

Memorandum For Cabinet by the Hon. Minister
of Trade, Industry and Agriculture
regarding Excise Duty on Wine

Following the introduction of an excise duty on the sale of bottled wines on May 15, 1966, representations were made by the vintners to the effect that the tax as implemented was having serious effects on sales with a consequent disruption of the industry.

The single rate of tax applied irrespective of size of bottle, quality and price, and the incidence of the tax on the cheaper quality which was as much as 25% of the retail price of this class of wine coupled with the exemption of the bulk wine seriously disturbed the sales pattern obtaining before the tax levy. A heavy shift in consumption took place away from the bottled to the bulk wine. This change in the pattern of consumption was a cause of worry to the larger vintners with brands firmly established on the market.

It will be readily appreciated that with a branded product sales can be the more easily controlled through vigorous advertising aimed at the consumer. With an unpacked and unbranded product identity with the producer is lost and control over sales becomes impossible. Moreover, control over the state of quality in which the wine arrives at the point of sale is also lost. From the point of view of hygiene it is again more desirable to market edibles and beverages in sealed containers.

In order that the change in the pattern of consumption may be the better appreciated it should be stated that an examination of the sales of four of the largest vintners for the 3½ months immediately following the introduction of the tax showed a drop of 38% for the cheap bottled class, a drop of 22% for the medium-priced bottles, and a gain of 42% for the bulk wine as compared with sales for the corresponding period the previous year. (Whilst the highest-priced bottled wines registered a gain of 11.5%, the overall turnover showed a drop of 23%).

This substantial change in the pattern of consumption was not only a source of worry to the vintners selling under a brand-name but immediately became a factor militating against the collection of the anticipated revenue quoted at £65,000. A revision of the tax appeared necessary if the interests of both revenue and industry (including the grape-growing industry which flourishes better with the large vintners solidly placed) were to be safeguarded.

It was thought desirable that under any plan of revision of the tax bulk wine should continue to remain exempt. The immediate consequence of such decision is the introduction of a rising scale of taxation starting from a very low rate for the cheapest class. Indeed, if the original sales pattern is to be practically restored that rate must be such as will prove capable of being accepted by the lower income group consumer. It is considered that 1d per bottle is the maximum that could be levied given that the retail price difference as between bulk and bottled wine of the cheap class already ranged between 2d and 3d per

...../

bottle before the current tax was introduced. Moreover, it is also deemed desirable to limit the sale of wine in bulk to sales to licensed wine-shops for retailing by them solely to customers consuming the wine on the premises. In order that such untaxed sales may be controlled it will be necessary to make the wine producers selling in bulk to keep a register of sales showing the licensed buyers, and the date, quantity and type of wine sold. Vouchers covering such sales should also be handed to the licensed-shops for presentation to any Government official on demand.

With such a low rate as indicated above, the rate at the higher end of the scale will have to be high but there is every indication that the highest-priced wines could bear a high rate mainly because of the high proportion sold in hotels, the better restaurants, and to the higher-income group households. It is considered that a rate of 9d per bottle could be charged. As a source of revenue this class of wine is not very important as the consumption is still low. Figures perused reveal that sales as between qualities show the following distribution: cheap 88.4%; medium-priced 9.2%, high-priced 2.4%. With the growth in tourism however, the sales position of the high-priced wines should improve.

An acceptable scale of taxation would appear to be: 1d per bottle for the cheap class; 3d for the medium; and 9d for the high-priced wines. It is estimated that these rates would bring in a revenue of £24,000 a year as against a yield of £42,000 under current rates (which in its turn is short of the budgeted figure of £65,000 by £23,000).

The balance could be made up by a revision of the import duty on wines and a higher excise duty of 2/- per bottle on local vermouth, sherry, port and other fortified wines.

The annexures to this paper show the duties that are being proposed and the revenue they are expected to yield. It will be seen that the proposals whilst aiming at safeguarding the interest of the industry - which is a forward-looking one and relatively progressive on the export market - will also secure for Government the revenue return originally aimed at.

It is strongly recommended, therefore, that the proposed duties as appear on the annexed schedule be approved.

29th March, 1967

PROPOSED DUTIES ON WINES

- A. Local Wines -
- | | |
|---|--|
| ex works/delivered price not exceeding 1s. Od. per bottle | 1d excise duty per bottle |
| ex works/delivered price exceeding 1s. Od. but not exceeding 2s. Od per bottle | 3d excise duty per bottle 2d excise duty per half bottle or less |
| ex works/delivered price exceeding 2s. Od per bottle | 9d excise duty per bottle 5d excise duty per half bottle or less |

- B. Local Vermouth, sherry, port and other fortified wines containing not less than 14% of alcohol in 100 parts by volume of dutiable liquid at 20° centigrade
- | | |
|--|---------------------------|
| | 2s excise duty per bottle |
|--|---------------------------|

- C. Imported Wines - Customs Tariff item 22.05
- (A) (1) amended to read "not exceeding 10%, etc
- | | |
|---|----------------------|
| | 420s per hecto-litre |
| (2) exceeding 10% but not exceeding 13%, etc | 450s per hecto-litre |
| (3) "exceeding 13% but not exceeding 18%" etc. | 485s per hecto-litre |
| (4) "exceeding 18%" etc | 640s per hecto-litre |

- D. Imported Vermouths, etc. - Customs Tariff item 22.06
- Two items would have to be introduced as follows:
- (A) Imported in casks or tanks:
- | | |
|--|------------------------|
| (1) not exceeding 14% of alcohol, etc | 635s per hecto-litre |
| (2) exceeding 14% but not exceeding 16% | 700s per hecto-litre |
| (3) exceeding 16% but not exceeding 18% | 790s per hecto-litre |
| (4) exceeding 18%, etc | 1,000s per hecto-litre |
- (B) Imported in bottles:
- | | |
|--|---------------------|
| The same rates as at (A) plus an additional duty of | 50s per hecto-litre |
|--|---------------------|

An additional duty of 9d per bottle shall be paid on imported wines whether imported in bottles or in bulk and to be bottled in Malta. (This is necessitated by GATT exigencies).

Item 22.04 of the Customs Tariff, i.e. "Grape must" is not allowed to be imported into Malta so there is no possibility of obtaining any revenue therefrom. However, as this item is currently dutiable at only 5/- per hectolitre less than the lowest grade wine it may be advisable to push up its duty to 415s per hectolitre to maintain the same difference.

L-ARKIVI NAZZJONALI TA' MALTA

ESTIMATED REVENUE YIELD EX PROPOSED DUTIES (WORK SHEET)

(a)	Revenue aimed at in 1966/67 Budget	...	...	...	...	...	...	...	...	£65,000
(b)	Revenue yield ex current excise duty rates (for a full year)	...	...	...	...	...	...	...	...	42,000
(c)	Revenue (actual) ex current excise duty rates (May 15, 1966 to February 28, 1967)	...	...	...	...	...	...	...	...	32,000
(d)	Sales distribution as between Grades of table wine (based on figures supplied by the larger vintners):-	cheap 88.4%;	Medium 9.2%;	High-priced 2.4%.						
(e)	Estimated revenue ex current excise rates:-	cheap £37,128;	Medium £3,864;	High-priced £1,008						
(f)	Proposed excise rates:-	cheap 1d;	Medium 3d;	High-priced 9d						
(g)	Estimated revenue ex proposed rates:-	cheap £12,376;	Medium £3,864;	High-priced £3,024						
(h)	Anticipated yield ex shift back from bulk to bottle	...	...	...	...	...	...	...	...	5,000
(i)	Total anticipated revenue ex proposed excise rates	£12,376 + £3,024 + £5,000								24,264
(j)	Anticipated revenue ex local vermouths and other flavoured wines	70,000 ltrs x 200/-per H.1tr								= 7,000
(k)	Anticipated revenue ex import duty on imported still wines	158,000 ltrs x 200/-per H.1tr								= 15,800
(l)	Anticipated revenue ex import duty on imported vermouths, etc	68,000 ltrs x 580/-per H.1tr								= 19,720
(m)	Total anticipated revenue (approximating amount aimed at in Budget)	...	...	...	...	...	...	...	...	<u>£66,784</u>