An Roinn Airgeadais
Department of Finance

General Excise Paper

Tax Strategy Group – 21/11
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ALCOHOL PRODUCTS TAX

1.1 Alcohol – Introduction

The current rates and structures of excise duty on alcohol products are harmonised across the European Union through Directives 92/83/EEC and 92/84/EEC ('Alcohol Products Tax Directives'). This section outlines the main policy considerations regarding the Alcohol Products Tax as well as recent changes to rates, yields and consumption patterns. It also sets out options for Budget 2022. The current Programme for Government aims to continue to implement the Public Health (Alcohol) Act with the introduction of minimum unit pricing.

1.2 Public Health Policy

Ireland has some of the highest rates of excise duty on alcohol products in the EU. This reflects a long-standing policy to support public health objectives.

Alcohol consumption, in particular problematic drinking behaviours, is a major social problem. 1,094 alcohol-related deaths were recorded in 2017 – an average of 3 deaths per day. Over 70% of those who died of alcohol-related causes were under 65 years old[1].

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 licenses.

The Government legislated to tackle the harms caused by alcohol in the Public Health (Alcohol) Act 2018. The Minister for Health signed the order to commence 23 sections of the Public Health (Alcohol) Act into operation in November 2018. The commenced sections included prohibition of the sale of alcohol at temporarily reduced prices or bulk discounts and restrictions around visibility and accessibility of alcohol sales.

The primary policy objectives of the Act are to:

- reduce alcohol consumption to 9.1 litres of pure alcohol per person per annum

[1] See Health Research Board 'Overview Series 11t' publication, April 2021 https://www.hrb.ie/fileadmin/2._Plugin_related_files/Publications/2021_publications/2021_HIE/Evidence_Centre

- delay the initiation of alcohol consumption by children and young people,
- reduce the harms caused by the misuse of alcohol, and
- regulate the supply and price of alcohol in order to minimise the possibility and incidence of alcohol related harm.

These objectives were developed in recognition of the fact that alcohol consumption in Ireland remains high, causing harms to health and generating significant costs to the Exchequer. The principles guiding the objectives are that the harms caused by alcohol make it unlike other grocery products, that consumers should be able to make informed choices about their drinking and that it is time that children and young people's relationship with alcohol was addressed.

The Act proposes to achieve its objectives through the introduction of:

- minimum unit pricing;
- health labelling of alcohol products;
- the regulation of certain aspects of the advertising and marketing of alcohol;
- separation and reduced visibility of alcohol products in mixed trading outlets; and
- the regulation of the sale and supply of alcohol in certain circumstances.

In November 2019 sections 14, 17 and 20 of the Act were commenced. Section 14 prohibits the advertising of alcohol in or on public service vehicles, at public transport stops or stations and within 200 meters of a school, a crèche or a local authority playground; section 17 prohibits the advertising / promotion of alcohol products on children's clothing; and section 20 prohibits alcohol advertising in a cinema except around films with an 18 classification or in a licensed premises in a cinema. In November 2020 Section 22 introduced the structural separation for alcohol products in mixed retail environments. In November 2021 sections 15 and 16 banning alcohol advertising or sponsorship in or around sporting events and events aimed primarily at children will be commenced.

Minimum Unit Pricing

Minimum Unit Pricing is intended to address the health harms associated with harmful alcohol consumption by preventing the sale of very low priced alcohol.

The Government Decision in 2013 approved the implementation of a minimum unit pricing regime for alcohol products under the Public Health (Alcohol) Bill to be subject to a similar provision being introduced simultaneously in Northern Ireland. Section 11 (1) of the Public Health (Alcohol) Act, which is subject to a commencement order, sets out the minimum price per gram of alcohol at €0.10.

In May of this year the Government approved the introduction of Minimum Unit Pricing with effect from January 2022.

1.3 The re-introduction of Duty Free between Ireland and Great Britain

Following the ending of the transition period on 31st December 2020, duty free shopping returned for passengers travelling between the UK (excluding Northern Ireland) and the EU. The Withdrawal of the United Kingdom from the European Union (Consequential Provisions) Act 2020 provided for tax free shops to be established at Irish ports, as well as airports. Prior to that, the legislation only allowed for Duty Free shops at airports as there were no ferry services to 3rd countries. With Great Britain becoming a third Country post transition for the purposes of excise duty and VAT, this was unavoidable and raises concerns around the wider availability of low priced tobacco and alcohol products in the State and the negative impact on the Government's public health policy. The public health travel restrictions in place for much of the year means that it is difficult at this stage to estimate the likely impact of its return.

1.4 Alcohol Products Tax Directive

The Alcohol Products Directive 92/83/EEC relates to the harmonization of the structures of excise duties on alcohol and alcoholic beverages. On 29 July 2020 the Council amended this Directive through Directive 2020/1151. The new rules will enter into application from 1 January 2022. Mandatory changes will be transposed into Irish law to effect the following:

- Update the definition of CN code under section 73 of the Finance Act 2003 to reference the new Commission Implementing Regulation (EU) 2018/1602
- Provide mandatory exemptions from excise duty on alcohol that has been denatured, provided certain conditions are met
- Provision for a certificate provided, upon request, to small independent breweries across the EU confirming the brewery's production for the year in order to improve the cross border functionality of the existing relief for small breweries.

The revised Directive also provides for optional transpositions including to effect the following:

- An increase in the threshold for low strength beer from 2.8% to 3.5%;

- The option for Member States to provide excise relief to small cider producers (and producers of other products) on similar terms to microbrewers with a much lower volume cap upon which claims can be made.

It is also necessary to note that whereas the Directive (as amended) provides a structure for calculating excise on beer and spirits in accordance with the alcohol strength, it does not do this for wine (wine with alcohol strength of between 5.5% and 15% must be charged the exact same excise rate).

1.5 COVID-19 Impact & Industry Views

The current pandemic has had contrasting impacts on the on and off trades. Whereas the on-trade was closed for significant periods of time, and are now operating under Covid restrictions, the off trade has benefitted from increased alcohol sales. In their pre-budget submission, Drinks Industry Group Ireland called for a 7.5% decrease in excise on alcohol in Budget 2022 and that this should be the start of a programme of annual reductions to gradually bring Ireland into line with lower EU levels.

The table below shows the estimated market share of the on-trade across the main alcohol product types.

Table 1: On-trade market share (sales volume) by alcohol product type

Product	Estimated On-trade Market Share (2018)	Estimated On-trade Market Share (2019)	Estimated On-trade Market Share (2020)
Beer	63.5%	62.7%	29.7%
Spirits	58%	Not available	Not available
Wine	18%	17%	Not available
Cider	50.8%	45%	16%

Source: Annual 2018, 2019 and 2020 Reports on Beer, Spirits, Wine and Cider Market by Drinks Ireland

Due to the continuing covid-19 related restrictions, the overall volume of alcohol sold has decreased with a substantial change in the relative volumes of drink types. With both beer and cider having a high percentage of total sales in the on-trade, these have been the worst affected with wine, sold more in the off trade, the least affected.

Table 2: Volumes alcohol released for consumption Q1 2020 v Q1 2021

Product	Volume Change
Beer	-34.5%
Spirits	-8.3%
Wine	-2.6%
Cider	-15.9%

Source: Calculations from Revenue data

In August 2020, the Government introduced a support package of measures for Vintners impacted by COVID-19 restrictions including a provision to waive excise duty for on-trade liquor licences on renewal in 2020 until 30 September 2021 (this has been extended to end September 2022), additional support for Vintners under the Tourism Adaptation Fund and a 40% top-up to the restart grant for all pubs/bars that remain closed due to the postponement of Phase 4 of the Reopening Roadmap. At the outset of the pandemic, Revenue also put measures in place that allow alcohol products, on which excise tax has been paid but which is spoiled due to premises closures, to be returned to a tax warehouse. The excise duty previously paid on the alcohol was refunded or remitted by agreement with the returning trader's local Revenue control officer. This measure is continually kept under review.

1.6 Recent Changes to Rates, Yield, Consumption and Prices

RECENT YIELD CHANGES

The table below indicates yield from 2013 to 2020 by alcohol product type:

Table 3: APT Yields 2013-2020

Year	Wine	Beer	Spirits	Cider/Perry	Total
2013*	€302m	€358m	€290m	€52m	€1,002m
2014*	€355m	€425m	€302m	€59m	€1,140m
2015	€355m	€417m	€311m	€54m	€1,137m
2016	€380m	€430m	€338m	€59m	€1,207m
2017	€382m	€424m	€353m	€61m	€1,220m
2018	€376m	€430m	€372m	€61m	€1,239m
2019	€378m	€421m	€373m	€60m	€1,232m
2020	€425m	€351m	€374m	€53m	€1,203m

*Rate Change

RECENT RATE CHANGES

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 came into effect. The last rate changes were made in 2014.

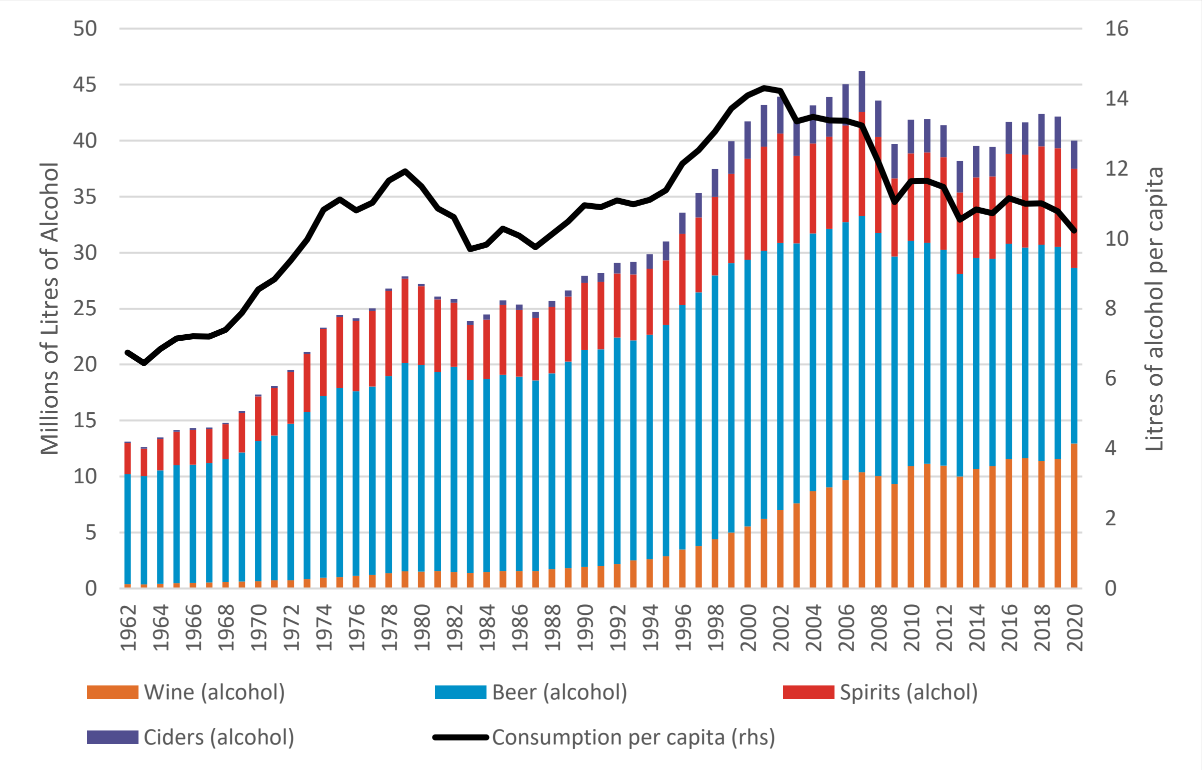
Table 4: Impact of rate changes on excise charged by product type

Year	Beer (4.3% ABV Pint)	Still 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

Graph 1 below indicates the total nominal quantity of pure alcohol by product released for Irish consumption, and the associated per capita consumption of pure alcohol. Consumption per capita had been steadily declining since 2000. In recent years it has slightly increased again, standing at 11.01 liters per capita in 2018 but decreasing to 10.78 in 2019 and 10.1 in 2020. It should be noted that the figures below do not capture alcohol products purchased outside the State and do capture alcohol products consumed in the State by foreign visitors.

Graph 1 - Nominal consumption of alcohol products (lhs) and litres of alcohol consumed per capita (black line rhs), 1962 to 2020

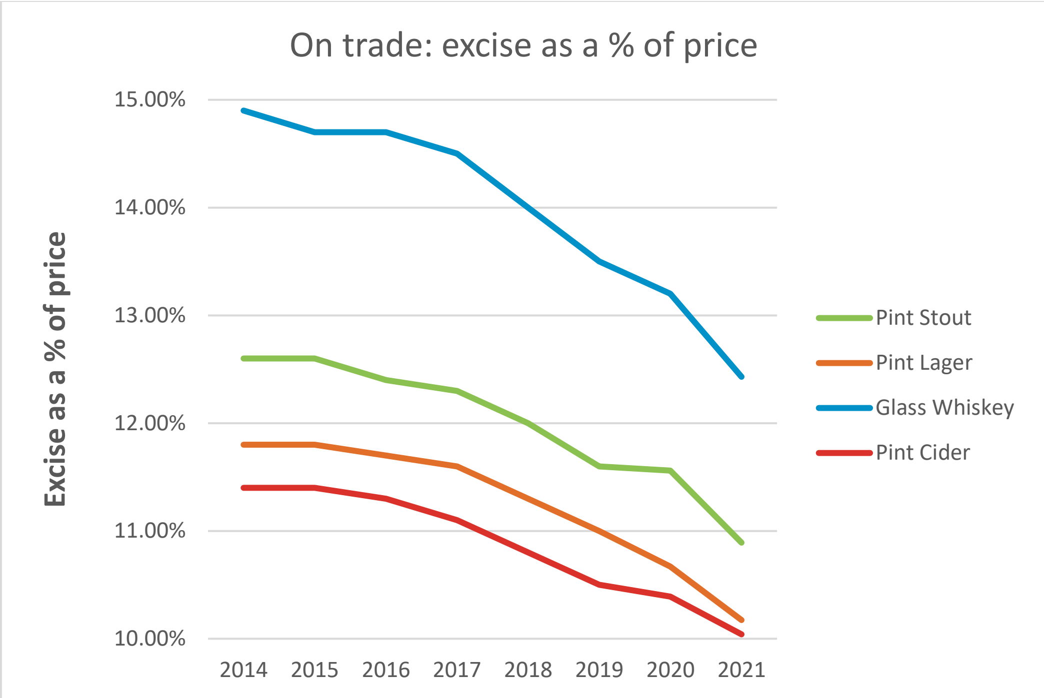


Graph 1 also highlights changes in consumer tastes over the period, with a significant increase in wine consumption. This has had implications for the pub trade, as over 80% of wine is purchased in the off-trade. Given that excise duty on alcohol is largely unchanged as a proportion of price over the years, it is unlikely that tax is the driving factor in consumption changes. In this regard, the consumption, and composition of consumption, of alcohol products is driven by factors such as personal disposable income, individual consumer preferences, the availability of alcohol products, the pricing strategies of retailers and publicans, and cultural changes. In addition, graph 1 highlights the Covid related changes to consumption in 2020.

RECENT RETAIL PRICE DEVELOPMENTS – ON TRADE

Graph 2 illustrates the trend in excise duties as a percentage of the national average price of the representative pint of stout, pint of lager, pint of cider and glass of whiskey sold in the on-trade. Since 2014 excise duty as a percentage of the retail price has fallen across all these products, due to pub price inflation.

Graph 2: Recent trends in excise duties as a percentage of on-trade prices

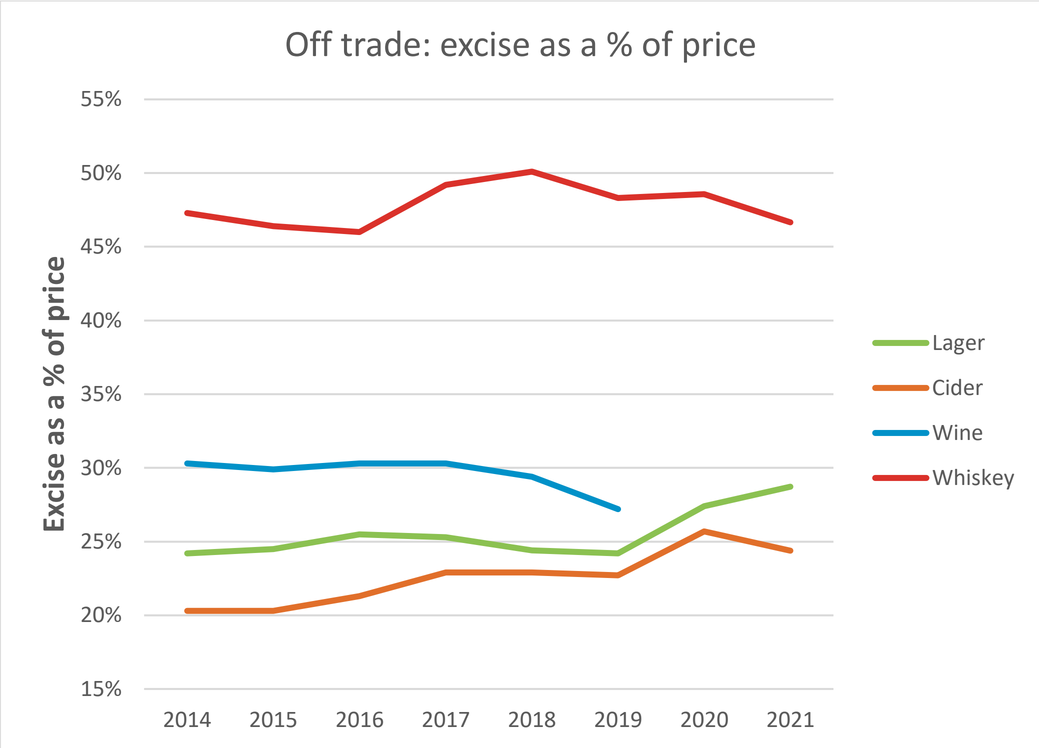


Note: 2021 data in the graph above is based on June 2021 CSO data.

RECENT RETAIL PRICE DEVELOPMENTS – OFF TRADE

Graph 3 illustrates the trend in excise duties as a percentage of the national average price of the representative can of lager, can of cider, bottle of wine and bottle of whiskey sold in the off-trade. Broadly speaking, the trend has been relatively flat since 2014, indicating that average retail alcohol prices have not changed much since 2014.

Graph 3: Trends in excise duties as a percentage of off-trade prices



Note: 2021 data in the graph above is based on June 2021 CSO data.

1.7 Cross-Border Trade

Price differences between the South and North are determined by (i) VAT and excise rates in both jurisdictions, (ii) exchange rates, and (iii) the pricing strategies of retailers. The current UK VAT rate for alcohol products is 20% compared to the Irish rate of 23%. Given that the UK imposes similarly high rates of excise duty on alcohol products, the most important determinant of price differentials is usually the exchange rate.

Table 5 below shows the results of the most recent cross-border price survey carried out by the Revenue Commissioners (15 August 2019) in selected comparable alcohol products.

Table 5: Analysis of off-trade cross border price differences

Year	Price in this State	Price in N. Irl	Price Difference	Total Tax State	Total Tax NI	Tax Difference	€/£ exchange rate
Can - Lager	€2.12	€1.95	€0.17	€0.88	€0.83	€0.05	€0.92
Bottle – Wine	€11.10	€8.72	€2.38	€5.26	€3.89	€1.37	€0.92
Whiskey	€27.08	€23.16	€3.92	€16.98	€12.64	€4.34	€0.92
Can-Guinness	€2.22	€1.84	€0.38	€0.89	€0.74	€0.15	€0.92
Vodka	€20.00	€14.73	€5.27	€14.91	€10.69	€4.23	€0.92

It remains to be seen what impact the unilateral introduction of MUP (that is, without a simultaneous introduction in Northern Ireland) might have on price differentials across the border. While increased prices will result in marginal VAT increases on certain products, it is likely that a significant price differential between this State and the North could lead to an increase in cross-border trade, undermining the tax take from alcohol sales.

1.8 Microbreweries

EXCISE RELIEFS FOR MICROBREWERIES

Article 4 of the Alcohol Products Tax Directive (EU Directive 92/83/EEC) provides for the application of reduced rates, or relief, of excise duty of up to 50% of the national rate of excise duty in respect of breweries producing up to 200,000 hectolitres (hl) of beer per annum. The purpose of the availability of excise reliefs for microbreweries is to promote competition and diversity within the beer market and to help regional development.

Ireland exercised the option to apply reduced rates of excise to qualifying microbreweries in Budget 2005 and the terms of the microbreweries relief has been enhanced since its inception, including by enabling microbreweries to claim the relief by way of remission rather than repayment.

The current rate of relief is 50% on the standard excise duty, which is the maximum relief permitted by the Directive (equivalent to €0.27 on a 4.3% ABV pint). Relief may be claimed on up to 30,000 hl of beer. Independent microbrewers producing up to 50,000 hl are eligible to claim relief[2].

[2] Certain other qualifying criteria apply. These are outlined on the website of the Revenue Commissioners.

The table below shows the total relief claimed and number of claimants for each year from 2011 to 2020.

Table 6: Overview of Microbrewery Relief Scheme 2011-2020

	Total Volume Beer (HL) availed of relief	**Total Repaid /Remitted (€)**	**Number of Claimants**
2011	17,865	420,304	17
2012	33,219	840,651	20
2013	34,001	1,112,897	25
2014	64,606	2,334,409	54
2015	90,390	3,994,745	73
2016	90,710	4,089,194	71
2017	125,447	5,655,152	86
2018	128,423	5,789,252	90
2019	136,224	6,140,972	85
2020	128,579	5,796,332	85

As the microbrewery relief is already set at the maximum permissible rate under EU rules and the current production threshold ensures that all microbreweries are included, there is no compelling rationale to enhance this scheme further at this time.

The new EU Structures Directive 2020/1151 effectively permits all EU Member States to grant a 50% excise relief on prevailing rates to independent small producers within the following limits:

- up to 15,000 hl for other fermented beverages (cider and perry and other than cider and perry)
- up to 1000 hl for wine (from grapes)
- up to 250 hl for intermediate products (fortified, fermented beverages).

The effect of the changes to the Directive means that excise relief may now be extended to small producers of cider.

According to a pre-budget submission received from Drinks Ireland Cider there are currently 12 Irish producers that might benefit from this relief and, given the relatively high ratio of overheads to market size, only two producers currently exporting into Ireland that might qualify.

In its submission Drinks Ireland | Cider state that the craft cider sector needs to be placed on a level footing with Ireland's microbrewing sector. They have also requested that CN codes covering 'other fermented beverages' be included in the relief. The extension of the excise relief to this sector will enable more cider businesses to be established and foster further growth and investment for cider producers currently active in the market. The excise benefit enjoyed by Ireland's microbrewers has reaped significant growth in production, turnover, revenue, and jobs.

1.9 Budgetary Options

The Drinks Industry Group of Ireland has called for a 7.5% reduction in alcohol excise in Budget 2022, and that this should be the start of a programme of annual excise reductions to gradually bring Irish alcohol excise into line with lower EU levels. It considers that this will help the drinks and hospitality sector to rebuild commercial activity in all areas of the country and to recover total employment and youth employment nationally and regionally. The following table shows the estimated effect of a range of VAT inclusive increases or decreases in excise duties yield for beer, spirits and cider, and the estimated effect of a range of VAT inclusive increases in excise duties yield for still and sparkling wine.

Table 7: Budgetary Options

Estimated yield from rate changes to beer, spirits and cider

Rate change	+/-1c	+/-2c	+/-3c	+/-4c	+/-5c	+/-10c	+/-15c	+/-20c
Beer (per pint)	€6.8m	€13.7m	€20.5m	€27.3m	€34.1m	€67.7m	€101.0m	€133.9m
Spirits (1/2 glass)	€4.3m	€8.5m	€12.7m	€16.6m	€21.0m	€41.4m	€61.1m	€80.2m
Cider (per pint)	€1.0m	€1.9m	€2.9m	€3.8m	€4.8m	€9.5m	€14.2m	€18.8m

Estimated yield from rate changes to wine and sparkling wine

	+5c	+10c	+15c	+20c	+25c	+50c	+75c	+100c
Wine (per bottle)	€3.2m	€6.3m	€9.4m	€12.5m	€15.5m	€30.0m	€43.5m	€56.0m
Sparkling Wine (per bottle)	€0.06m	€0.11m	€0.17m	€0.22m	€0.28m	€0.54m	€0.79m	€1.03m

Notes:

(1) these figures assume no change in consumer behaviour, including in relation to cross border purchases.

Appendix 1

Beer € per HL per degree of alcohol of finished product		Wine (Still) € per hectolitre of product		Wine (Sparkling) € per hectolitre of product		Spirits € per hectolitre of pure alcohol	
FINLAND	38.05	**IRELAND**	**424.84**	**IRELAND**	**849.68**	FINLAND	5,035.00
IRELAND	**22.55**	FINLAND	421.00	UK	447.61	SWEDEN	4,926.80
UK	22.41	UK	349.45	FINLAND	421.00	**IRELAND**	**4,257.00**
SWEDEN	19.27	SWEDEN	249.68	BELGIUM	256.32	UK	3,375.10
ESTONIA	12.70	LITHUANIA	164.67	SWEDEN	249.68	BELGIUM	2,992.80
GREECE	12.50	DENMARK	151.30	DENMARK	196.32	GREECE	2,450.00
SLOVENIA	12.10	ESTONIA	147.82	LITHUANIA	164.67	LITHUANIA	2,025.00
LATVIA	8.20	LATVIA	111.00	ESTONIA	147.82	DENMARK	2,015.56
FRANCE	7.68	NETHERLANDS	88.30	GERMANY	136.00	ESTONIA	1,881.00
ITALY	7.48	BELGIUM	74.91	LATVIA	111.00	FRANCE	1,802.67
LITHUANIA	7.11	POLAND	38.72	NETHERLANDS	88.30	LATVIA	1,724.00
DENMARK	6.55	MALTA	20.50	CZECHIA	86.93	NETHERLANDS	1,686.00
NETHERLANDS	6.48	FRANCE	3.91	SLOVAKIA	79.65	POLAND	1,396.46
CYPRUS	6.00	GREECE	0.00	HUNGARY	45.74	PORTUGAL	1,386.93
CROATIA	5.29	BULGARIA	0.00	POLAND	38.72	MALTA	1,360.00
BELGIUM	5.01	CZECHIA	0.00	MALTA	20.50	SLOVENIA	1,320.00
AUSTRIA	5.00	GERMANY	0.00	ROMANIA	10.72	GERMANY	1,303.00
MALTA	4.83	SPAIN	0.00	FRANCE	9.68	AUSTRIA	1,200.00
POLAND	4.77	CROATIA	0.00	AUSTRIA	0.00	CZECHIA	1,198.08
HUNGARY	4.50	ITALY	0.00	GREECE	0.00	SLOVAKIA	1,080.00
PORTUGAL	3.80	CYPRUS	0.00	BULGARIA	0.00	LUXEMBOURG	1,041.15
SLOVAKIA	3.59	LUXEMBOURG	0.00	SPAIN	0.00	ITALY	1,035.52
CZECHIA	2.97	HUNGARY	0.00	CROATIA	0.00	SPAIN	958.94
SPAIN	2.26	AUSTRIA	0.00	ITALY	0.00	CYPRUS	956.82
LUXEMBOURG	1.98	PORTUGAL	0.00	CYPRUS	0.00	HUNGARY	926.35
GERMANY	1.97	ROMANIA	0.00	LUXEMBOURG	0.00	CROATIA	793.34
BULGARIA	1.92	SLOVENIA	0.00	PORTUGAL	0.00	ROMANIA	748.45
ROMANIA	1.87	SLOVAKIA	0.00	SLOVENIA	0.00	BULGARIA	562.43
EU Average	**8.02**	**EU Average**	**70.25**	**EU Average**	**107.88**	**EU Average**	**1,780.12**

*Figures as at 01/07/2021. Taken from .
Ted-B used as latest Excise Duty Tables available are from 01/07/2020
**UK Rates as of 04/08/2021 @ exchange rate 0.85153
UK no longer an EU Member State, but included for purpose of comparison
EU Averages listed here no longer include UK

TOBACCO PRODUCTS TAX

2.1 Tobacco Introduction

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').

The main policy considerations regarding the Tobacco Products Tax are:

- Public Health Policy and Regulatory Changes;
- Recent Changes to Rates and Yields;
- Illicit Tobacco;
- Non-Irish Duty Paid Products including Cross-Border Issues;
- Minimum Excise Duty and Market Trends and
- Revision of Tobacco Products Tax Directive and Novel Products.

2.2 Public Health Policy and Regulatory Changes

Tobacco Free Ireland, the national tobacco control policy, sets a smoking prevalence target of less than 5% of the population smoking by 2025. The Department of Health indicate that smoking remains the leading cause of preventable death in Ireland, accounting for nearly 6,000 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 Survey report[3] which was commissioned by the Department of Health and published in late 2019, showed that the prevalence of smoking in Ireland dropped from 23% in 2015 to 17% in 2019 (Figure 1), resulting in 165,000 less smokers in Ireland.

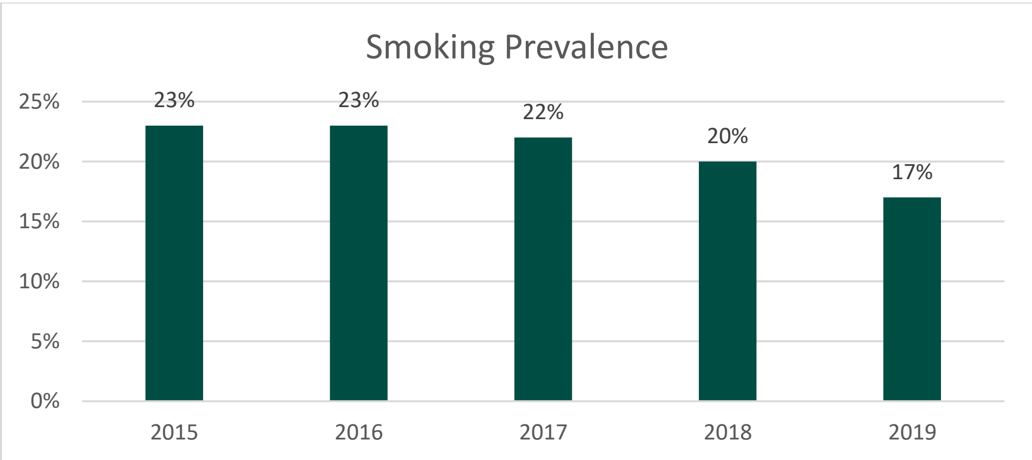
Tobacco Free Ireland makes a number of recommendations in relation to fiscal policy, including raising excise duty on tobacco products over a five year period and reducing the price differential between RYO and cigarettes. The 2019 Annual Report[4] published in November 2020, outlined the increase in price and minimum excise duty on tobacco products in Budget 2020 as a key achievement. The Healthy Ireland Strategic Action Plan 2021-2025[5] and the Programme for

[3] https://assets.gov.ie/41141/e5d6fea3a59a4720b081893e11fe299e.pdf
[4] https://www.gov.ie/en/publication/224ec-tobacco-free-ireland-2019-annual-report/
[5] https://www.gov.ie/en/publication/441c8-healthy-ireland-strategic-action-plan-2021-2025/

Government[6] also outline a similar commitment to increase the excise duty on tobacco over the coming years to further discourage smoking.

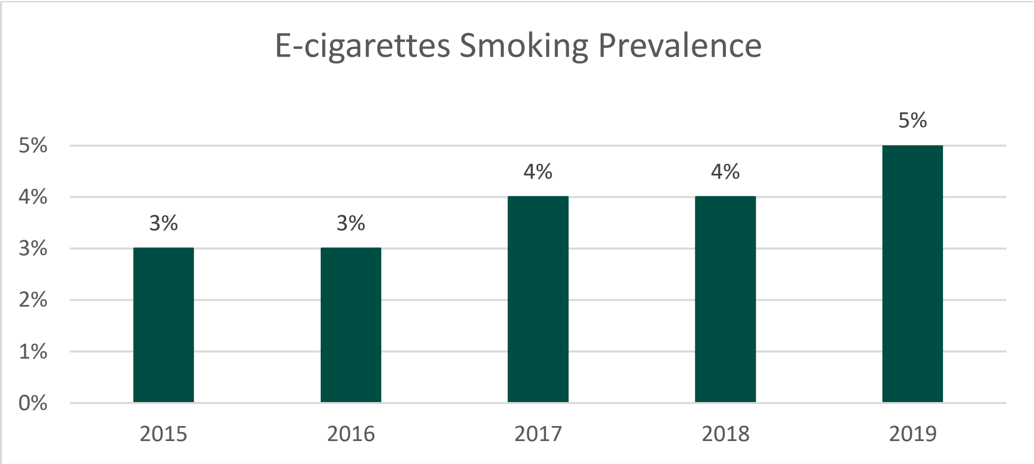
E-cigarette use has increased slightly over the past few years, from an estimated 3% in 2015 to 5% in 2019 (Figure 2). It is noted that research tends to find that e-cigarette usage among younger age cohorts is significantly higher than the general population, with the Healthy Ireland Survey 2019 reporting that 8% of persons between 25-34 years old are currently using them with 25% of this age group having tried them. The Irish Health Behaviour in School-aged Children Study (HBSC) 2018 found that 22% of 12 to 17 year old children have used electronic cigarettes with 9% of that age group having used electronic cigarettes in the last 30 days[7]. A Heath Research Board (HRB) review[8] into the use of e-cigarettes found that adolescents who had tried e-cigarettes were between three and five times more likely to begin smoking cigarettes compared to those who had never tried an e-cigarette. The General Scheme of the Public Health (Tobacco and Nicotine Inhaling Products) Bill, approved by Government, addresses the issue of youth vaping by prohibiting the sale of e-cigarettes to, and by, persons under 18 years of age.

Figure 1: Smoking Prevalence in Ireland (2015-2019) Healthy Ireland Survey



[6] https://www.gov.ie/en/publication/7e05d-programme-for-government-our-shared-future/
[7] *The Health Behaviour in School-aged Children (HBSC) Study* is a cross-sectional research study conducted on a four-year cycle in collaboration with the World Health Organization (WHO) Regional Office for Europe. Questions on electronic cigarette usage were asked for the first time in 2018. Accessed online at: http://www.nuigalway.ie/media/healthpromotionresearchcentre/hbscdocs/nationalreports/2018-report---online-version-interactive---updated.pdf http://rts/2018-report---online-version-interactive---updated.pdf
[8] https://www.hrb.ie/news/press-releases/single-press-release/article/new-health-research-board-evidence-shows-e-cigarettes-are-associated-with-adolescents-starting-to-sm/

Figure 2: E-Cigarettes Smoking Prevalence in Ireland (2015-2019)



The Terms of Reference for the recently established Commission on Taxation[9] included a commitment to examine how well Ireland's taxation and welfare system promotes good public health and present reforms to advance this goal. This may impact future tobacco tax policy.

2.3 Recent Changes to Rates and Yields

Ireland has some of the highest rates of duty on tobacco products, including on cigarettes and roll-your-own (RYO) tobacco, in the EU. This reflects a long-standing policy of levying high rates of excise duty on tobacco products to meet public health targets. Excise duty on tobacco products has increased consistently in the budget over the past 20 years, with the exception of Budgets 2005, 2006 and 2010. Rate increases of €0.50 on 20 pack cigarettes (Most Popular Price Category) have been implemented in each of the last 6 budgets with pro rata or higher increases applied to RYO. The impact of the escalation of the high excise policy can be seen from the fact that the average price of tobacco (cigarettes) has increased by about 24% between March 2017 and March 2021.

The rate of duty on RYO tobacco is currently €399.12 per kilogram, or €11.87 per 30g pack. The price of a pack of 20 cigarettes in the most popular price category (MPPC) now stands at €14.50, with a tax content of €11.30 split between €8.59 of excise duty and €2.71 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 ten budgets. As can be seen, while the tax content has increased significantly over the period the

9 https://www.gov.ie/en/press-release/121b6-minister-donohoe-announces-establishment-of-commission-on-taxation-and-welfare/

tobacco trade have increased their own margins to maintain the trade content of a pack of 20 at around 21% of the retail price.

Table 1: Changes to rates and tax content from Budget 2010 to Budget 2021

	Tax Increase	Trade Increase	Tax Content	Tax content as % of price
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%
Budget 2016	50c	0c	€8.37	79.7%
Budget 2017	50c	30c	€8.95	79.2%
Budget 2018	50c	20c	€9.52	78%
Budget 2019	50c	30c	€10.06	79%
Budget 2020	50c	30c	€10.65	79%
Budget 2021	50c	30c	€10.97	78.3%

The tax content relates to the period immediately post Budget whereas the trade increases normally take place in the days, weeks and months following any budget increase.

The table below shows receipts from Tobacco Products Tax (TPT) since 2005, broken down by cigarettes and Other Tobacco Products (RYO, Cigars and Other Smoking). Stripping out the front loading effects of regulatory changes in recent years (resulting in an artificially high level of receipts in 2017 and an artificially low level of receipts in 2018), it can be seen that receipts have remained stable at around €1.1 billion per annum, with successive rate increases compensating for reductions in the volumes released for consumption. RYO receipts have increased significantly since 2008, but this is from a low base and RYO receipts formed just 12.5% of total receipts in 2020. Slightly higher figures in 2020 and estimated for 2021 may be as a result of displacement of non-Irish duty paid tobacco with duty paid as a result of the impact of public health restrictions on aviation.

Table 2: Tobacco Products Tax Yield from 2005 to 2021

Year	Cigarettes	Other Tobacco Products	Total
2005	€1,054m	€26m	€1,080m
2006	€1,071m	€32m	€1,103m
2007*	€1,155m	€37m	€1,192m
2008*	€1,132m	€40m	€1,171m
2009*	€1,155m	€61m	€1,217m
2010	€1,101m	€59m	€1,160m
2011	€1,057m	€69m	€1,126m
2012*	€990m	€83m	€1,072m
2013*	€955m	€109m	€1,064m
2014*	€881m	€102m	€984m
2015*	€938m	€145m	€1,082m
2016*	€973m	€124m	€1,098m
2017*	€1,241m	€156m	€1,397m
2018*	€646m	€103m	€749m
2019*	€1,011m	€125m	€1,136m
2020*	€1,040m	€161m	€1,201m
2021*#	€1,092m	€170m	€1,262m

*Rate Change

#2021 figures are current Revenue forecasts

2.4 Illicit Tobacco Market

PREVALENCE

IPSOS MRBI conduct an annual survey, on behalf of the Revenue Commissioners and the National Tobacco Control Office of the Health Service Executive, with the aim of estimating the extent of the illicit and non-Irish duty paid tobacco trade in

Ireland. The most recent survey[10] indicates that 24 million of cigarette packs consumed in the State in 2019 were illicit.

The total cigarette consumption in Ireland in 2019 was estimated to be 3.3 billion (164 million packs). At an illicit rate of 15%, approximately 484 million illegal cigarettes (24 million packs) were consumed in Ireland.

The resulting consumption of illegal cigarettes represents a notional loss to the Exchequer of approximately €242 million in 2019 (Excise & VAT). This is viewed as a notional loss in Exchequer revenue as it assumes that the illegal cigarettes consumed displaced the equivalent full tax paid quantity of cigarettes, which is unlikely to be the case.

Table 3: Annual Illicit Tobacco Survey

Year	Illegal Cigarettes	Notional tax loss*
2009	16%	€285m
2010	15%	€249m
2011	15%	€258m
2012	13%	€240m
2013	12%	€212m
2014	11%	€214m
2015	12%	€192m
2016	10%	€170m
2017	13%	€229m
2018	13%	€211m
2019	15%	€242m

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

IPSOS MRBI has also been surveying the extent of the illicit market for RYO since 2013. It found that illicit RYO packs were 9% in 2016, 15% in 2017, and 21% in 2018, dropping to 12% in 2019.This survey has a higher margin of error than the

[10] https://www.revenue.ie/en/corporate/documents/research/tobacco-surveys-2019.pdf

cigarette survey due to it having a lower number or respondents. Nonetheless, this indicates a significant increase in the proportion of illicit RYO since 2016. According to Revenue, the notional loss to the Exchequer from 21% of illegal RYO packs in 2019 was €22m (Excise & VAT).

REVENUE ENFORCEMENT

Revenue seized approximately 48.2 million cigarettes with a value of approx. €32.8m in 2020. This compares to 13.4 million seized cigarettes with a value of approx. €8.6m in 2019. In addition Revenue seized 7,189 kg of tobacco with a value of approx. €4.2m in 2020, an increase on the 3,557 kg seized at a value of €2m in 2019. The quantity of cigarettes and tobacco seized since 2015 and the estimated value of those seizures is outlined in the table below.

Table 4: Revenue seizures of illicit tobacco 2015 to 2021

	Cigarettes			Other Tobacco		
Year	**No. of Seizures**	**Quantity**	**Estimated Retail Value**	**No. of Seizures**	**Quantity (kg)**	**Estimated Retail Value**
2015	5,927	68m	€34m	1,227	2,364	€1m
2016	4,965	45m	€24m	1,137	1,527	€1m
2017	4,493	34m	€19m	1,277	1,768	€1m
2018	3,963	68m	€41m	1,376	1,915	€1m
2019	3,263	13.4m	€8.6m	1,470	3,564	€2m
2020	3,132	48.2m	€32.8m	1,304	7,189	€4.2m
2021	3,144	32.6m	€23.1m	1,122	33,580	€21m

#End July 2021

2.5 Non-Irish Duty Paid Cigarettes & Cross Border Comparison

As a high excise Member State, there is clearly an incentive for some smokers to bring in non-Irish duty paid tobacco products into Ireland from other Member States which have significantly lower tobacco taxes.

The 2019 IPSOS MRBI survey has found that the level of non-Irish duty paid cigarettes has been broadly stable in the period 2016-2019 at 8-9%, while it was found to be 5-6% in the period 2015-2017. The survey also found that the level of non-Irish duty paid RYO products has remained stable at 7% in the period 2018-2019, following the increase from 4% in 2017. (See Section 2.7 for EU proposals).

CROSS BORDER COMPARISON

The UK Government announced in Budget 2020 that it will continue to increase tobacco duties by 2% above the rate of inflation (based on RPI) each year until the end of the current parliament[11]. However, there was no increase in the UK Budget 2021 following an increase in the rates in both Budget 2020 last spring and the Chancellor of the Exchequers 2020 Spending Review in November 2020. The table below indicates the differential in price and duty in a 20 pack of cigarettes as measured by the Revenue Commissioners in August 2019[12].

Table 5: Cross Border Comparison of Cigarettes Prices and Taxes 2014-2019

Year	Price in this State	Price in N. Ire	Price Difference	Total Tax State	Total Tax NI	Tax Difference	€/£ exchange rate
2014	€9.60	€11.14	-€1.54	€7.47	€8.35	-€0.88	0.7911
2015	€10.00	€12.47	-€2.47	€7.87	€9.25	-€1.39	0.7403
2016	€10.80	€11.92	-€1.12	€8.45	€8.95	-€0.50	0.7867
2017	€11.50	€11.90	-€0.40	€9.01	€8.75	€0.26	0.8655
2018	€12.20	€12.89	-€0.69	€9.56	€9.25	€0.31	0.8729
2019[13]	€12.70	€13.79	-€1.09	€10.06	€9.83	€0.23	0.8685
2019 (Aug)	€13.00	€13.47	-€0.47	€10.15	€9.45	€0.70	0.9166

[11] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871799/Budget_2020_Web_Accessible_Complete.pdf
[12] https://www.revenue.ie/en/corporate/information-about-revenue/research/surveys/crossborder-price-comparisons/cross-border-price-comparisons-august-2019.aspx
[13] The figures for this row are from a cross border survey conducted 21 February 2019. A Cross Border Survey was to be carried out in March or April 2020, but due to Covid-19 this was not possible. The bottom row shows the most up to date figures available which are the results of a survey conducted on 15th August 2019.

There is currently little incentive to bring non-Irish duty paid cigarettes from Northern Ireland into the State as they remain cheaper here.

2.6 Minimum Excise Duty (MED)

The Minimum Excise Duty (MED) is an available tax policy tool which can be useful in supporting public health objectives by tackling the cheapest cigarettes on the market and it can also support fiscal sustainability. By its nature increasing the MED would impact greatest on the heaviest smokers of the cheapest cigarettes. There is evidence that 'big box' cigarettes packs would be more affected by any increase in the MED as they are often the best value for money when measured on a per cigarette basis. Organisations such as the Convenience Stores and Newsagents Association (CSNA) have expressed concerns over market trends in pricing and big boxes.

The 2018 General Excise Tax Strategy Paper addressed the issue of the growth in the market share of value and large pack cigarettes and set out an option for increasing the MED as a policy tool to support public health objectives.

The MED was then increased in the last three Budgets. Currently the MED is set at €414.24 per 1,000 (equivalent to €8.28 per 20 pack or €12.43 per 30 pack). This equates to a price trigger point for the purpose of calculating Minimum Excise Duty (MED) of €11.50 per 20 pack (i.e. a 20 pack costing less than €11.50 would be taxed as if it were priced at €11.50). The decision to increase the MED, allied to the general increase in tobacco excise duty, has ensured that there are no longer 20 pack cigarettes priced in or around €10. The lowest priced cigarettes currently are €11.80.

Those who purchase the cheapest cigarettes are the most price sensitive consumers and a risk directly associated with increasing the MED is that it may spur increased consumption of illicit and non-Irish duty paid cigarettes. The increase in the MED since 2018 has been significant and no cigarette packs are currently priced at or below a trigger price point where the MED is relevant.

2.7 Tobacco Products Tax Directive and Novel Products

The taxation of tobacco products is governed by the Tobacco Products Tax Directive 2011/64/EU. The Directive aims at ensuring the proper functioning of the internal market and, at the same time, seeks to promote a high level of health protection and to fight against tax fraud, tax evasion and illegal cross border shopping.

This 2011/64/EU Directive has been reviewed by the European Commission and an Evaluation Report[14] on the Directive was published by the Commission in February 2020. The Report notes that large price gaps between Member States, (the average price of a pack of cigarettes can range from €2.57 to €11.37) can provide an economic incentive for unintended high levels of cross border shopping, particularly from low excise Member States by residents of high excise Member States.

The Report also highlights that the emergence of new products, such as e-cigarettes, heated tobacco products and new addictive products, which do not fall under the current version of the EU Directive, reveal the limits of the legal framework. The evaluation notes that a more comprehensive legal framework is required to take on board all aspects of tobacco control including public health, taxation, the fight against illicit trade and environmental concerns.

In February 2021, the EU Commission launched 'Europe's Beating Cancer Plan'[15] with a commitment to take comprehensive action on tobacco to reduce tobacco consumption to less than 5% of the population by 2040. A review of the EU Directive that would include a revision of EU minima taxation rates, the introduction of harmonised taxation rates, legislation on cross-border purchasing and product regulation among other issues is outlined as a key action in the Plan. In light of this it is likely that work on updating the EU Directive will begin in the coming months.

Domestically, the Programme for Government outlined plans to introduce a targeted taxation regime to specifically discourage 'vaping' and e-cigarettes. The Healthy Ireland Strategic Plan 2021-2025 also cites the exploration of taxation regimes in relation to novel tobacco products and electronic cigarettes as part of the revision of the EU Tobacco Products Directive as an implementation action. Both the Department of Finance and the Department of Health are of the view that tax policy in relation to novel products such as e-cigarettes and heated tobacco products may be best addressed in the context of the revision to the Tobacco Products Tax EU Directive.

The introduction of a harmonised taxation rate for novel products at EU level would be welcomed as the current taxation regimes for novel products vary greatly between EU Member States (See Table 6).

[14] https://ec.europa.eu/commission/presscorner/detail/en/mex_20_226
[15] https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_344

Table 6: National, ad hoc tax regimes for e-cigarettes in the EU27 2017[16]

Year	Price in this State
Austria	No specific rate
Belgium	No specific rate
Bulgaria	No specific rate
Croatia	0 rate
Cyprus:	€0.12/ml on all e-liquids
Czechia	No specific rate
Denmark	No specific rate
Estonia	€0.20 on all e-liquids
Finland	FI €0.30/ml on all e-liquids
France	No specific rate
Germany	No specific rate
Greece	€0.10/ml on all e-liquids
Hungary	HUF 65/ml (ca. €0.18/ml) on nicotine liquids
Italy	(*2019 rates) €0.08/ml on nicotine liquids and €0.04 on other eliquids.
Ireland	No specific rate*
Latvia	€0.01/ml of e-liquid and €0.005/mg of nicotine
Lithuania	excise duty for electronic cigarette since 2019 (0.12 EUR per millilitre of product)
Luxembourg	No specific rate
Malta	No specific rate
Netherlands	No specific rate
Poland	(applicable since Jan 2019) PLN 0.5/ml (ca. €0.12/ml) on all e-liquids

[16] https://ec.europa.eu/taxation_customs/business/excise-duties-alcohol-tobacco-energy/excise-duties-tobacco/revision-excise-rules-tobacco_en

Portugal	(*2019 rates) €0.30/ml on nicotine liquid
Romania	€0.11/ml
Slovakia	No specific rate
Slovenia	€0.18/ml
Spain	No specific rate
Sweden	€0.19/ml

The Department is aware that heated tobacco products are authorised for sale in the State and should any such products launch in the Irish market in advance of any EU legislative developments they will be subject to tobacco products tax at the rate applicable for “other smoking tobacco” (currently €287.812 per kilogram).

The Department notes that the current public health policy position on e-cigarettes in Ireland is informed by advice from the Health Information and Quality Authority (HIQA) in its 2017 Health Technology Assessment of Smoking Cessation Products and Services. In relation to the safety of e-cigarettes the HIQA assessment concluded that this remains an evolving area of research; while potentially safer than smoking, evidence on long-term safety has yet to be established. In the Health Research Board’s 2020 review of the efficacy and safety of e-cigarettes for smoking cessation the evidence showed that e-cigarettes are as effective as nicotine replacement therapies at 6 months after quitting smoking but that further research was needed to determine longer term results.[17]

The Health Research Board also found that there was ‘no evidence from Randomised Control Trials (RCTs’) on efficacy of heat-not-burn products for smoking cessation compared with current standard care, and insufficient evidence on the safety of heat-not-burn tobacco products from RCTs’.

2.8 Options

The table below (which assumes no increase in the MED) indicates the effects of increasing various levels of duty on cigarettes (with pro rata increases on other tobacco). It also indicates the additional yield from an additional 50% duty increase on RYO on top of the pro rata increase on RYO.

Table 7: Budgetary Options and Estimated Yield

[17] https://www.hrb.ie/publications/publication/electronic-cigarette-and-smoking-cessation-an-evidence-review/

Increase (per pack of 20 cigs)	Yield	Additional for 50% on RYO	Total Yield
10c	€11.3m	€0.4m	€11.7m
20c	€22.6m	€0.8m	€23.4m
30c	€33.8m	€1.2m	€35m
40c	€45m	€1.6m	€46.6m
50c	€56.1m	€2m	€58.1m
60c	€67.2m	€2.4m	€69.4m
70c	€78.2m	€2.8m	€81m
80c	€89.2m	€3.2m	€92.2m
90c	€100.1m	€3.6m	€103.7m
100c	€110.9m	€4m	€114.9m

The Revenue Commissioners have expressed a view that increases in excise may not lead to increased yields, as higher cigarette prices in Ireland could reduce demand due to greater incentives to purchase non-Irish duty paid tobacco products as well as to substitute to other products, such as e-cigarettes. Therefore the above yield projections could be significantly affected by demand elasticity.

BETTING TAX

3.1 Betting Duty - Introduction

Betting duty is chargeable on all bets placed by a person in the State with a licensed bookmaker at a bookmaker's registered premises, irrespective of the means by which a bet is placed. Betting duty is also chargeable on all bets placed by a person in the State with a licensed remote bookmaker by remote means. Betting duty in Ireland is applied as a turnover based tax, whereby the tax charged is based on the amount of the bet placed by customers in the State. Licensed remote betting exchanges are liable for betting exchange duty. The taxation model in the case of betting exchanges is different due to their different business structure. Betting duty for exchanges is paid on the commission charged by them to persons in the State.

The purpose of betting duty is to raise revenues for the State and to account for the negative externalities generated from betting activities – that is, the social costs of problem gambling. While revenues raised from betting duty go directly to the Exchequer, these are partly used to fund the Health, Justice and Welfare systems which bear the costs of problem gambling. The existence of betting duty also has an ancillary role in raising awareness of the risks of problem gambling.

Initial baseline research on the incidence of problem gambling was undertaken by the Department of Health[18]. The main findings from this survey are that 0.8% of the population (15 years or older) can be categorised as problem gamblers, with young males aged 18 to 34 having the highest incidence of problem gambling (2.9%). This research is based on fieldwork carried out between August 2014 and August 2015 and therefore it is likely that it does not fully capture trends relating to betting with smartphones and any impacts this is having on the incidence of problem gambling.

The Programme for Government included a commitment to establish a gambling regulator focused on public safety and wellbeing, covering gambling online and in person, and the powers to regulate advertising, gambling websites and apps. (See Section 3.4)

3.2 Rates and Reliefs

Appendix 1 shows the history of betting duty rates and receipts from 1996 to 2020. The betting duty rate was 10% in 1996 and was reduced on several occasions until it was just 1% in 2006. In Budget 2019 the betting duty rate for retail and online operators was increased from 1% to 2% and the duty for betting exchanges

[18] https://assets.gov.ie/9390/4a7763a56ab04a55899865e0926dae4b.pdf

also increased, from 15% to 25% of commissions earned on a bet. These increases came into effect on the 1st January 2019.

There are long standing betting duty reliefs for on-course (horseracing and greyhound racing events) bets and for totalisator bets for or on behalf of Horse Racing Ireland and Rasíocht Con Éireann. Budget 2020 introduced a further relief in the form of a tax credit of €50,000 available to all bookmakers and betting exchanges, to be applied on a single undertaking basis. This measure primarily benefits small independent retail bookmakers. The Department understands that betting shops of small independent bookmakers with less than 5 or 10 shops generate a turnover of about €1.5 million per shop per annum. On this basis, it can be seen from the table below that the measure provides a substantial reduction from the 2% rate for small independent bookmakers.

Table 1: Illustration of benefits of €50,000 tax credit to small independent bookmakers

Single Bookmaker	2 shops	5 shops
Assumed Turnover	€3 million	€7.5 million
Betting Duty @2%	€60,000	€150,000
Less: Tax Credit	*€50,000*	*€50,000*
Betting Duty Liability	€10,000	€100,000
Effective Duty Rate	**0.33%**	**1.33%**

RECEIPTS

A breakdown of betting duty receipts from 2014 to 2021 is provided in the table below.

Table 2: Breakdown of Betting Duty Receipts 2014 to 2021

Year	Retail Betting €	Online Betting €	Betting Intermediary €	Total €
2014	26,162,214			26,162,214
2015	27,744,245	3,003,066	316,452	31,063,763
2016	28,126,271	20,749,097	1,869,887	50,745,255
2017	28,956,966	21,421,353	1,836,847	52,215,166
2018	28,867,366	21,687,046	1,781,526	52,335,938
2019	51,889,431	40,622,117	2,501,108	95,012,656
2020	39,021.093	44,935,012	2,815,335	86,771,440
2021#	11,864,459	47,881,500	3,316,390	63,062,350

#End July 2021

Receipts of €86.8m for the year 2020 exceeded the revised forecast of €60m for the year. However, receipts with respect to betting activity that took place during 2020 were €83 million, which was €25 million less than the €108 million take from betting activity that took place in 2019 (betting duty is paid quarterly in arrears).

Betting Duty receipts are forecast to be in the region of €100 million for 2021.

The retail betting market contributed approximately 45% of the total betting duty receipts in 2020. When compared to the contribution of the retail betting market in 2019, it is evident that the public health restrictions had a great impact on the operations of retail operators. Similar to the UK, the retail betting market is highly concentrated with three firms holding the vast majority of licensed betting shops and potentially a significantly greater share of retail betting turnover. The online sector (including betting exchanges) contributed the remaining 55% of the total betting duty receipts in 2020. This increase likely reflects the shift to online betting during the pandemic as well as a general market shift towards online. However, despite these changes, betting duty and betting intermediary duty is still overwhelmingly paid by a very small number of large firms. The top 10th percentile of traders (by turnover) account for over 90% of all betting duty receipts while those at or below the 70th percentile account for less than 2% of all betting duty receipts. This is even more pronounced within the traditional betting sector with the top 10th percentile of traders accounting for over 95% of retail betting duty receipts and holding close to 90% of licenced premises.

3.3 Potential Impact of COVID 19 on the Sector

The public health crisis has significantly impacted on the sector which employs over 7,000 people. However, the negative impact was not felt evenly across the sector as companies with online operations fared better than those impacted by the closure of retail betting shops. Large gambling firms with online gaming operations (online casinos, virtual sports betting, poker, lotteries, etc.) have seen major growth in online gaming revenues since the public health crises emerged (such activities are free from any betting duty or excise tax but are subject to VAT at 23%). On the other hand, the smaller operators who tend to be retail based, and are largely dependent on live sporting events, may not have had the diversification outlet of online operations to cushion the impact of the public health restrictions.

In this context, it is useful to monitor events in the UK betting market given the similar market structure to Ireland (i.e. highly concentrated) and the cross-over in terms of firms operating in both markets and the sports events which generate many bets, as well as similar public health restrictions. The UK Gambling Commission has continuously published research on the effects of COVID-19 on the sector over the past year. As public health restrictions eased in summer 2020, they noted that while there was a decline in spending by consumers on online gambling, the level of spending remained higher than pre-Covid levels due to the pent-up demand seen as sporting events returned[19]. However, as the UK tightened public health restrictions in late autumn, there was a marked increase in online betting activity, with a month-on-month increase of 29% in gross gambling yield and a 7% increase in active accounts in October. This upward trend in online betting activity continued through to the end of 2020[20]. Additionally, unlike the initial lockdown where the majority of sports event were cancelled, live sports events continued throughout the final quarter of 2020 giving companies with online operations a larger market. While caution must be exercised as growth rates in online betting activities may have been from a low base, the point remains that

[19] https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/data-shows-the-impact-of-covid-19-lockdown-easing-on-online-gambling-behaviour-in-july-2020

[20] https://www.gamblingcommission.gov.uk/news-action-and-statistics/News/data-shows-the-impact-of-covid-19-on-gambling-behaviour-in-october-2020

large gambling firms who have online operations were still generating significant revenues while betting shops were closed.

In their pre-Budget submission the Irish Bookmakers Association noted that retail turnover was impacted each time non-essential retail re-opened over the past year. This is attributed to lower footfall and a shift to online services while the shops were closed. The sector is also concerned about the impact that closures in other areas of retail will have on consumer footfall going forward.

The sector is, however, able to benefit from the wide range of Government support schemes which are detailed on the Department of Business Enterprise and Innovation's website, including working capital support, tax advice, Employment Wage Subsidy Scheme, Commercial Rates Waiver, Covid Restrictions Support Scheme and HAS guidance advice for employers and employees[21].

3.4 Update on establishment of gambling regulator

The Programme for Government included a commitment to establish a 'gambling regulator focused on public safety and wellbeing, covering gambling online and in person, and the powers to regulate advertising, gambling websites and apps'. In line with this, the Department of Justice have targeted the publication of the General Scheme for the Gambling Bill, subject to Government approval, by autumn 2021 and the appointment of a CEO Designate by the end of the year. This timeline sets a clear path towards establishment of the Gambling Regulator in early 2023. The proposed Gambling authority will be responsible for the prevention of gambling as a source of crime, the regulation and licencing of the industry and the promotion of safe and responsible gambling. As part of its remit in combatting problem gambling, a Social Fund which will support research, information and treatment by health professionals.[22]

3.5 Budget options and costings

As the increase in betting duty was introduced in Budget 2019 and the introduction of the €50,000 relief in Budget 2020, 2020 was the first year where the impact of these changes could be measured. However, due to the pandemic, it has not been possible to fully assess the full impact of Budget 2019 and Budget 2020 changes.

[21] https://dbei.gov.ie/en/What-We-Do/Supports-for-SMEs/COVID-19-supports/Government-supports-to-COVID-19-impacted-businesses.html

[22] https://www.gov.ie/en/press-release/b6268-minister-browne-provides-update-to-cabinet-on-the-establishment-of-a-gambling-regulator/

Increase betting duty by 0.25% while simultaneously increasing the quantum of tax relief from €50,000 to €65,000 per firm

Increasing the betting duty rate by 0.25% is estimated to raise €9.4m in 2022 and €12.5m in a full year (betting duty is paid quarterly in arrears). A commensurate increase of 3.13% in the betting intermediary duty rate is estimated to raise €0.4m in 2022 and €0.5m in a full year. These estimates are based on the betting market continuing towards normal in 2021 and 2022 and take no account of behavioural changes either amongst providers or consumers of betting services. Simultaneously increasing the quantum of relief from €50,000 to €65,000 per firm would reduce all of the above numbers by approximately €0.25m in 2022.

The Department understands that the additional taxation burden of these two measures combined would be almost exclusively borne by large bookmaking firms.

The proposal to simultaneously increase the quantum of tax relief from €50,000 to €65,000 per firm would principally benefit small independent retail bookmakers whose turnover in 2022 is in excess of €2.5 million. As the relief has been introduced amid a pandemic which has impacted retail betting substantially, it is difficult to assess the potential for measures to extend the relief.

Revenue have expressed concerns with increasing the betting duty relief amount, including that it would only benefit a very limited number of operators while adding to the State Aid compliance challenge associated with the relief (as it would then be very close to the maximum permissible amount, thus increasing the risk of a breach).

Table 16 below provides an illustration of the impacts on 3 firms - with turnover levels of €5m, €25m and €750m, respectively - with 2019 used as the comparison year as that is the year when the 1% betting duty increase was applied. It shows that the betting duty liability of a betting firm with a turnover of €25m is equivalent in 2019 to what it would be in 2022 should the duty relief be increased to €65,000 and the duty rate by increased by 0.25%.

Table 3: Comparison of betting duty liability for different size firms: 2020 Vs possible 2022 option

2019	€m	€m	€m
Turnover	5.00	25.00	750.00
Betting Duty @2%	0.10	0.50	15.00

2022 (budget option)	€m	€m	€m
Turnover	5.00	25.00	750.00
Betting Duty @2.25%	0.11	0.56	16.88
Less: Tax Credit	0.065	0.065	0.065
Betting Duty	0.05	0.50	16.81

The issue of course is whether turnover levels of betting firms – at least on the activities which are subject to betting duty - will return to or towards “normal” in 2022.

Appendix 1 Breakdown of betting receipts from 1996 to 2020

Year	Rate	€m
1996	10%	51.6
1997	10%	57.8
1998	10%	67.1
1999	5%	67.8
2000	5%	58.9
2001	5%	68.1
2002	2%	48.0
2003	2%	38.4
2004	2%	45.6
2005[23]	2%	45.8
2006	1% payable by industry	54.3
2007	1%	36.4
2008	1%	36.7
2009	1%	31.0
2010	1%	30.9
2011	1%	27.1
2012	1%	27.1
2013	1%	25.4
2014	1%	26.2
2015 (1 August)	1% on bookmakers & 15% of commission on betting intermediaries	31.1
2016	As above	50.7
2017	As above	52.2
2018	As above	52.3
2019	2% on bookmakers & 25% of commission on betting intermediaries	95.0
2020	As above	86.7m

[23] 2005 yield not comparable with previous years due to change in collection arrangements with some receipts for 2005 now falling to be collected in 2006

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