

Briefing

Determining the 2023-2024 levies for alcohol-related purposes.

| | | | |
|------------------------|--|------------------------------|--------------|
| Date due to MO: | 5 April 2023 | Action required by: | 6 April 2023 |
| Security level: | IN CONFIDENCE | Health Report number: | H2023022622 |
| To: | Hon Dr Ayesha Verrall, Minister of Health | | |
| Consulted: | Te Whatu Ora - Health New Zealand: <input checked="" type="checkbox"/> Te Aka Whai Ora – Māori Health Authority: <input checked="" type="checkbox"/> The Treasury: <input checked="" type="checkbox"/> New Zealand Customs Service: <input checked="" type="checkbox"/> | | |

Contact for telephone discussion

| Name | Position | Telephone |
|---------------|--|-----------|
| Dr Andrew Old | Deputy Director-General, Public Health Agency | s 9(2)(a) |
| Jane Chambers | Group Manager, Public Health Policy & Regulation, Public Health Agency | |

Minister's office to complete:

- | | | |
|---|------------------------------------|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Decline | <input type="checkbox"/> Noted |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn | |

Comment:

Determining the 2023/24 Levies for alcohol-related purposes

Security level: IN CONFIDENCE **Date:** 5 April 2023

To: Hon Dr Ayesha Verrall, Minister of Health
Hon Grant Robertson, Minister of Finance

Purpose of report

1. This paper provides you with advice on the final calculations for the 2023/24 levies for alcohol related purposes and seeks your final determination of the aggregate levy figure for the 2023/24 financial year, and your approval of the levies payable on the six classes of alcohol for 2023/24.
2. This report discloses all relevant information and implications.

Comment

3. Under the Pae Ora (Healthy Futures) Act 2022 (Pae Ora Act) levies may be imposed to enable the Ministry of Health (the Ministry) to recover costs it incurs in addressing alcohol-related harm, and in its other alcohol related activities.
4. The Ministry acknowledges there is significant work required to reduce alcohol-related harm and influence drinking behaviours in New Zealand. The Ministry is working with Te Aka Whai Ora and Te Whatu Ora to develop a comprehensive alcohol-harm reduction strategy and related work programmes. This will also include working closely with the Ministry of Justice on matters that relate to the Sale and Supply of Alcohol Act 2012.
5. As previously advised, an independent review of the alcohol levy is being undertaken by Allen + Clarke. Progress on the review so far, and a summary of the interim report from Allen + Clarke, informed our advice to you regarding the options for the total aggregate expenditure for alcohol-harm related work to be funded by the levy in 2023/24. Phase 2 of the review and the complete report and fulsome recommendations will be completed by November 2023.
6. You and the Minister of Finance have agreed to the aggregate expenditure figure for the 2023/24 levies being set at approximately \$11.5 million which is in line with previous years (HR 2023021815 refers).
7. Clause 2(2) of Schedule 6 to the Pae Ora Act requires that you next determine the aggregate levy figure. The Ministry recommends you determine the aggregate levy figure at \$11.5 million being the same amount as the aggregate expenditure figure you agreed.
8. The subsequent step in the levy setting process is for you to determine the amounts of levies payable for the six classes of alcohol (labelled A through F) outlined in the table below. The Ministry used the aggregate levy figure, together with data from the New Zealand Customs Service, to calculate the distribution of levies across the six classes of

alcohol for the 2023/24 year. See Appendix 1 for a detailed explanation of the process as set out in clause 3(2) of Schedule 6 to the Pae Ora Act.

| Class of Alcohol (% ABV range) | Method of determining rate of alcohol in class | Rate of alcohol applied for the purpose of setting the levy | Amount of levy (dollars per litre) | Percentage increase/(decrease) from 2022/23 dollars per litre |
|---|---|--|---|--|
| A (1.15-2.5% per litre) | Schedule | 1.5% | 0.005056 | -10.63% |
| B (2.5-6% per litre) | Variable | 4.65% | 0.015665 | -3.94% |
| C (6-9% per litre) | Schedule | 8.00% | 0.026967 | -10.63% |
| D (9-14% per litre) | Schedule | 10.00% | 0.033708 | -10.63% |
| E (14-23% per litre) | Variable | 16.68% | 0.056214 | -12.68% |
| F (more than 23%) | Variable | 37.78% | 0.127345 | -13.21% |

Next steps

9. An Order in Council will be prepared for you to submit to the Executive Council once your decision in relation to recommendations (a) and (b) below are received.
10. The draft Cabinet paper and Talking Points attached as Appendices 2 and 3 will be finalised to reflect your decisions and the details of the Order in Council as drafted.
11. A final Cabinet paper will be provided for your submission to Cabinet for consideration at the Cabinet Legislation (LEG) Committee on 4 May 2023.
12. Once the Order in Council has come into effect the letters to key alcohol industry stakeholders, attached as Appendix 4 for your signature, will be sent.
13. The next steps are as set out in the table below:

| Steps | Proposed timings |
|--|---------------------------|
| Ministerial consultation on draft Cabinet paper | 6 April to 21 April 2023 |
| The Ministry finalises the Cabinet paper | 22 April to 27 April 2023 |
| Minister's office lodges finalised paper with Cabinet office | By 10 am 28 April 2023 |
| Paper considered by LEG Committee | By 4 May 2023 |
| Paper Confirmed by Cabinet | By 8 May 2023 |

Recommendations

We recommend you:

- a) **Determine** that the aggregate levy figure for 2023/24 is \$11.5 million, Yes/No
- b) **Determine** the levies payable on the six classes of alcohol for 2023/24 as:

| Class | Rate applied | Amount of Levy (\$ per L) |
|-------|--------------|---------------------------|
| A | 1.5% | 0.005056 |
| B | 4.65% | 0.015665 |
| C | 8.00% | 0.026967 |
| D | 10.00% | 0.033708 |
| E | 16.68% | 0.056214 |
| F | 37.78% | 0.127345 |

- c) **Note** the draft Cabinet paper included as Appendix 2 and the draft talking points at Appendix 3 will be finalised for Cabinet Legislation Committee consideration once the Order in Council has been drafted and Ministerial consultation has concluded. Noted
- d) **Note** that it is anticipated that the Cabinet paper included in draft form at Appendix 2 is submitted for consideration at the 4 May 2023 Cabinet Legislation Committee meeting. Noted
- e) **Sign** the attached letters to key alcohol industry stakeholders included as Appendix 4. Yes/No



Dr Andrew Old
Deputy Director-General

**Public Health Agency | Te Pou Hauora
Tūmatanui**

Date: 31 March 2023

ENDS.



Hon Dr Ayesha Verrall
Minister of Health

Date:

10/4/23

Appendix 1: Process of determining levies payable as per clause 3 of Schedule 6 to the Pae Ora Act

Clause 3: Minister to determine amount of levy for each class of alcohol

- (1) After determining the aggregate levy figure for any financial year, the Minister must determine, in accordance with subclause (2) [of Schedule 6], the amounts of the levies payable under clause 5, [of Schedule 6] in respect of each class of alcohol, in order to yield an amount equivalent to the aggregate levy figure.
- (2) The process for determining the amounts of levy is as follows:
 - (a) *Step 1* — for each class of alcohol, determine the total number of litres of that class of alcohol that was imported into or manufactured in New Zealand during the preceding statistical year
 - (b) *Step 2* — for each class of alcohol, multiply the result of step 1 by the appropriate rate, as set out in the table in Schedule 7. This gives the (nominal) total number of litres of alcohol for each class of alcohol
 - (c) *Step 3* — for each class of alcohol, divide the number of litres of alcohol for that class by the total number of litres of alcohol for all classes. This gives the proportion of the aggregate levy figure that is to be borne by that class of alcohol in the next financial year
 - (d) *Step 4* — for each class of alcohol, multiply the result of step 3 by the aggregate levy figure. This gives the amount of levy to be borne by each class of alcohol in the next financial year
 - (e) *Step 5* — for each class of alcohol, divide the result of step 4 by the result of step 1. This gives the amount of levy payable on each litre of alcohol of that class in the next financial year.
- (3) If a rate for a class of alcohol is described in the table in Schedule 7 as a variable rate, the Minister must-
 - (a) determine the rate to be applied to that class of alcohol
 - (b) in making that determination, use the method for determining variable rates in Schedule 7.

[Schedule 7 to the Pae Ora Act]

Classes of alcohol and rates for each class

| Class | Legal definition of class <i>Alcohol which, if imported, would be classified within the following tariff items</i> | Indicative description <i>Percentage of alcohol by volume in most items in class</i> | Rate |
|--------------|--|--|-------------|
| A | 2203.00.12, 2206.00.37, 2208.70.30, 2208.90.62 | More than 1.15% but not more than 2.5% | 1.5% |
| B | 2203.00.22, 2203.00.31, 2203.00.39, 2206.00.47, 2208.70.40, 2208.90.68 | More than 2.5% but not more than 6% | Variable |
| C | 2206.00.57, 2208.70.50, 2208.90.72 | More than 6% but not more than 9% | 8% |
| D | 204.10.01, 2204.10.18, 2204.21.18, 2204.22.90, 2204.29.90, 2205.10.19, 2205.10.38, 2205.90.19, 2205.90.38, 2206.00.08, 2206.00.68, 2208.70.60, 2208.90.78 | More than 9% but not more than 14% | 10% |
| E | 2204.21.13, 2204.22.19, 2204.29.20, 2205.10.12, 2205.10.33, 2205.90.12, 2205.90.33, 2206.00.17, 2206.00.78, 2208.70.71, 2208.90.06, 2208.90.85 | More than 14% but not more than 23% | Variable |
| F | 2206.00.28, 2206.00.89, 2208.20.04, 2208.20.08, 2208.20.19, 2208.20.29, 2208.30.04, 2208.30.08, 2208.30.19, 2208.40.04, 2208.40.08, 2208.40.19, 2208.50.04, 2208.50.08, 2208.50.19, 2208.60.19, 2208.60.29, 2208.60.99, 2208.70.80, 2208.90.08, 2208.90.48, 2208.90.97 | More than 23% | Variable |

Method for determining variable rates

For a given financial year, the variable rate for a class is the average alcohol content by volume of all the alcohol of that class that was imported into or manufactured in New Zealand in the preceding statistical year.