



seafish

A thriving
seafood industry
for all

Proposed changes to the
Seafish Levy

Consultation Document
13 March – 23 April 2023



Introduction

The Sea Fish Industry Authority (“**Seafish**”), the non-departmental public body established under the Fisheries Act 1981, is reviewing its levy system. The Seafish Board is consulting on the proposed changes with stakeholders, primarily Seafish levy payers, but welcomes views from across the seafood supply chain and from other persons and organisations more generally. Although the Board is leading the consultation, final decisions on any changes to the levy will be made by relevant Ministers in the UK Government pursuant to the statutory framework under the Fisheries Act 1981.

Seafish completed a Strategic Review in late 2021.¹ The review focused on shaping its future priorities, its future structure, and its future funding. During the Strategic Review there was a clear acknowledgment from stakeholders, levy payers and non-levy payers alike, that there is a strong case for Seafish to continue to support the UK seafood industry to thrive, that it needs to be placed on a sound financial footing, and that the levy system should be updated to provide for this. This was caveated by many contributors that any future levy rate increases should be reasonable. A key recommendation from the Strategic Review was that the levy system should be updated.

This consultation details the changes that the Seafish Board wish to make to the levy.

These proposed changes are guided by a set of principles which include that:

- the levy should be efficient to collect;
- the system should be resilient to change;
- it should be fair and equitable in how rates are set and how levy is collected;
- it is simple to understand; and
- it enables Seafish to collect the funds it requires.

¹ <https://www.seafish.org/about-us/governance-and-performance/strategic-review-of-seafish-in-2021/>

What is the Seafish Levy?

The Fisheries Act 1981 empowers Seafish to collect a levy on the first sale of seafood, either domestically landed fish or imported seafood.² Further detail on the specific rates and scope of the levy are set out in the Sea Fish Industry Authority (Levy) Regulations 1995 Confirmatory Order 1996/160 (as amended by the Sea Fish Industry Authority (Levy) (Amendment) Regulations 1998 Confirmatory Order 1999).

Levies are essentially revenue collected (in the case of most UK public bodies) and either returned to government or retained to fund a specific function or service. As a public body Seafish is funded by a levy. The levy collected is treated as public money and Seafish is required to adhere to all government requirements in connection with the management of public money.

The levy collected is based on the weight of fish and is only due on the 'fish' content of a product, so non-fish content is deducted from the weight before the levy is paid (for example, added water that forms a glaze, or other ingredients in a ready meal such as a fish pie).

The current levy system is based on five categories of seafood:

- **Sea Fish:** examples include demersal such as cod, haddock, monkfish but also includes tuna. Levy rate is currently set at 0.903 pence per kg.
- **Pelagic:** examples include mackerel, herring, sprats, pilchards. Levy rate is currently set at 0.258 pence per kg.
- **Shellfish:** examples include prawns, lobster, crab, cockles, mussels, whelk etc. Levy rate for most shellfish species is set at 0.903 pence per kg. The exceptions are cockles and mussels, which have a levy rate of 0.258 pence per kg, and whelks which has a levy rate of 0.4515 per kg.
- **Fishmeal:** domestically landed fish waste currently attracts a levy of 0.035p, while the current rate for imported fish waste is 0.175p per kg.
- **Salted Cured:** dried salted fish attracts a levy of 1.1288p and the levy for wet salted fish is 0.7525p per kg.

Within each category there are product states that determine how the levy rates should be applied to processed seafood. This is done using a conversion factor that converts the processed product to the whole fish equivalent. All product rates are based on the yield from a whole fish; for example, a skin-on fillet of cod will return a 50% yield, so the rate charged is double that of a whole fish at 1.806p per kg.

The levy applies to all wild capture fish and shellfish. It also includes aquaculture products if they relate to species farmed in seawater³ – such as farmed shellfish (oysters and mussels) and farmed finfish (sea bream and sea bass). The levy does not currently apply to certain imported processed products such as canned or bottled fish, nor does it apply to fresh water farmed fish, including tilapia, pangasius. It also does not apply to salmon or trout.

² <https://www.legislation.gov.uk/ukpga/1981/29/contents>

³ Including brackish water

Why is Seafish reviewing the levy?

The levy is out of date (it was last revised in 1999) and is not aligned with the services and support that Seafish is required to deliver. The specific issues that have informed this review are:

- When the Seafish Board sought stakeholder views during the Strategic Review there was a recognition that a levy increase was overdue but that any increase should be fair, equitable and reasonable. The Strategic Review raised several ongoing issues with the levy that Seafish is now seeking to address, including:
 - A discrepancy in levy rates between species which no longer reflects the structure of the industry (how seafood is processed or traded).
 - A levy applies to domestically produced canned and bottled products, while no levy is applied to similar imported products. This creates an unfair situation as these comparable products compete in the same markets.
 - There are species that are part of the seafood category that are out of scope of the levy, but they benefit from the services that Seafish provides.
- Seafish, like any organisation, needs sufficient funds to operate. The level of service it provides is influenced by its budget and, like many organisations, it has had to adjust what it can do in the face of rising costs and declining income. The Board has not taken the decision to update the Seafish levy lightly, but the last time the levy was amended was in 1999. This is a difficult position for any organisation, public or private, to operate under. The proposed changes outline a package of increases which should keep overall levy payments at a reasonable level while ensuring Seafish has the budget it needs to continue to deliver to support the UK seafood industry.
- The absence of any improvements being made to the levy for over 25 years means the levy system is outdated and inefficient, for Seafish and for levy payers. As part of the levy review process, the Seafish Board was keen to streamline how the levy operates, but unfortunately most of these changes will require a change to primary legislation. This is not possible at this time, which has limited the extent of the improvements that can be made. However, where it is possible to make improvements via regulation these changes will be considered.

What changes is Seafish proposing?

The Seafish Board recognises that this is a difficult operating environment for many businesses so has tried to make sure the potential impact of the proposed changes has been minimised. The proposed changes are:

Levy rates:

1. Establishing two levy categories in place of the seven that exist currently:
 - Category 1: All seafood species and their products
 - Category 2: Fishmeal
2. Establish a single base levy rate for all seafood species to be set at 1p/kg.
3. Establish a single levy rate for fishmeal to be set at 0.350p/kg.
4. Apply a phased increase in levy for three of the current levy categories – pelagic, cockles and mussels, whelks. This phased increase will take five years for whelk and eight years for pelagic species, cockles and mussels, before the levy rate reaches the base levy rate. The rationale for this is explained below.
5. Apply an automatic inflationary adjustment to the levy each financial year which will be set at 2%. While this is considerably lower than the current inflation rate, the Seafish Board is recommending 2% because this reflects the UK Government’s inflation target rate.
6. Streamline product states so that four categories will apply to each Finfish species. The current shellfish product state categories will remain unchanged, including those set for cockles and mussels. See table below.

Table 1: Description of proposed revised conversion rates for finfish and shellfish

Finfish		Shellfish	
Product State	Conversion Rate	Product State	Conversion Rate
Whole Fish or Head on Guttled	X 1	Whole	X 1
Headed and gutted	X 1.33 (75% yield)	Other than whole	X 2 (50% yield)
Fillet	X 2.5 (40% yield)		
Other	X 2 (50% yield)		

Levy scope:

The levy currently excludes all canned, bottled, and pouched products. The intention is that these should be included within the scope of the levy. Levy is paid on the seafood that is used to manufacture these products if they are made in the UK, so the purpose of this change is to address this unfair situation. This would mean that levy will apply to imported products such as tinned tuna, mackerel products and bottled anchovies etc. under the following rates:

1. Canned, bottled, and pouched pelagic species (mackerel/anchovies) will have the current pelagic rate applied (of 0.258p/kg whole fish) with the associated phased increase detailed above.
2. All other canned, bottled, and pouched products, including tuna products, will have a single levy rate of 1p/per kg of whole fish which will apply from the first year the amendments take effect.

Canned, bottled, and pouched pet products are out of scope of the Seafish levy.

Levy administration:

Seafish wishes to make the following administrative changes to the levy system. The purpose of these changes is to simplify levy transactions and to address anomalies in current regulations which impact Seafish's ability to collect levy efficiently and effectively.

1. Implement a de minimis below which levy is not required to be paid. Under this proposal business will be required to submit an annual return to Seafish, which will be used for auditing purposes, but if the levy due is under £100 it will not be collected. This change recognises that recovering levy below a certain limit is inefficient and not the best use of our resources. Equally the cost to business of having to complete regular levy returns for small amounts is an unreasonable burden. The proposed de minimis is £100.⁴
2. Enabling levy payers to make and submit returns online.
3. Amend the definition of "wholesale merchant" in regulation to make it explicit that a person is a wholesale merchant where that person is acting as an agent or auctioneer of fish and not exclusively their own landed fish.
4. To address inconsistency make it clear in the new statutory instrument that all persons who are engaged in the sea fish industry as importer/wholesaler are required to comply with the levy requirements, whether or not they are also the ultimate retailer.
5. Require businesses when completing their levy return to list the individual species on which levy is due, and the origin of the sea fish; domestic or imported including country of origin.
6. Confirm that levy is due on all seafood domestically landed into the UK, regardless of its destination.

⁴ In 2020/21, 174 levy payers of a total of 680 paid a bill of under £100.

What is the expected impact of these changes?

We understand that the proposed changes to the Seafish levy will have an impact on businesses. We have made every effort to minimise these impacts.

The tables in Annex 1 detail the proposed levy rates (Table 2) and Seafish's levy income (Table 3) over the duration of the 2023 – 2028 Corporate Plan. This assumes that the proposed changes are approved and that they take effect from 2024/25 (Year 1). Also note that Year 5 will be the first year of the 2028-2033 Corporate Plan. The Seafish Board intends to review the Seafish levy every five years.

- Most species will see a small increase in levy from 0.903p/kg to 1p/kg.
- Some species will have a larger increase, for example mussels and pelagic species (mackerel and herring), which are currently set at 0.258p/kg respectively. To minimise the impact of this, we are proposing that the increase to the base rate is staggered. Under the proposed changes it will take up to 8 years before mackerel and herring reach the base levy rate.
- We also recognise the current economic pressures and for that reason the current levy payers will not see any increase in rates until 2025/26.
- For the first time we want to include an annual inflationary adjustment set at 2%. This will mean that levy payers will see a small increase year on year to their levy.
- The changes seek to simplify and streamline the levy process so that:
 - It is easier for businesses to comply with the levy requirements; and
 - There is increased transparency in the levy system.

How will these changes benefit the UK seafood sector?

Seafish has now finalised and approved its Corporate Plan for 2023-2028. The priorities detailed in the Plan reflect the issues that industry stakeholders have highlighted as being the most important issues that should be addressed to support a thriving seafood industry. These include:

- **A Safe and Skilled Workforce:** Ensuring the seafood industry is a safe and attractive place to work and that businesses can access the skilled labour they need.
- **International Trade:** Supporting industry and government to develop and deliver solutions to seafood trade challenges and opportunities.
- **Climate Change:** Enabling the seafood sector to adapt to the impacts of climate change on the seafood supply chain while mitigating its contribution to the UK's emissions profile AND supporting the industry to demonstrate how it can contribute to the blue economy to build consumer confidence in seafood as a low carbon protein.
- **Fisheries Management:** Facilitating collaborative initiatives between industry, government, and the research community to support improved fisheries management outcomes, that in turn deliver benefits across the seafood supply chain.
- **Supply Chain Resilience:** Investing in research, analysis and supply chain initiatives that are designed to protect and enhance the reputation of the industry.
- **Insight and Innovation:** Providing data, analysis and advice to increase business prosperity and resilience, and to encourage innovation throughout the seafood supply chain.
- **Reputation:** Enabling the seafood industry to respond to reputational and societal issues that can act as a barrier to consumers choosing seafood.

Seafish will work in collaboration with industry and government to deliver on these priorities to support the seafood industry to thrive. The cost of delivering the 'industry asks' set out in the Corporate Plan over the next five years are estimated to be £10.75m per annum. The proposed levy changes should enable Seafish to secure this level of funding under a phased approach.

How to respond this consultation?

The consultation period will commence on **13 March 2023** and will be open for responses for a period of six weeks. The consultation period will **close on 23 April 2023**. This online consultation seeks your views on several specific questions. If you have any other views, there is a space for you to share these too. You can respond using the online survey at the link under 'Give us your views' below. Note that the survey will open on 13 March 2023.

<https://bit.ly/SeafishLevyReview>

You can also email your views to SeafishLevyReview@seafish.co.uk

If you require this consultation in a different format, please contact Seafish using the above email address.

What happens next?

Once the survey closes the responses will be analysed and a summary will be published on the Seafish website. These responses will be used to refine the proposed levy amendments.

Under the Fisheries Act 1981 and assuming Seafish decides to continue with the proposed levy amendments following this consultation exercise, Seafish is required to consult again – in a statutorily prescribed manner – on the proposed new levy. Pursuant to Schedule 2 of the Fisheries Act 1981, Seafish will consult on the proposed new regulations underpinning the reformed levy for at least 28 days. Following that consultation period, Seafish is required to consider the responses to that consultation including any objections raised to the proposed new regulations. Prior to any regulations being made, Ministers (in the UK Government and the Devolved Administrations) are required to consider the regulations and any objections raised as part of the consultation exercise. The Ministers may then make further modifications to the regulations, following any further inquiries that they deem relevant (including consultation with Seafish), before the regulations are formally made.

At this stage, Seafish is unable to provide a precise timetable for these next steps. However, Seafish aims to ensure that businesses will be given as much notice as possible before any changes to the levy come into effect so that they can plan ahead.

Annex 1: Details of proposed changes to levy rates and levy revenues over five year period

TABLE 2: Proposed new levy rates

Category	Levy Rate Y1 (in p/Kg WFE**)	Levy Rate Y2 (in p/Kg WFE)	Levy Rate Y3 (in p/Kg WFE)	Levy Rate Y4 (in p/Kg WFE)	Levy Rate Y5 (in p/Kg WFE)
<i>Existing levy species/products:</i>					
L1 – Demersal	0.903	1.020	1.040	1.061	1.082
L2 - Pelagic	0.258	0.329	0.419	0.535	0.682
L3 - Fishmeal	0.175	0.214	0.262	0.321	0.379
L5a - Shellfish	0.903	1.020	1.040	1.061	1.082
L5b - Cockles & Mussels	0.258	0.329	0.419	0.535	0.682
L5c - Whelks	0.452	0.572	0.698	0.828	1.082
<i>Proposed new product categories</i>					
Tuna - Canned	0.903	1.020	1.040	1.061	1.082
Other Canned/Bottled	0.258	0.329	0.419	0.535	0.682

* Assumption is that Year 1 is 2024/2025

** WFE is whole fish equivalent

TABLE 3: Expected Seafish Levy Revenue under the proposed changes

Category	Annual Levy Y1 £'000	Annual Levy Y2 £'000*	Annual Levy Y3 £'000*	Annual Levy Y4 £'000*	Annual Levy Y5 £'000*
L1 - Demersal	£ 4,875	£ 5,507	£ 5,617	£ 5,729	£ 5,844
L2 - Pelagic	£ 406	£ 518	£ 660	£ 841	£ 1,073
L3 - Fishmeal	£ 111	£ 135	£ 166	£ 203	£ 239
L5a - Shellfish	£ 1,668	£ 1,884	£ 1,922	£ 1,960	£ 1,999
L5b - Cockles & Mussels	£ 55	£ 71	£ 90	£ 115	£ 146
L5c - Whelks	£ 80	£ 102	£ 124	£ 147	£ 192
Subtotal - current species	£ 7,205	£ 8,229	£ 8,592	£ 9,009	£ 9,508
Tuna - Canned	£ 1,535	£ 1,733	£ 1,768	£ 1,803	£ 1,839
Other Canned/Bottled	£ 102	£ 130	£ 166	£ 211	£ 269
Subtotal - new product categories	£ 1,636	£ 1,863	£ 1,934	£ 2,015	£ 2,109
Total	£ 8,841	£ 10,092	£ 10,525	£ 11,024	£ 11,617

*2% inflationary escalation factor applied from year 2