



*Alcohol Taxation
in Jamaica*

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Content

- Overview of Jamaica
- Consequences of Alcohol Consumption
- Reforms
- Challenges
- Benefits
- Conclusion

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

Reforms on Alcohol Taxation

- 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

Age (Years)	Prevalence (%)
15-24	40.4
25-34	51.4
35-44	47.2
45-54	41.8
55-64	33.4
65-74	25.3
75+	14.6

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