

ALL



Guidance for calculating the rolling fee-cap for cannabis licensing

Version (1.2)

The fee cap in detail

The rolling cap is designed to limit the total amount of money that a licensee is obliged to pay for licenses if multiple licenses are held. The cap ‘rolls’ on a twelve-month basis so that it becomes a neutral component to any business decisions a licensee makes: when a new licence is purchased or an existing one is renewed, the discount that the cap permits is automatically calculated and applied by the GSC.

The current cap is £62,500 in any 12 month period.

The licence fee structure

Licence Type	Year 1 Fee	Standard Fee
Industrial Hemp Licence Without Use	£525	£265
Industrial Hemp Licence With Use	£10,500	£5,250
Cannabis Licence (high THC cultivation)	£47,250	£36,750
Research Licence (male & female plants)	£21,000	£12,600
Transportation and Storage Licence	£5,250	£2,625
Extraction Licence	£23,625	£18,375
Import Licence	£10,500	£7,875
Export Licence	£10,500	£7,875
Manufacture Licence	£23,625	£15,750
Analysis Licence	£13,125	£8,400

Calculating the rolling cap

To calculate the discount, for which your next licence or group of licences qualifies, follow the procedure below:

Suggested template

Calculating the CAP Use this template when a new fee is to be paid.		
1. Establish Cap value		This figure is from regulations
2. Note actual fees paid for the last twelve months		This figure is the discounted fees, if they have been discounted.
3. Note the default licence fees payable for the new licence(s)		From regulations: be sure to get the year 1 or years 2+ figures for each licence, depending on whether it is the first time the licence has been held or not
4. Subtract 2 from 1		
5. Compare 4 with 3 and choose the lower amount		
6. Pay 5		This is the fee due for the licence(s) being acquired at this time

For clarity, and to demonstrate the principles of the cap, the following examples are shown as rounded months rather than days. In practice, the cap will be calculated to the nearest day.

Case study 1 : Multiple licences acquired upon initial application

It is February of year 1.

The applicant wishes to simultaneously obtain a cultivation licence, a research licence and an export licence.

As there has been no previous licensing, the licenses that can contribute their fees towards the cap calculation do not yet exist (the blue border)

Year 1												Year 2							
J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A
No prior licensing																			
Cultivation licence, year 1 = £47,200																			
Research licence, year 1 = £21,000																			
Export licence, year 1 = £10,500																			

The calculation to determine the fee payable

1. Establish Cap value	£62,500	
2. Note actual fees paid for the last twelve months	£0	This is the first time the operation has acquired IOM licenses
3. Note the default licence fees payable for the new licence(s)	Cultivation, year 1, £47,250 Research, year 1, £21,000 Export, year 1, £10,500 TOTAL £78,750	
4. Subtract 2 from 1	£62,500 - £0 = £62,500	
5. Compare 4 with 3 and choose the lower amount	4=£62,500 3=£78,750 Lower amount=£62,500	
6. Pay 5	Pay £62,500	

Case study 2: Addition of a new licence

It is April of Year 1.

The applicant now acquires a transport/storage licence to cover a second facility in the Isle of Man.

Note how the three existing licenses are eligible to contribute towards the cap (blue border)

Year 1												Year 2							
J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A

The calculation to determine the fee payable

1. Establish Cap value	£62,500	
2. Note actual fees paid for the last twelve months	£62,500	This is the fee paid in respect of the cultivation, research and export licenses in February, which were subject to a cap discount.
3. Note the default licence fees payable for the new licence(s)	Transport/storage, year 1 = £5,250 TOTAL £5,250	
4. Subtract 2 from 1	£62,500 - £62,500 = £0	
5. Compare 4 with 3 and choose the lower amount	4=£0 3=£5,250 Lower amount=£0	
6. Pay 5	Pay £0	

Case study 3: Addition of two new licences

It is January of Year 2.

The applicant now acquires an extraction licence and a manufacturing licence.

Note how the four existing licenses are eligible to contribute towards the cap (blue border) even though three of them have **almost** expired.

Year 1				Year 2												Year 3			
S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
Yr1 Cultivation																			
Yr 1 Research																			
Yr 1 Export																			
Yr 1 Transport/storage																			
				Extraction licence, year 1 = £23,625															
				Manufacturing licence, year 1 = £23, 625															

The calculation to determine the fee payable

1. Establish Cap value	£62,500	
2. Note actual fees paid for the last twelve months	£62,500	Being the £62,500 paid in February of year 1 plus the £0 payment for April of year 1
3. Note the default licence fees payable for the new licence(s)	Extraction licence, year 1 = £23,625 Manufacturing licence, year 1 = £23,625 TOTAL £47,250	
4. Subtract 2 from 1	£62,500 - £62,500 = £0	
5. Compare 4 with 3 and choose the lower amount	4=£0 3=£47,250 Lower amount=£0	
6. Pay 5	Pay £0	

Case study 4: Renewal of licences

It is February of Year 2.

The licensee renews the cultivation and the export licence, but does not renew the research licence. The payments in respect of the cultivation, research and export licences (originally made in February of year 1) are now 12 months old and no longer contribute towards the cap calculation. The recently acquired extraction and manufacturing licences are able to contribute, but the fees in respect of all three of these were nil at the time of acquisition so they will not supply any discount on this occasion.

Year 1				Year 2												Year 3				
S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	
Yr1 Cult - expired																				
Yr 1 Resrch - expired																				
Yr 1 Export - expired																				
Yr 1 Transport/storage																				
				Extraction licence, year 1 = £23,625																
				Manufacturing licence, year 1 = £23,625																
				Cultivation licence, year 2+ = £36,750																
				Export licence, year 2+ = £7,875																

The calculation to determine the fee payable

1. Establish Cap value	£62,500	
2. Note actual fees paid for the last twelve months	Transport/storage yr 1 = £0 Extraction yr 1 = £0 Manufacturing yr 1 = £0 SUM = £0	When these fees were due, the rolling cap reduced them all to £0 payable.
3. Note the default licence fees payable for the new licence(s)	Cultivation licence, year 2+ = £36,750 Export licence, year 2+ = £7,875 TOTAL £44,625	Note the year 2 figures for the fees are now used for the renewed licences
4. Subtract 2 from 1	£62,500 - £0 = £62,500	
5. Compare 4 with 3 and choose the lower amount	4=£62,500 3=£44,625 Lower amount=£44,625	
6. Pay 5	Pay £44,625	

Case study 5: Bonus example: maximum complexity

It is May of year 2

The licensee decides to reacquire a research licence and acquire a new import licence. The transport and storage licence is also to be renewed after a gap of 1 month (where it was not required/renewed).

Note that import licences and export licences are separate classes of licence.

Note this is not the first time the research licence has been held, hence it is a year 2+ fee.

Year 1				Year 2												Year 3			
S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
Yr 1 Transport/storage																			
				Extraction licence, year 1 = £23,625															
				Manufacturing licence, year 1 = £23,265															
				Cultivation licence, year 2+ = £36,750															
				Export licence, year 2+ = £7,875															
				Research licence, year 2+ = £12,600															
				Import licence, year 1 = £10,500															
				Transport/Storage licence, year 2+ = £2,625															

The calculation to determine the fee payable

1. Establish Cap value	£62,500	
2. Note actual fees paid for the last twelve months	Extraction yr 1 = £0 →	See case study 3
	Manufacturing yr 1 = £0 →	See case study 3
	Cultivation yr 2+ and Export yr2+ = £44,625 →	See case study 4
	SUM = £44,625	
3. Note the default licence fees payable for the new licence(s)	Research, year 2+ = £12,600	
	Import licence, year 1 = £10,500	
	Transport/storage, year 2+ = £2,625	
	TOTAL £25,725	
4. Subtract 2 from 1	£62,500 - £44,625 = £17,875	
5. Compare 4 with 3 and choose the lower amount	4=£17,875	
	3=£25,725	
	Lower amount=£17,875	
6. Pay 5	Pay £17,875	

Edge cases

The concurrency of licence renewals, deferral of renewal.

Licences run for 365 days and cannot be renewed until they have expired (which means full term licences can never contribute their own historical payments towards the computation of their new fee).

The renewal of a licence can be deferred if its protection against the Misuse of Drugs Acts is not required

The new license cannot exist until the old licence expires.

Year 1			Year 2				Year 3												
S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
Old licence - Example 1												New licence				→			
Old licence - Example 2												New licence				→			

There is no protection from offences during this period

Premature cessations and reacquisitions

Top example: A licence that is restricted (i.e has limitations on its use, or is only maintained to protect individuals from prosecution while controlled drugs are disposed of) is considered to be a licence in all other respects. So called “Paid, not live” licenses, where the licence has been invoiced, but approval conditions have yet to be met fall into this category

Middle example: A licence that is revoked or surrendered expires at that point, without the possibility of a refund for the unused fraction of the 12 months remaining.

Bottom example: A licence that restarts within the window of its original term is considered a second and subsequent licence for the purposes of calculating the schedule fee. Such a licence is a new licence and begins a 12 month term from the date of reacquisition. The payment made in respect of the prematurely terminated licence counts towards the cap computation because it is a payment that has been made to the GSC in the last 12 months.

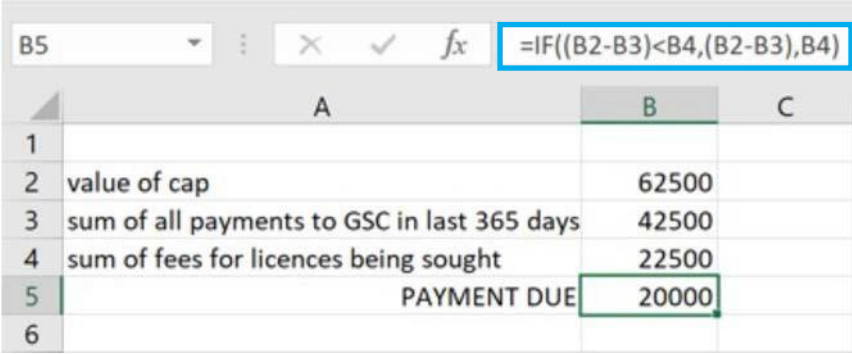
Year 1				Year 2								Year 3							
S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A
				Full utility				Partial				Full							
Licence surrendered after 9 months												No refund							
Yr 1 licence ceases				Reacquired licence				uses Yr 2+ fee				→							

The payment (if any) in respect of the earlier licence counts towards the cap computation

The fee-cap calculation as a formula.

The same results for calculating the fee due on a new licence or a group of new licenses can be achieved using a formula.

In the example below, case study 5 is reproduced in a spreadsheet. The formula, which applies to all scenarios, is highlighted in the blue box.



The screenshot shows a spreadsheet with the following data:

	A	B	C
1			
2	value of cap	62500	
3	sum of all payments to GSC in last 365 days	42500	
4	sum of fees for licences being sought	22500	
5	PAYMENT DUE	20000	
6			

The formula bar for cell B5 shows the formula: `=IF((B2-B3)<B4,(B2-B3),B4)`

When calculating whether a licence counts towards the sum of all payments to the GSC in the last 365 days, “365” means 366 during a leap-year.

