have been introduced over the past number of years, including a prohibition on tobacco advertising, a prohibition on sponsorship, the smoking ban in January 2004, a prohibition on the sale of cigarettes in packs of less than 20 in May 2007 and in July 2009 a ban on the advertising and display of tobacco products in retail outlets.

<u>STANDARDISED PACKAGING</u>

64. The Public Health (Standardised Packaging of Tobacco) Act 2015 will remove all forms of branding including trademarks, logo, colours and graphics from packs, except for the brand and variant name which will be presented in a uniform typeface. It is expected that these measures will come into force in May 2016. It is estimated that 80% of smokers start when they are children, and standardised packaging legislation is designed to reduce smoking initiation.

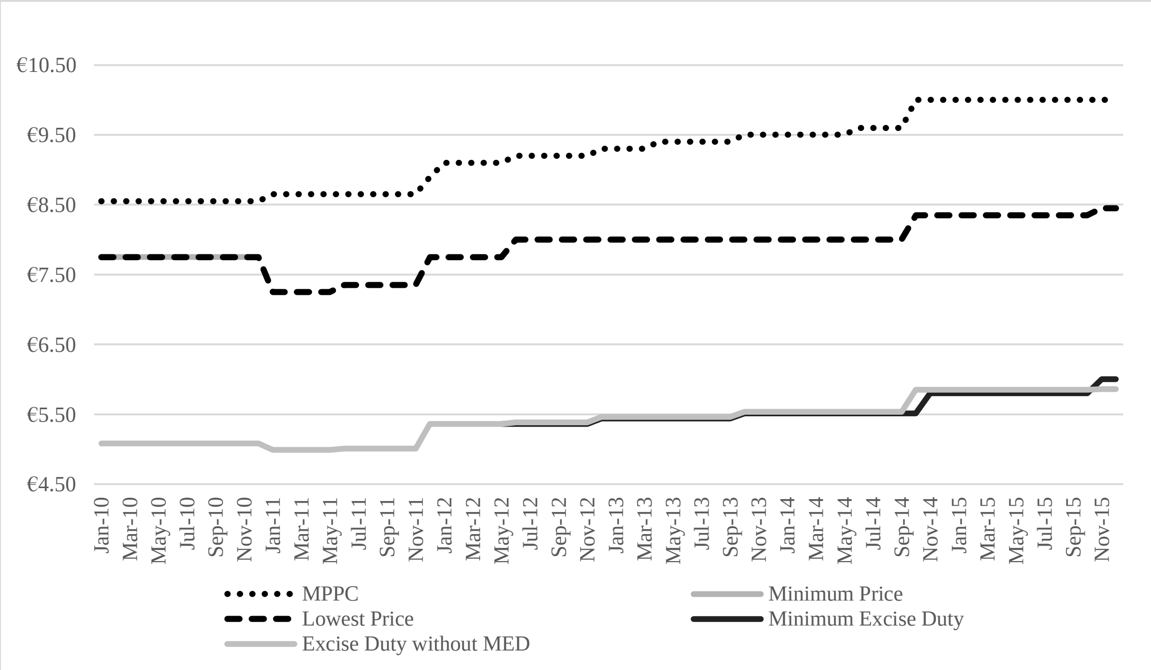
65. Australia introduced standardised packaging in December 2012. In April 2014, the British Government and in September 2014 the French Government announced plans to legislate for the introduction of standardised packaging.

Box 2. Minimum Excise Duty

From 1986 to the end of 2010, the Minister for Health exercised the powers granted to that Minister under Section 2(1) of the Tobacco Products (Control of Advertising, Sponsorship and Sales Promotion) Act 1978 by effectively setting a minimum price for cigarettes through Regulations. Following legal action by the European Commission (*Case C ‑221/08 Commission v Ireland*), the CJEU found that imposing minimum and maximum prices was contrary to then extant Tobacco Products Tax Directive.

This led to a divergence in the price of cigarettes as the graph below demonstrates. The revised Tobacco Products Tax Directive enacted in 2010 provided for a Minimum Excise Duty (MED) rate, which was provided for in the Finance Act 2012 and came into effect on 1 May 2012. The MED is a minimum level of duty which must be paid irrespective of the price at which cigarettes are sold. At present, the minimum level of duty takes effect at €7.75 per pack of 20 cigarettes.

Comparison of MPPC, Minimum Price and MED since Jan 2010



Given the divergence in prices between the MPPC and the lowest price pack of cigarettes on the market, and given that the introduction of plain packaging may lead to a shift to lower priced cigarettes by Irish consumers, it may be prudent to raise to the MED in Budget 2016.

At present, the lowest priced pack of 20 cigarettes retails at €8.35 and attracts a total rate of duty of €5.85. If the MED was increased to a rate such that it applied at a rate at 100% the rate of duty applied at the MPPC, a pack of 20 cigarettes which retails at €8.35 would be subject to rate of duty of €6.00. If tobacco companies wanted to maintain their margins on lower priced packs, they would be forced to raise the price of a pack of 20 cigarettes by 20 cents to €8.55 to retain the non-tax component of the price of a pack at 11.2%.

66. The Revenue Commissioners are satisfied that the proposed standardised packaging of tobacco products will not damage their work to tackle the illicit tobacco trade. Revenue relies on the tax stamp to identify tax paid tobacco products, and the standardised packaging legislation will accommodate the stamp. The tax stamp contains a range of features designed to minimise the risk of counterfeiting.

EU CONTEXT

POTENTIAL CHANGES TO THE TOBACCO PRODUCTS DIRECTIVE

67. Article 19 of the Tobacco Products Tax Directive provides that 'the Commission shall submit to the Council a report and, where appropriate, a proposal concerning the rates and the structure of excise duty laid down in this Directive. At present the Commission envision presenting a revised Directive to the Council at the end of 2016, with the possibility of:
    a. Providing for 'e-cigarettes' in the Tobacco Products Tax Directive;
    b. Providing for 'heated tobacco products' in the Tobacco Products Tax Directive;
    c. Providing for such matters that Member States may raise.

68. Electronic cigarettes ('e-cigarettes') are products that deliver a non-medicinal nicotine-containing aerosol by heating a solution (or 'e-liquid') typically made up of propylene glycol, nicotine and flavouring agents. Despite their design, electronic cigarettes do not contain tobacco, and there is no combustion involved. Accordingly, neither e-cigarettes nor e-liquid fall under the harmonised regime for the taxation of tobacco products contained in the Tobacco Products Tax Directive, and may therefore be subject to rates and structures of duty arrived at by each Member State of the European Union.

69. The Department of Health have yet to legislate for the Tobacco Products Directive (2014/40/EU) and the legislation is not expected to be enacted until May 2016. As such, no definition of e-cigarettes is currently extant in Irish law. Moreover, the Department of Health have reserved their position thus far on the health implications of e-cigarette use. Government has approved the drafting of the Heads of a Bill to provide for a licensing system and other measures in relation to non-medicinal nicotine delivery systems. A review commissioned by Public Health England, an agency of the UK Department of Health, indicated that e-cigarettes may be 95% less harmful than cigarettes, and stated that they may be a smoking cessation tool.

70. Four Member States (Portugal, Italy, Romania and Slovenia) have introduced taxes on e-cigarettes, or on the e-liquid used in e-cigarettes. The Latvian Presidency asked the High Level Working Party on Tax Questions on 5 February 2015 to consider whether e-cigarettes should be included in the Tobacco Products Tax Directive. Member States either issued no opinion or gave this proposal a guarded welcome. This question is now being considered in the context of Fiscalis project groups. Broadly speaking, most Member States are awaiting the guidance of their health authorities before committing to a position on the taxation of e-cigarettes. The possibility of imposing such a tax on e-cigarettes or e-liquid in Ireland is considered below under potential revenue raising measures.

71. 'Heated tobacco products' are single use products with the appearance of cigarettes which operate through the heating of the tobacco contained in them to 300 degrees Celsius, and are sold in packs of 20. They have appeared on the market in a number of Member States and have been considered for tax purposes as either 'cigarettes' or as 'other smoking tobacco' and have accordingly attracted different tax treatment. As they have yet to appear on the Irish market a determination has yet to be made about the product definition for tax purposes of such tobacco products. A decision will have to be made by Member States as to whether such products are encompassed by the Tobacco Products Directive, or whether a new product definition should be provided for such products. There is a risk, if a new definition is included, that the minimum rate of duty imposed on such products may be substantially lower than that imposed on cigarettes.

72. Finally, there may be an opportunity to argue for higher minimum tobacco product tax rates in the Directive. Given Ireland's already high tobacco taxes, and given our general policy stance on the role of higher tobacco taxes in reducing tobacco consumption, it would be in the interest of Ireland and the wider EU to pursue higher minimum rates, with a view to preventing cross-border trading between EU Member States and achieving a general reduction in smoking prevalence across the EU.

POTENTIAL REVENUE RAISING MEASURES

ELECTRONIC CIGARETTES

73. While it is a matter for individual Member States whether to apply a duty or tax on e-cigarettes or e-liquid there are risks associated with moving ahead without a harmonised approach. As e-cigarettes are not harmonised excisable products the Revenue Commissioners would be unable to use movement controls and tax warehousing for tax collection purposes and the tax would have to be applied, on a self-assessment basis, to suppliers, in the same way as solid fuel carbon tax. Consumers, retailers and suppliers would be free to buy the product from other EU Member States with no import formalities. Moreover, if a substantive duty were to be imposed on e-cigarettes there would be significant cross-elasticity effects, given consumers view e-cigarettes as either substitutes or complements for traditional tobacco products, which could in turn undermine the broader public health objective of reducing tobacco consumption.

74. If a tax on e-cigarettes were to be imposed, it would be preferable that such a tax would be charged on the e-liquid used in e-cigarettes. Ideally, the tax base for e-cigarettes and e-liquid would be as broad as possible, so that nicotine and non-nicotine containing e-liquid (whether in gaseous, liquid or solid form) would be subject to a specific volumetric duty of excise or specific volumetric levy. The tracker survey on tobacco use carried out for National Tobacco Control office of the Health Service Executive indicates a prevalence of 5% for e-cigarette use across the adult population. Using this figure, and making a number of assumptions of average e-liquid use based on the literature on e-cigarette usage, it is possible to estimate the effect of a number of rates of duty, on a no-change basis, in terms of total yield.

Rate per 10ml	Yield	Rate per 10ml	Yield
€0.50	€8.3m	€3.00	€49.2m
€1.00	€16.8m	€3.50	€57.4m
€1.50	€25.1m	€4.00	€65.6m
€2.00	€33.5m	€4.50	€73.8m
€2.50	€41.9m	€5.00	€82m

75. It should be noted that the price effects of the rates indicated above would be extremely large. A rate of duty of €2.50 per ml of e-liquid would, based on a full-pass through of the duty, double the price of some e-liquids currently retailing on the market. It should be said that the implementation and collection of such a tax would be difficult given the wide variety of ways in which these products are supplied to the consumer.

TOBACCO INDUSTRY LEVY

76. One of the recommendations contained in *Tobacco Free Ireland* was the introduction of a tobacco industry levy which could be ring fenced to fund health promotion and tobacco control initiatives including support to end the illegal trade. In the Irish context, a levy has been imposed on the banking sector at various times to raise revenue including in 1981, 2003 and most recently as part of Budget 2014. The most recent iteration is calculated on banks' customers' DIRT liability in 2011.

77. In December 2014, the British Treasury initiated a public consultation on introducing a tobacco levy, including a specific levy paid by tobacco companies depending on their excise returns for the previous year. In the Summer Budget 2015 the Treasury concluded that the impact of a tobacco levy imposed in this way would be passed on to the consumer, and that yield would less than the nominal amount levied due to anticipated behavioural changes.

78. Hungary introduced a tax on the turnover from the production and trade of tobacco products. However, progressively higher rates of this tax were imposed based on the size of the tobacco producer or retailer and has led to the European Commission opening a State Aid investigation.

79. The Irish Cancer Society (ICS) and Irish Heart Foundation (IHF) have recommended the introduction of a levy on the profits attributable by the tobacco companies in Ireland, in recognition of the high profit margins enjoyed by tobacco firms and the harm caused by their products.

INCREASE IN TPT

80. The Irish Heart Foundation (IHF) and Irish Cancer Society (ICS) have proposed an annual TPT escalator of inflation + 5%, and have proposed increasing the duty on RYO to equalise the duty with cigarettes. PMI International have proposed an annual TPT escalator with relatively low increases in duty and have proposed an increase in duty on RYO to equalise the duty with cigarettes.

81. The table below indicates the effects of increasing various levels of duty (on cigarettes, with pro rata increases on other tobacco products – calculated on the basis of

maintaining specific duty at 65% of total tax). The table below also indicates the additional yield from an additional 50% duty increase on RYO on top of the pro rata increase on RYO.

Increase (per pack of 20 cigs)	Yield	Additional for 50% on RYO	Total
10c	€12.5m	€0.6m	€13.1m
20c	€24.8m	€1.2m	€26.0m
30c	€37.1m	€1.8m	€38.9m
40c	€49.3m	€2.4m	€51.7m
50c	€61.4m	€2.9m	€64.4m
60c	€73.5m	€3.5m	€77.0m
70c	€85.4m	€4.1m	€89.5m
80c	€97.3m	€4.7m	€102.0m
90c	€109.0m	€5.3m	€114.3m
100c	€120.7m	€5.0m	€126.6m

C: BETTING DUTY

INTRODUCTION

82. The Betting (Amendment) Act 2015 was enacted on 15th March 2015. The Act provided for a regulatory system for remote bookmakers and betting intermediaries, otherwise known as betting exchanges, offering betting services in Ireland regardless of their location. This allows for a fair and equal treatment of all bookmakers by extending betting duty to remote operators, thus widening the tax base and protecting the Exchequer from the leakage of potential tax revenue.

83. Prior to the enactment of the Betting legislation, a 1% rate of excise duty was payable only on bets entered into with a traditional bookmaker. Bets on horse and greyhound racing made on course racing are exempt from this duty.

84. The application of betting duty to remote operators came into effect on 1st August 2015 making licenced remote bookmakers liable for duty at 1% on the amount of a bet entered into with customers in the State and licenced remote betting intermediaries liable for duty of 15% on the commission charged to customers in the State.

BETTING DUTY YIELD – TRADITIONAL BOOKMAKERS

85. In 2014, betting duty receipts from traditional bookmakers amounted to €26.2m. Receipts for the period to end August 2015 are approximately €19.8m.

86. The table below and overleaf outlines the rates and yield from Betting Duty on '*traditional'* bookmakers from January 2003 to August 2015.

Year	**Rate**	**Yield €**
2003	2%	38.4
2004	2%	45.6
2005	2%	45.8
2006 (1 July)	2% / 1%	54.3
2007	1%	36.4
2008	1%	36.7
2009	1%	31
2010	1%	30.9
2011	1%	27
2012	1%	27
2013	1%	25.4
2014	1%	26.2
2015 (Jan to Aug)	1%	19.8

BETTING DUTY YIELD – REMOTE BOOKMAKERS & BETTING INTERMEDIARIES

87. The extension of the betting duty, at a rate of 1% to remote bookmakers and at a rate of 15% on the commission charged by remote intermediaries, is estimated to raise some €25m in a full year.

REVENUE RAISING OPTIONS

88. The current relatively low rate of betting duty, at 1%, is a function of the changes that have taken place in the bookmaking industry over the past number of years and in particular the migration of punters, at the time untaxed, to the remote or online sector. While it is considered prudent to wait until the new remote taxation regime has bedded in before considering changes to the rate and or type of tax, for illustrative purposes, revenue yield from increases in the rate are examined below.

    a. **Increase Betting Duty Rate from 1% to 2% -** It is estimated that an increase in the rate of duty from 1% to 2%, in respect of both traditional and online operators, would yield an additional €35m per annum.

    b. **Increase Betting Duty Rate 1% to 3% -** It is estimated that an increase in the rate of duty from 1% to 3%, in respect of both traditional and online operators, would yield an additional €65 to €70m approximately per annum.

        i. The above figures presume no other changes to the structure or nature of the duty and no change to the current 15% duty chargeable to the commission of licenced betting intermediaries.

        ii. Increases in Betting Duty may not result in a proportionate revenue increase, as some customers may reduce their gambling expenditure and others may divert their expenditure to other gambling products or to unlicensed operators.

        iii. Exchequer returns arising from the new online duty will not be collected until October 2015, and as such, it is difficult to estimate prospective yields from an increase in rates until these returns can be examined.

INTRODUCE A TAX ON WINNINGS

89. It is considered that introducing a tax on winnings, however small, would be very difficult to enforce. Punters that bet via remote means are highly price sensitive and a tax on winnings would incentivise tax avoidance.

90. All betting firms including betting exchanges share the above view and would prefer that the tax liability remains with the firms. The fact that the companies would prefer to bear the tax is a clear indication of how challenging it would be to enforce the tax.

D. TAX ON SUGAR SWEETENED DRINKS

INTRODUCTION

91. The Irish Heart Foundation (IHF) has sought, as part of its pre-Budget submission, the introduction of a tax on sugar sweetened drinks (SSD) which would increase the price of SSD by at least 20%.

92. Ireland historically levied a form of excise duty on 'table waters', which included most categories now considered sugar sweetened drinks. The tax operated between 1916 and 1992. It also became increasingly important in the context of an increasing Exchequer shortfall in 1979/1980. The excise on table waters was levied at £0.10 a gallon from 1975 to 1979, but was sharply increased to £0.37 per gallon in Budget 1980. As the Minister for Finance of the day put it, this was equivalent to putting 2.2p on a 33cl can of Coca-Cola. This had the effect of raising the VAT-included price of a can of Coca-Cola by over 10% in 1980. The table waters tax was abolished in November 1992 as part of the reform of the tax code undertaken in anticipation of the full application of Single Market rules on 1 January 1993.

93. France, Hungary and Finland all impose volumetric taxes on SSD, while Belgium has announced it will introduce one from 2016. A volumetric tax is imposed as a specific amount per litre of product, as opposed to an *ad valorem* rate imposed on the final retail price of product. As such, it is easier to administer and impose. France introduced its tax on SSD at a rate of €7.16 per hectolitre (7.16c per litre) of SSD in 2012. After amendments by the National Assembly, the tax applied to all SSD, whether diet or full sugar. The tax yielded €351m in 2013 and is expected to yield €373m in 2014.

<u>PUBLIC HEALTH POLICY</u>

94. The Department of Health has been concerned about the impact of obesity on the cost of health services for some time. The Report of the National Taskforce on Obesity (2005) recommended an examination of the impact of fiscal measures on obesity. In, 2009 a Special Action Group on Obesity was established by the Department of Health to work on an interdepartmental basis to review the 2009 report. In 2011 the Department of Health sent a memo to Government on the idea of an SSD tax. In 2012, the Department of Health commissioned a Health Impact Assessment (HIA) under the aegis of the Institute of Public Health.

95. The HIA noted that there was a positive relationship between SSD consumption and measures of weight gain. The National Adult Nutrition Survey conducted between 2008 and 2010 indicates that 53% of all adults are overweight, and 24.5% are obese. The modelling in the HIA indicated that, assuming an own-price elasticity of 0.9 in relation to SSD, a 10% increase in the price of SSD would lead to a 1.25% reduction in obesity amongst adults.

TAX DESIGN AND ADMINISTRATION

96. Given the difficulties in applying an SSD at an *ad valorem* rate it would not be prudent to implement it in Ireland. A volumetric rate imposed at a specific amount per hectolitre would be easier to impose and administer, and have a greater price impact on multipacks, large volume SSD bottles and cheaper 'own-brand' SSD products. As such, the SSD would function much like an excise, or indeed much as the old table waters tax operated, with a specific sum applied per hectolitre of SSD.

97. CN codes are used by customs and tax authorities to identify products, and manufactures, processors and importers must declare which CN code their products fall under. France has applied its SSD tax to CN code 2009, encompassing fruit juices, and CN code 2202 which is categorised as 'waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages' under Council Regulation 2658/87/EEC. CN Code 2202 encompasses both soft drinks with added sugar and 'diet' produces which contain artificial sweeteners and accordingly have lower calorie counts. It is not possible to use CN codes to distinguish between diet and full sugar soft drinks. Finland also applies its tax to bottled waters (CN Code 2201).

98. Ireland is precluded from applying tax warehousing or border controls on supplies of soft drinks, as these products are not currently encompassed by the General Excise Directive. Accordingly, a SSD tax would have to be based on voluntary declarations of the volume of taxable products supplied in the accounting period. The tax would be collected from manufacturers or distributor who are supplying SSD to retailers for sale to consumers. The taxable event would be the first supply of the SSD in the State, as currently applies to the solid fuel Carbon Tax. The Revenue Commissioners have expressed concern about the possibility of tax evasion through undeclared cross border supplies if a SSD tax was introduced in the absence of a similar measure North of the border. Nearly 300 million litres of CN Code 2202 (or 90% of the total consumed) was imported in 2014.

REVENUE RAISING OPTIONS

99. The table below indicates the effects of various rates of SSD tax per hectolitre on CN Code 2202, the associated VAT-inclusive increase in the price of a 330ml can of soda, and associated VAT-inclusive yield on a no-change basis.

Rate per hl	€2.46	€4.93	€7.39	€9.85	€12.32	€24.64	€36.96	€49.27
Increase	1c	2c	3c	4c	5c	10c	15c	20c
Yield	€12.1m	€24.3m	€36.5m	€48.7m	€60.8m	€121.7m	€182.5m	€243.4m

ANNEX I

Alcohol Products Tax incidence by alcohol product in EU Member States – July 2015

Beer		**Wine (Still)**		**Wine (Sparkling)**		**Spirits**	
€ per hectolitre per degree of alcohol of finished product		**€ per hectolitre of product**		**€ per hectolitre of product**		**€ per hectolitre of pure alcohol**	
Finland	32.05	**Ireland**	**424.84**	**Ireland**	**849.68**	Sweden	5624.86
UK*	26.29	UK*	391.10	UK*	501.02	Finland	4555
Ireland	**22.55**	Finland	339	Finland	339	**Ireland**	**4257**
Sweden	21.33	Sweden	276.8	Sweden	276.8	UK*	3958.70
Slovenia	12.1	Malta	200	Netherlands	254.41	Greece	2450
Italy	7.6	Denmark	155.97	Denmark	200.98	Belgium	2124.68
Denmark	7.53	Estonia	97.37	Malta	200	Denmark	2015.13
France	7.38	Netherlands	88.36	Belgium	195.88	Estonia	1889
Estonia	7.22	Lithuania	72.12	Germany	136	France	1730.64
Greece	6.5	Latvia	70	Austria	100	Netherlands	1686
Cyprus	6	Belgium	57.24	Estonia	97.37	Poland	1364.1
Croatia	5.23	Poland	37.79	Czech Rep.	85.08	Latvia	1360
Hungary	5.22	France	3.75	Slovakia	79.65	Malta	1350
Austria	5	Bulgaria	0	Lithuania	72.12	Lithuania	1320.67
Poland	4.65	Czech Rep.	0	Latvia	70	Slovenia	1320
Belgium	4.62	Germany	0	Hungary	53.05	Germany	1303
Malta	4.33	Greece	0	Poland	37.79	Portugal	1289.27
Portugal	3.88	Spain	0	Romania	36.59	Austria	1200
Latvia	3.8	Croatia	0	France	9.29	Slovakia	1080
Slovakia	3.59	Italy	0	Bulgaria	0	Romania	1074.55
Lithuania	3.11	Cyprus	0	Greece	0	Hungary	1074.4
Netherlands	3.04	Luxembourg	0	Spain	0	Luxembourg	1041.15
Spain	2.99	Hungary	0	Croatia	0	Czech Rep.	1036.29
Czech Rep.	2.91	Austria	0	Italy	0	Italy	1035
Romania	2.21	Portugal	0	Cyprus	0	Cyprus	956.82
Luxembourg	1.98	Romania	0	Luxembourg	0	Spain	913.28
Germany	1.97	Slovenia	0	Portugal	0	Croatia	693.49
Bulgaria	1.92	Slovakia	0	Slovenia	0	Bulgaria	562.43
EU Average	**7.71**	**EU Average**	**78.55**	**EU Average**	**127.7**	**EU Average**	**1789.79**
EU Minima	**1.87**	**EU Minima**	**0**	**EU Minima**	**0**	**EU Minima**	**550**

*Based on an EUR/GBP exchange rate of 0.72753

ANNEX II

Cross-Border Price Comparisons – July 2015

Products	Price in this State (€)	Price in N. Irl (€)	Difference	Total Tax/Duty in this State (€)	Total Tax/Duty N. Irl (€)	Difference Total Tax/Duty (€)
Alcohols						
Stout (500ml can)	2.12	2.33	-0.21	0.87	0.94	-0.07
Lager (500ml can)	2.05	2.04	0.01	0.87	0.96	-0.1
Lager (330ml bottle)	1.67	1.42	0.25	0.63	0.6	0.03
Bottle of Vodka	20	19.56	0.44	14.91	13.53	1.38
Bottle of Whiskey	25.91	27.35	-1.44	16.76	15.52	1.25
Bottle of Wine (Chardonnay)	10	11.52	-1.52	5.06	4.82	0.24
Bottle of Wine (Sauv. Blanc)	9.5	9.78	-0.28	4.96	4.53	0.43
Sparkling Wine	18.17	14.32	3.85	9.77	6.1	3.67
Tobacco						
Cigarettes *(20)	10	13.06	-3.06	7.87	9.69	-1.83
Cigarettes *(20)	10	13.26	-3.06	7.87	9.69	-1.83
Roll your own Tobacco (25g)	11.4	13.5	-2.1	8.96	8.82	0.14

*Two Different Brands

**EUR/GBP exchange rate on survey date was 0.7067.

ANNEX III

Specific, Ad Valorem and Minimum Excise Duty Rates per 1,000 Cigarettes - July 2015

Member State	WAP/ 1000	Specific Excise / 1000	Specific Excise as a % of Total Tax (including VAT)	Ad valorem as a % of WAP	Minimum Excise as a % of WAP	Total excise duty**	Total tax as % of WAP
UK*	€501.65	€263.49	61.30%	16.50%	69.02%	€310.89	85.69
Ireland	€464.00	€255.69	67.13%	8.85%	63.80%	€295.91	83.81
France	€336.76	€48.75	17.91%	49.70%	64.18%	€216.12	80.85
Netherlands	€291.91	€173.97	74.94%	0.95%	62.17%	**€181.49**	79.53
Denmark	€274.31	€158.86	73.39%	1.00%	58.91%	€161.60	78.91
Sweden	€272.43	€166.06	74.39%	1.00%	61.95%	€168.78	81.94
Belgium	€265.41	€36.89	18.03%	45.84%	59.74%	€158.55	77.1
Germany	€256.98	€96.30	49.85%	21.74%	59.21%	€152.16	75.18
Finland	€250.41	€33.50	15.79%	52.00%	65.38%	**€177.00**	84.73
Italy	€226.00	€17.34	10.00%	51.03%	58.70%	€132.66	76.73
Spain	€218.50	€24.10	13.96%	51.00%	62.03%	€135.54	78.99
Luxembourg	€218.05	€18.39	12.11%	46.65%	55.08%	€120.11	69.61
Austria	€216.50	€45.00	26.83%	40.00%	60.79%	€131.60	77.46
Cyprus	€207.00	€55.00	34.71%	34.00%	60.57%	€125.38	76.54
Portugal	€206.68	€88.20	54.61%	17.00%	62.09%	**€127.97**	78.08
Malta	€203.43	€82.50	50.19%	25.00%	66.36%	**€135.00**	80.81
Latvia	€191.08	€51.80	39.03%	25.00%	52.11%	€99.57	69.46
Greece	€181.80	€82.50	53.97%	20.00%	65.38%	€118.86	84.08
Slovenia	€170.50	€68.37	50.00%	22.07%	62.17%	**€106.00**	80.2
Hungary	€163.91	€40.28	31.99%	31.00%	55.57%	€91.09	76.83
Poland	€153.73	€49.45	39.09%	31.41%	63.58%	**€97.73**	82.27
Slovakia	€150.11	€59.50	49.98%	23.00%	62.64%	€94.03	79.3
Estonia	€150.00	€46.50	37.96%	34.00%	65.00%	€97.50	81.67
Romania	€146.86	€64.23	53.94%	18.00%	61.74%	€90.66	81.09
Croatia	€144.74	€27.48	24.98%	37.00%	55.98%	€81.03	75.98
Czech Rep.	€139.04	€46.91	43.19%	27.00%	60.73%	**€86.18**	78.09
Lithuania	€123.00	€45.47	46.53%	25.00%	61.85%	€76.08	79.21
Bulgaria	€120.67	€51.64	51.90%	23.00%	65.79%	€79.39	82.46

*EUR/GBP exchange rate 0.6987 of 21 July 2015.
**MS highlighted in bold have minimum excise duty which is equal to or higher than the standard rates of excise duty based on WAP.