

PRESS RELEASE

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An Irresponsible Tax on Daily Life

The Chamber must air its concerns on Government's persistence – at the last Budget - in replacing Eco Contribution with Excise Duties on certain products. The Chamber has taken this stand after having carefully considered the feedback received from members whilst evaluating certain measures in more detail. The Chamber opposes this trend because companies were exempt from Eco-Contribution if they participated in a waste management scheme. With this measure, companies must pay the Excise Duty as well as the fee for the waste management scheme.

This harmful trend took-off in previous years with, amongst others, mineral water, non-alcoholic drinks and plastic bags and the Excise Duties on these products was further increased in the 2017 Budget. Meanwhile, the list of products was extended further this year to include perfumes, make-up, shampoo, soap, shower gels and personal hygiene products. This development is objectionable on a number of fronts.

From a socio-economic perspective this is tantamount to a tax on everyday life on all consumers, irrespective of their income levels, who need to use these essential products daily. Besides, the measure is regressive because it is imposed as a flat rate on weight or measurement of the product so it hits low-income classes harder than their more affluent counterparts. Excise duties, by their very nature, tend to be more inflationary because these are payable upon importation so therefore the tax has a high impact at retail price level. Moreover, excise duties cannot be recovered on products which are not sold. Eco contribution, on the other hand, had a neutral effect on consumer prices because, as mentioned above, companies that participated in a waste management scheme were exempted from the tax.

In terms of the environment, this measure penalizes responsible companies because they are no longer rewarded for taking active measures to recover and recycle the packaging waste they place on the market. The measure is therefore equally taxing on the waste management schemes and on the environment itself.

Besides, Excise Duties are regarded as a retro measure which gives added powers to the authorities. Past experience justifies Chamber's concerns that these added powers could be used selectively on responsible companies thereby inflicting undue administrative burdens whilst allowing those who abuse to go about their "business" unpunished.

Due to such ineffective enforcement in the country, the measure will render abuse in free movement of goods all the more attractive. This will continue to intensify the hardship on responsible businesses, penalizing them further for their commitment towards honouring their fiscal and environmental obligations towards the customer and the country in general. These latest budget measures have not eased the cost of sales for such companies who continue to incur relatively high levels of fuel and energy costs, wage inflation, prohibitive levels parking fines and unreasonable loss of productive time due to traffic.

There is no doubt that the focus of the 2017 budget speech concentrated on providing income support for low-income earners and pensioners. The Chamber already expressed its support

to this objective. However, it is clear that the inflationary effect which this measure is bound to create, will counteract the prime intention of the Budget Speech in a way in which low-income people will sadly incur the harshest effect. This is due to the higher proportions of their incomes which is spent on those daily life products being taxed in this Budget.

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