



DEBATE PACK

Number CDP-2017-0071, 3 March 2017

Beer Duty

Summary

A debate on beer duty, sponsored by Steve Double, will take place in Westminster Hall on Tuesday 7 March 2017 at 9.30am. The debate is to last one and a half hours.

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

Antony Seely

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1. Background

1.1 Introduction

Beer duty is one of the three excise duties charged on alcoholic drinks; separate duties are charged on wines and spirits, as well as on tobacco products and road fuels. Excise duty is charged a flat rate: a certain number of pence per pint, per litre, per packet - though tobacco is subject to an additional ad valorem tax.¹ Duty rates across these categories, and the share of the selling price taken in duty, and tax, are illustrated below:

Table 4. Excise duties, April 2016

<i>Good</i>	<i>Duty (pence)</i>	<i>Total duty as a % of price</i>	<i>Total tax as a % of price^a</i>
Packet of 20 cigarettes:			
specific duty	392.8	} 59.0	} 75.6
ad valorem (16.5% of retail price)	152.6		
Pint of beer	40.7	13.6	30.3
Wine (75cl bottle)	208.4	48.6	65.3
Spirits (70cl bottle)	774.5	47.6	64.2
Unleaded petrol (litre)	58.0	54.4	71.1
Diesel (litre)	58.0	54.2	70.9

^a Includes VAT.

Note: Assumes beer (bitter) at 3.9% abv, still wine exceeding 5.5% but not exceeding 15% abv, and spirits (whisky) at 40% abv.

Institute for Fiscal Studies, [A Survey of the UK Tax System](#), November 2016 p19

The tax burden on these different excise goods reflects the fact that both duty and VAT is charged on their sale.²

Duties on all alcohol products are forecast to raise £11.2 billion in 2016/17 – split between duties on beer & cider, £3.6bn; wine duties, £4.2bn, and spirits duties, £3.4bn. By comparison in the same year fuel duties and tobacco duties are forecast to £27.9 billion and £9.2 billion respectively. Receipts from beer and cider duties are expected to rise slightly to £3.8 billion in 2017/18.³

The rate of beer duty is set in relation to alcoholic strength.⁴ At present the duty rate is £18.37 per hectolitre per cent of alcohol; so, duty accounts for around 41p on a pint of beer of 3.9 per cent strength.⁵ An

¹ This is set at 16.5% of the total retail price (including the flat-rate duty, VAT and the ad valorem duty itself)

² VAT is charged on the whole price demanded of the customer in return for the supply in question, excluding VAT, irrespective of whether part of that consideration is excise duty, or any other tax.

³ Office for Budget Responsibility, [Economic and fiscal outlook, Cm 9346](#), November 2016 p1112 (Table 4.6).

⁴ Strength is measured as alcohol by volume (ABV) – the percentage of an alcohol product's volume comprised of pure alcohol.

⁵ 1 pint is around 0.568 litres – so the amount of duty on a pint would be 40.7p (£0.1837 x 3.9 x 0.568). For more details on the operation of beer duty see, HM Revenue & Customs, [Beer duty Excise Notice 226](#), February 2017.

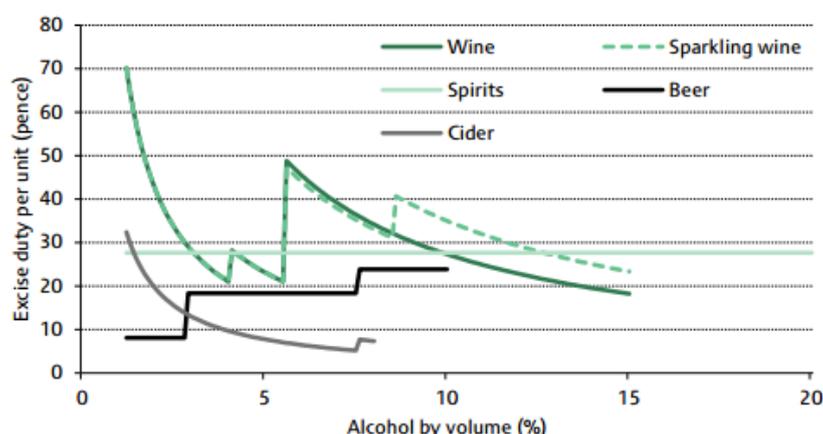
additional duty is charged on 'high strength' beers, those over 7.5% abv, while a reduced rate applies to 'low strength beers', those under 1.2% abv.⁶ Breweries producing less than 60,000 hectolitres a year qualify for small breweries relief and may receive a reduction in beer duty payable by up to 50 per cent.⁷

Historical rates of duty on alcoholic drinks, and other excise goods, are on HM Revenue & Customs' [UK Trade Info site](#).⁸ HMRC no longer publish updated figures for the tax take on different alcoholic products, but historic data shows that the tax burden on beer has been relatively stable over the last twenty years: 33% in 1987, and 32% in 2012.⁹

Spirits are also taxed according to their alcoholic content. By contrast, wine, made wine, cider and perry are all subject to specific (ie, by volume) duties – though duty rates are banded by reference to alcoholic strength. In its Green Budget published in February 2016 the Institute for Fiscal Studies argued, "the current structure of alcohol duties is not well targeted at harmful alcohol consumption." To this end, the authors presented the structure of duties, when measured on a per-unit of alcohol basis:

Figure 9.12 shows the current structure of alcohol excise taxes, measured per unit of alcohol ... To make the figure easier to read, we stop the horizontal axis at 20% ABV; however, it should be noted that the 27.66 pence per unit duty for spirits also applies to spirits products stronger than 20% ABV.

Figure 9.12. Excise tax per unit of alcohol, by alcohol strength and type



Note: Figure assumes all cider is 'still' ('sparkling' cider attracts a different duty rate, which is levied only on champagne substitutes in pressurised bottles).

Source: Calculated from HMRC data.

For spirits and spirit-based alcopops, the tax levied per unit of alcohol is constant in strength. For beer, the tax per unit of alcohol increases with strength; strong beers attract a higher tax rate than mid-strength beers, which in turn attract a higher tax rate than low-strength beers. For wines and cider, the tax per unit

⁶ HMRC, [Alcohol Duty rates from 21 March 2016](#), 21 March 2016

⁷ [Beer duty Excise Notice 226](#), February 2017 ([Section 8: Small Brewery Beer](#))

⁸ In the case of alcohol duties see, [Alcohol Duty Statistical Bulletin](#), January 2017 (in particular, section 12).

⁹ [Alcohol Factsheet 2013, October 2013](#) (see tables 3.1-3.7).

varies by type and declines in strength, with discrete jumps at several points. For instance, a cider with 6% ABV attracts half the excise tax per unit of alcohol of a cider with 3% ABV. The highest rates of all are levied on very low-strength wine 'coolers', at more than 50p per unit, in contrast to a typical table wine of 12.5% ABV which has a duty rate of 21.9p per unit ...

Overall, it is very difficult to justify the existing structure of alcohol excise taxes based on the likely harm associated with consuming different types and strengths of alcoholic drinks.¹⁰

The rate of duty tax charged on alcoholic drinks is not affected by the way in which they are sold (that is, whether they are purchased at a pub or at a supermarket), though it is clear that in recent years the pricing strategies of many supermarkets has put the pub sector under considerable competitive pressure.¹¹ There are no official statistics on the respective revenue yield from these two sectors,¹² and data on duty receipts are not broken down between rural and urban areas.¹³

There are EU-wide rules regarding their taxation, just as they are for the taxation of other excise goods (tobacco and road fuels). In brief, [Council Directive 92/84/EEC](#) establishes the minimum rates of duty which Member States may charge on four drink categories:

- For alcohol (spirits), 550€ per hectolitre of pure alcohol
- For intermediate products, 45€ per hectolitre of product.
- For wine and sparkling wine, zero rate.
- For beer, 0.748 € per hectolitre per degree Plato, or 1.87€ per hectolitre per degree alcohol, of finished product.

A companion directive – [92/83/EEC](#) – defines the various categories of alcoholic beverage, and prescribes the basis on which excise duty must be calculated on these categories.¹⁴

The Coalition Government carried out a [review of the balance of competencies between the UK and the EU](#) – and as part of this, published [an assessment](#) of what powers the EU had over taxation; there is a short section in this setting out how EU law limits the UK's discretion with respect to excise duties:

Excise duties

1.18 The EU first exercised competence over excise in 1993 with the Directive on the general arrangements for products subject to excise duty [Council Directive 92/12/EEC]. This laid down the basic principles applicable for the holding, movement and monitoring of the products subject to excise duties, which are primarily tobacco, alcohol and energy. All EU Member States apply excise duties to these three product categories. The revenue from these excise duties accrues entirely to Member States.

¹⁰ [Chapter 9 : Excise Duties](#), Institute for Fiscal Studies, *Green Budget*, February 2016 p201, pp222-3. A longer extract is reproduced in the last section of this note.

¹¹ HC Deb 17 November 2010 c818W; see also, HM Treasury, [Review of alcohol taxation](#), November 2010 paras 5.3-5.6

¹² HC Deb 8 November 2012 c722W

¹³ HC Deb 20 November 2012 c435W

¹⁴ A summary of these rules is published [on the Commission's site](#).

1.19 The introduction of this Directive required Member States to remove their own domestic fiscal controls in this area. However, full harmonisation of the excise duty rates throughout the EU was not considered necessary for the proper functioning of the internal market. Instead, a series of minimum rates were agreed by Member States. For example, the Directive on the approximation of the rates of excise duty on alcohol and alcoholic beverages sets down these minimum rates for alcohol taxation.

1.20 Therefore, Member States retain competence to set excise duty rates at the levels they consider appropriate according to their national circumstances. In doing so it is necessary to take account of the risks that any significant disparity in the excise duty of any one product between different jurisdictions may have, for example in providing an incentive for criminal activity.¹⁵

As UK duty rates have been considerably above these minima, these EU rules have not been contentious in the same way as, say, EU rules on VAT rates – though in the past governments have resisted calls from the pub trade to have a lower rate of duty on drinks sold in licenced premises, because this would be contrary to EU law.

Even without this restriction, it may be worth adding that excise duty is payable on alcoholic drinks once they are cleared for consumption onto the UK market, rather than at the point of sale – so when they leave the distillery or excise warehouse, for supply to licensed premises and retailers. This presents a significant practical obstacle to having this type of differential duty rate, because the tax is not charged and paid when consumed in a pub or bought at a supermarket.

1.2 Recent Government policy

In its first Budget in June 2010, the Coalition Government launched a review of the taxing and pricing of alcohol “to ensure it tackles binge drinking without unfairly penalising responsible drinkers, pubs and important local industries.”¹⁶ In November 2010 the then Economic Secretary to the Treasury, Justine Greening, set out proposals to make two changes to the taxation of beer: an additional tax on high strength beers and a reduced rate of duty on low strength beers.¹⁷

In its 2008 Budget the Labour Government had increased the rates of duty on alcoholic drinks by 6% in real terms, and proposed that rates would rise each year by 2% above the rate of inflation for another four years. A commitment to raise duty rates by a specified percentage each year is called a duty ‘escalator’, and despite concerns from the pub trade, in his March 2010 Budget the then Chancellor Alistair Darling proposed that the escalator would remain in place at least until 2014/15.

When the Coalition Government published its review of alcohol taxation, it stated it would abide by this plan to raise duty rates, though it noted there was little consensus on the right level of tax as “the

¹⁵ HMG, *Review of the Balance of Competences between the United Kingdom and the European Union – Taxation*, July 2013 p16

¹⁶ *Budget 2010* HC 61 June 2010 para 2.96

¹⁷ [HC Deb 30 November 2010 c65WS](#). The new duty rates came into effect from 1 October 2011.

debate about the absolute level of alcohol duty rates is often polarised.”¹⁸ However, many commentators have attributed the difficulties faced in the pub trade to the impact of the duty escalator on the price of beer. In his 2013 Budget the then Chancellor, George Osborne, announced that while the escalator would apply to other drink categories, it would be withdrawn from beer duty – and the duty rate would be cut by 1p per pint.¹⁹ This was estimated to cost £170m in 2013/14, rising to £215m in 2014/15²⁰

The announcement was welcomed by the pub sector,²¹ though distillers and suppliers of other drink categories were critical that only beer duty had been cut.²² There was cross-party support for the duty rate cut from Members, both in the Budget debates following the Chancellor’s statement,²³ and when the relevant provision of that year’s Finance Act was debated in Committee.²⁴

In Budgets over the following three years the rate of beer duty has been cut by 1p on two occasions, and then frozen.

In his 2014 Budget Mr Osborne announced the first of these rate cuts, as well as confirming that the duty escalator would be scrapped on all alcoholic drinks, and that for the coming year, duty rates on spirits and ordinary cider for the coming year would be frozen.²⁵ It was estimated that cutting beer duty and freezing cider duty would cost £110m in 2014/15, while freezing spirits duty and abolishing the escalator on wine duty would cost £175m in the same year.²⁶ As with the previous year, Members expressed support for this rate cut during the Budget debates,²⁷ and when statutory provision to set duty rates for that year was debated in the House.²⁸

Mr Osborne announced a second 1p rate cut in his March 2015 Budget, just prior to the 2015 General Election – as well as cuts in duty on both cider & spirits duties, while wine duties were frozen.²⁹ The annual cost of these duty rates changes was forecast to be £80-85m a year (beer and cider), and £95-105m a year (spirits and wine duties).³⁰ The

¹⁸ HM Treasury, [Review of alcohol taxation](#), November 2010 para 2.2

¹⁹ HC Deb 20 March 2013 c943

²⁰ [Budget 2013, HC 1033, March 2013](#) p65 (Table 2.1 – item 44).

²¹ For example, “‘Duty done’ by beer but no cheer for wines and spirits”, *Guardian*, 21 March 2013

²² “Osborne’s measures bring cheer to beer but damp the spirits”, *Financial Times*, 21 March 2013

²³ For example, Stephen Williams (HC Deb 20 March 2013 c973), David Lammy (c981), James Clappison (c989), Gavin Williamson (cc1000-1), Emma Reynolds (c1030), & Annette Brooke (HC Deb 25 March 2103 cc1354-5).

²⁴ [PBC, 16th sitting, cc527-42](#)

²⁵ HC Deb 19 March 2014 c791. See also, [Budget 2014, HC 1104, March 2014](#) p50

²⁶ *op.cit.* p57 Table 2.1 – items 29 & 30)

²⁷ For example, Damian Collins (HC Deb 19 March 2014 c868), Toby Perkins (c871), Richard Graham (HC Deb 20 March 2014 c1004), Mary Macleod (HC Deb 24 March 2014 c73), Bill Wiggin (c92), Andrew Griffiths (HC Deb 25 March 2014 c190). Jim Shannon was one Member who was strongly critical (HC Deb 25 March 2014 c249).

²⁸ [PBC, Tenth sitting, cc342-350](#)

²⁹ HC Deb 18 March 2015 c777

³⁰ [Budget 2015](#) HC 1093, March 2015 p64 (Table 2.1 – items 9 & 10).

announcement was welcomed by the industry,³¹ though the timing of the dissolution prior to the Election meant that the legislation to set duty rates, as with the rest of the Finance Bill, was agreed with very little debate.³² Further to this, none of the parties appear to have made specific commitments regarding beer duty in the 2015 Election.³³

Most recently in the 2016 Budget the Chancellor announced that the rates of beer duty would be frozen:

I have always been clear that I want to support responsible drinkers and our nation's pubs. Five years ago we inherited tax plans that would have ruined that industry. Instead, prompted by my hon. Friend the Member for Burton (Andrew Griffiths) and others, the action we took in the last Parliament on beer duty saved hundreds of pubs and thousands of jobs. Today I back our pubs again. I am freezing beer duty, and cider duty too. Scotch whisky accounts for a fifth of all the UK's food and drink exports. So we back Scotland and back that vital industry too, with a freeze on whisky and other spirits duty this year. All other alcohol duties will rise by inflation, as planned.³⁴

The Budget report provided a few more details ...

Freezing alcohol duties

1.87 Pubs play an important role in their local communities. The British Beer and Pub Association report that beer duty rate changes since Budget 2013 have helped support both pubs and over 19,000 jobs.³⁵ To continue this support, the duty rates on beer will be frozen in cash terms this year.

1.88 The Scotch whisky industry is a great British success story. Exports are worth around £4 billion a year making up around a fifth of UK food and drink exports.³⁶ To continue to support the Scotch whisky industry, the duty rate on spirits will be frozen this year. The duty rates on most ciders will also be frozen this year in recognition of the important role cider makers play in rural communities. Other alcohol duty rates will rise by inflation. Beer and wine duties will continue to be broadly similar.

... and estimated that these measures would cost £85m a year.³⁷

Several Members welcomed the measure in the Budget debates following the Chancellor's statement,³⁸ and, speaking for the

³¹ For example, "[Budget 2015: Beer duty cut by 1p a pint for third year](#)", *BBC News*, & "Budget winners: beer drinkers, farmers and charities count their blessings", *Guardian*, 18 March 2015.

³² Following the presentation of the Bill after the end of the Budget debates, all of its stages of the Bill were completed in one day, two days later ([HC Deb 25 March 2015 cc1437-1534](#)).

³³ The tax is not mentioned in, Institute for Fiscal Studies, [Taxes and benefits: the parties' plans](#), Election Briefing note, April 2015.

³⁴ [HC Deb 16 March 2016 c965](#)

³⁵ British Beer and Pub Association Budget Submission, 2016.

³⁶ HMRC analysis based on UK Trade Statistics data and DEFRA's Food Statistics Pocketbook 2015

³⁷ [Budget 2016, HC1093, March 2016 p31; Table 2.1 – item 55](#)

³⁸ For example, Andrea Jenkyns (HC Deb 16 March 2016 cc1003-4), Helen Whately (HC Deb 17 March 2016 c1170), Nusrat Ghani (HC Deb 21 March 2016 c1331)

Opposition, Rebecca Long Bailey expressed support for the duty freeze when the legislation to set duty rates was debated in Committee.³⁹

Two other issues are often discussed in relation to the taxation of beer: minimum pricing, and the regulation of pub companies.

In March 2012 the Coalition Government had announced proposals to discourage the sale of cheap alcohol by setting a minimum unit price – rather than, as initially planned, banning its sale if priced below the rate of excise duty and VAT. Following a consultation exercise, in July 2013 the Government announced that it would revert to initial plans, and in May 2014 legislation came into force to ban sales if priced this low. This issue is examined in detail in, [Alcohol – minimum pricing](#), Commons Briefing paper SN5021, 30 January 2017.

Many commentators have argued that a second factor that has encouraged the decline in the number of pubs in recent years is the behaviour of pub companies – pubcos – to their tenants. Following several attempts to improve pubco-tenant relations through voluntary arrangements, in 2014 the Coalition Government introduced legislation to establish a code of practice to be enforced by an independent Adjudicator. The Pubs Code came into effect on 21 July 2016. For further details see, [Statutory Pubs Code and the Pubs Code Adjudicator](#), Commons Debate Pack CDP2017-0027, 23 January 2017.

³⁹ [Sixth Sitting, 7 July 2016, cc174-6](#) –the debate is reproduced in the following section of this note.

2. Related material

2.1 PQs

[Public Houses: Closures - PQ12471](#), 26 October 2015

Q Asked by Jim Shannon (Strangford) : To ask the Secretary of State for Business, Innovation and Skills, what recent steps he has taken to prevent pub closures.

A Answered by: Anna Soubry : This Government is committed to supporting a fair and flourishing pubs sector. We have scrapped the beer duty escalator, and at Budget 2015 we cut beer duty for the third year in a row. Through the Community Right to Bid, we are giving communities in England a fairer chance to bid to buy and run their pub by listing it as an Asset of Community Value. We are introducing a statutory Pubs Code and an independent Adjudicator to govern the relationship between large pub-owning companies and the thousands of tenants that run tied pubs across England and Wales. These measures will help to ensure the pubs industry continues to thrive, to the benefit of all those who work hard to make the pub the mainstay of our communities.

[Beer: Excise Duties - PQ28750](#), 7 March 2016

Q Asked by Mr Barry Sheerman (Huddersfield) : To ask Mr Chancellor of the Exchequer, what plans he has for the future level of beer duty.

A Answered by: Damian Hinds : The government continues to keep all taxes under review and decisions on tax policy are made as part of the Budget process. The government is committed to supporting the beer industry. The tax on a typical pint of beer was cut by a penny at March Budget 2015, building on the duty cuts at Budget 2014 and Budget 2013.

[Public Houses: Rural Areas - PQ47339](#), 12 October 2016

Q Asked by Dr Poulter (Central Suffolk and North Ipswich) [N] : To ask the Secretary of State for Communities and Local Government, what steps his Department is taking to provide financial assistance to support rural community pubs.

A Answered by: Andrew Percy : We are providing £1.85 million towards the £3.62 million 'More Than a Pub' Community Pub Business Support Programme which will, over 2016/17 and 2017/18, help local communities to acquire their local pubs. The programme offers wrap-round support including specialist advice, grants and loans.

From 1 April 2013 to 31 March 2016 we provided Pub is The Hub with £270,000 to deliver 80 diversification projects and 100 new community-focussed services and facilities for rural pubs, and from 1 April 2013 to 31 March 2015 provided Plunkett Foundation with £80,000 to support communities to own their local pubs.

This is in addition to wider Government measures supporting pubs including the freeze in beer duty at Budget 2016, which followed cuts in the previous three Budgets, and the scrapping of the beer duty escalator.

[Beer: Excise Duties - PQ51998](#), 14 November 2016

Q Asked by Greg Mulholland (Leeds North West)[N] : To ask Mr Chancellor of the Exchequer, if he will make it his policy to maintain the current levels of beer duty for the next 12 months.

A Answered by: Jane Ellison : The Chancellor continues to keep all taxes under review and decisions on tax policy are made as part of the Budget process.

[Beer: Excise Duties - PQ53000](#), 23 November 2016

Q Asked by Graham Evans(Weaver Vale) : To ask Mr Chancellor of the Exchequer, what recent assessment he has made of the effect of reductions in beer duty on (a) the number of jobs and (b) the level of investment in the beer and pub industry.

A Answered by: Jane Ellison : HM Treasury engages with a wide variety of organisations to understand industry developments, including the beer and pub industry. This includes considering external reports like that of the British Beer and Pub Association, which estimated that by 2016/17 there will be 21,000 more jobs in the pub industry, than if the duty escalator had continued until 2015.

[Treasury Oral Questions: Beer Duty – HC Deb 28 February 2017 cc146-7](#)

Graham Evans (Weaver Vale) (Con) : What recent representations he has received on the level of beer duty.

The Financial Secretary to the Treasury (Jane Ellison) : I thank my hon. Friend for his question and note the constructive meeting we had just yesterday with representatives from across the beer and pubs sector. In addition, the Treasury has received representations from several other organisations and individuals with suggestions for what should be in the Budget, including measures on beer duty.

Graham Evans : My hon. Friend will be aware of the great contribution that the great British pub and great British beer make to local economies, employing nearly 1 million people and contributing £10 billion in tax. The Government have a proud record: in the last three years, we have scrapped the hated beer duty escalator and cut beer duty for three consecutive years. Will she seriously consider continuing the good work by cutting beer duty?

Jane Ellison : As the Chancellor just said, I will take that as a Budget representation. Of course we recognise the contribution of the beer and pubs industry across the UK—I am particularly aware from my previous job of the role pubs play in promoting responsible drinking - but it is worth noting that the public finances assume that alcohol duties rise by retail prices index inflation each year, meaning that there is a cost to the Exchequer from freezing or cutting alcohol duty rates. As I say, however, we consider all representations carefully.

Mr Ben Bradshaw (Exeter) (Lab) : When considering beer duty, will the Minister maintain, or at least not further erode, the differential with cider duty? Labour's lower cider duty has led to a fantastic renaissance in both cider drinking and orchard planting in England, but if the differential is narrowed any further I am afraid it will do untold damage to our cider makers.

Jane Ellison : I am well aware of the sensitivities around the duty bands, on which we have received a number of representations, and of the renaissance not just in the industry to which the right hon. Gentleman refers but, for example, in respect of the number of microbreweries and the flourishing investment in that area. There have been a number of good news stories in this sector in recent years.

Mr David Burrowes (Enfield, Southgate) (Con) : The Minister has also received representations about a wholly different kind of cider that has not seen much of a real apple, and that is super-strength white cider, which is very harmful and cheap. Will she consider using the new freedoms following Brexit that will enable the Government to take seriously the evidence in favour of a minimum unit price of alcohol, given its consequences for the health of young and vulnerable people?

Jane Ellison : I am extremely well aware of the points my hon. Friend makes, not least, as I say, because of the role I last held in government. We look carefully at all these things, particularly the issue of white cider.

[Excise Duties: Alcoholic Drinks - PQ64828](#), 1 March 2017

Q Asked by Ian Paisley (North Antrim) : To ask Mr Chancellor of the Exchequer, for what reason Treasury Ministers will not hold pre-Budget meetings with representatives of the alcohol industry in 2017.

A Answered by: Jane Ellison : Ministers hold regular meetings with a wide range of stakeholders, including from the alcohol industry, with a number of these meetings having taken place in recent weeks.

2.2 Debates

[Adjournment Debate : Beer Duty, HC Deb 5 February 2015 cc525-532 \(extracts\)](#)

Andrew Griffiths (Burton) (Con): I am delighted to have secured this debate ... It is important because I am the first MP for more than 10 years to be able to say that beer sales are on the up; beer sales are in growth. That is a direct result of the decision taken by the Chancellor and this Government to scrap the hated beer duty escalator, and to cut beer duty not once, but twice. It is those decisions that have led to the renaissance in brewing that we see at the moment.

In this short Adjournment debate, I intend to make the case to the Minister about why she should complete a hat-trick that would be more memorable than Michael Owen's hat-trick when he put three past Germany in that magnificent victory for England. I pay tribute to all the people who helped to deliver that important scrapping of the beer duty escalator, and those two cuts. In particular, I pay tribute to the Campaign for Real Ale and its 170,000 members who led the campaign, lobbied Parliament and their MPs, and made the case so vigorously on behalf of the brewing industry and the beer that they love so much.

I also congratulate the British Beer and Pub Association that represents brewers and pub companies across the country, and the Society of Independent Brewers—SIBA. The Minister knows that there has been a renaissance in small brewers across the country. Some 1,700 brewers are now producing excellent beer across the country, and that is as a result of economic decisions taken by this Government as part of their long-term economic plan.

I also wish to thank the TaxPayers Alliance, which ran the Mash the Beer Tax campaign, and The Sun newspaper ...

Tim Loughton (East Worthing and Shoreham) (Con): While revelling in the congratulations that my hon. Friend is dolling out left, right and centre, may I slightly rain on his parade? Although we are delighted with the abolition of the escalator, the last Budget, which of course introduced the 2% cut in beer duty and a freeze for spirits, actually increased duty on wine by 2.47%. As chairman of the all-party parliamentary wine and spirits group, may I ask whether he agrees that we need a better deal for wine drinkers as well?

Andrew Griffiths: I recognise the point that my hon. Friend makes, and I would be forced to agree with him as Mrs Griffiths is no stranger to a large pinot grigio. I point out that the campaign last time was led by a doughty Back Bencher who argued vociferously for cuts in alcohol duty, and I hope that there is some consistency in that argument in the weeks to come ...

Nationally, the industry contributes £10 billion in taxation. At a time when we want to pay off the debt and pay down the deficit, that contribution must not be underestimated. Beer and pubs are vital to this country, and 1 million people rely on the beer and pub industry for their employment. I have alluded to the fact that 46% of those people are between the ages of 16 and 24. Beer is a success story. We brew the best beer in the world, and 82% of all the beer consumed in this country is brewed here by brewers big and small, producing a fantastic product ... If we value our community pubs, we can support them by supporting the great British brewing industry. Beer gets people into our community pubs, which are the backbone of our society, and each pub contributes £80,000 a year to the local economy. Of course, some of them offer other services—they are the post office, the local shop, and offer many facilities. We have heard of groups who have meals on wheels in their pubs. Pubs play an important role, and, as I have said before, they form the fabric of our community: the great British pub ...

When the beer duty escalator was introduced, beer consumption fell by 16% across the board, and in pubs it fell by 25%. The decision by that Labour Government closed pubs—7,000 of them—and we lost 58,000 beer-related jobs as a result. The amazing thing is that although beer duty increased by 42%, beer duty revenue to the Treasury increased by only 12%. We can see the impact that the escalator had not only on our pubs and our brewers, but on the Treasury take—the goose that laid the golden egg and that Labour Chancellor choked it. We can see the folly of the escalator.

When the current Chancellor chose to scrap the beer duty escalator in 2013 and cut beer duty for the first time since 1958, he was cheered by 32 million beer drinkers across the country and 170,000 CAMRA members who had worked so hard to bring that about. Last year we saw that historic second cut in beer duty. My right hon. Friend was the first Chancellor in history to cut beer duty in two successive Budgets and I commend him for it. The cut was passed on by the industry. There are some who try to suggest that brewers or pub companies did not pass it on to their customers, but we have seen the lowest increase in beer prices since the 1980s—just 2.2% ...

Consequently, as I said earlier, we have seen a growth in beer sales for the first time in 10 years. That means brewers, publicans and all the related trades having business through their doors and are on the up, which must be good news. According to the British Beer and Pub Association, those two duty cuts and ending the escalator saved 16,000 jobs. Most importantly, confidence in the industry is up, confidence in the Government is up, and as a result some £1.1 billion is likely to be invested over the next 12 months. I have seen the impact in my constituency. Molson Coors is investing £75 million in its brewery in Burton, and Marston's has invested over £20 million in its bottling plant in Burton. That is not just brewers on the up, but engineering and manufacturing—another success story ...

What has been the result for the Treasury's tax take? Over the 12 months to November 2014, beer duty revenue actually increased by £39 million, and it is £15 million higher than it was in March 2014. Add the additional VAT and jobs-related taxes and we can see that cutting beer duty is great news for the Treasury. The Government have also cut business rates, helped with apprenticeships, and followed a long-term economic plan that is supporting small businesses. That all means the brewing industry and the pub industry have a great deal more confidence and are on the up.

However, hard-pressed British beer drinkers still pay 40% of all Europe's beer duty, despite drinking only 13% of the beer. If we could cut beer duty just a little more, we would see more great British products being consumed. Of course, we are now exporting that great British product around the world, not only to France, Germany and other European countries, but to Japan and China. The industry has massive potential.

Madam Deputy Speaker, having listened to the facts and the evidence, I am sure you will agree that the Minister must now be thinking, "Why on earth wouldn't I cut beer duty a third time?" The economic case, the social case and the jobs case have all been made. However, I want to remind her of one final consideration that she might not be aware of: her last two predecessors who decided to cut beer duty are now in the Cabinet—cause and effect. Cutting beer duty is good for the Treasury, good for the industry and good for our communities. I am sure that she is listening, and I hope that we will see a hat-trick in the Budget this year.

The Exchequer Secretary to the Treasury (Priti Patel): I congratulate my hon. Friend the Member for Burton (Andrew Griffiths) not only on securing this debate, but on the reward he received this week for his lobbying and campaigning on behalf of the beer industry. I pay tribute to him for campaigning solidly over this Parliament on behalf of his constituents in Burton, the home of British brewing. He is a champion of the jobs, the investment and the economic security that the industry has provided. I also commend the passion he has shown in his work as chair of the all-party group on beer. It is one of the most popular all-party groups, unsurprisingly, given the effective leadership he has displayed. It has been a delight to work with him on various issues, both before and since becoming a Minister.

This week UK beer sales have increased for the first time in 10 years. That is a testament to the hard work that my hon. Friend has put in over the years in standing up for the beer and pub industries. The great British pub and great British brewers are institutions that we in Government wholeheartedly support. As we heard in the compelling case eloquently made by my hon. Friend, there is a very strong argument that the brewing and pub sector is a major part of the UK economy. It adds £22 billion to the UK's GDP. It directly employs over 600,000 people and supports almost 900,000 people in total, including, as he said, a significant proportion of young people. There is a very strong skills base in the industry, and young people are part of that. As he said, it also boosts British manufacturing, and its exports are worth over £630 million.

Perhaps as importantly, pubs have been at the heart of British culture for centuries. Fifteen million people visit them each week. They are the cornerstone of our communities, and of tourism. As Members of Parliament, we all recognise that they play a strong and pivotal role in our local communities, particularly rural ones.

Andrew Griffiths: The Minister mentions tourism. Is she aware that visiting a great British pub is one of the key things that visitors to this country want to do when they arrive on these shores? Does she agree that we should be doing more to promote the great British pub as part of our tourism offer?

Priti Patel: My hon. Friend is absolutely right. We have spoken about this at the APPG. The pub is absolutely pivotal to boosting Great Britain's brand. Tourism and our rural economies are part of that. When we speak about pubs,

it is about enjoyment—the fact that people enjoy them. As a policy maker and a Minister, I sometimes think that that is not sufficiently taken into account. The case for supporting pubs and brewers as institutions is overwhelming. We see that across the country, beyond pubs, in the supply chain and the wider industry. Maltings and other factors in the supply chain are crucial and pivotal to our economy ...

As my hon. Friend the Member for Burton pointed out, the previous Government's beer duty escalator hit the industry hard. It led to pub closures and cost people their jobs. Of course, we have made changes to the escalator. In recognition of what happened in the past, we went on to cut tax on a typical pint of beer by one penny at Budget 2013 and another penny at Budget 2014. I am delighted that he celebrates the fact that the duty on a typical pint of beer is now 8p lower than under the previous Government's plan. According to the British Beer and Pub Association, the jobs of 16,000 people have been secured by our duty cuts, and for them the duty cuts have been fundamental to their livelihoods. The duty cuts have also boosted confidence in the brewing and pub sector and, importantly, they have led to greater investment and greater economic security when it comes to jobs.

Research for the British Beer and Pub Association estimates that an additional 186 million pints will be sold in the on-trade this year as a result of our beer duty cuts. To meet that increase, it estimates that there has been a 12% rise in investment—in monetary terms, an additional £44 million—in the sector in the last year directly as a result of the cut in duty. According to a recent survey, 86% of its members are planning to increase their investment in the UK. That strengthens our economic case, and shows that we are serious about supporting the pub sector. As my hon. Friend said, nearly two thirds of all the alcohol sold in pubs is beer, but other drinks are important to pubs. To ensure that help is extended to pubs that have diversified away from beer, at Budget 2014 we froze duties on spirits and ordinary cider. Of course, we ended the escalator on wine as well; I am somewhat familiar with the campaign in favour of that.

Pubs are benefiting from the wider changes that the Government have made to support business. Three quarters of pubs are benefiting from a £1,000 reduction in their business rates this year. The reduction will rise to £1,500 next year. We have extended the doubling of small business rate relief to April 2016, which, as my hon. Friend knows, will particularly help the eight out of 10 pubs run as individual small businesses. Pubs will benefit from our national insurance changes. The £2,000 employment allowance has reduced employer national insurance contributions for all businesses. Pubs will also benefit from the reduction in employer NICs for young people, which is particularly important because 46% of the people employed in pubs are aged between 18 and 24. We have introduced regulatory changes to make it easier for pubs to play live music, and to allow beer and wine to be served in glasses of different sizes.

As I am sure my hon. Friend will know, there is no such thing as a typical pub. There are as many different types of pub as there are types of customer, so pubs should have the flexibility to meet customers' needs. It is fair to say that customers want reasonably priced drinks, naturally, and I am glad to say that our duty cuts are translating directly into more beer for your buck.

Beer prices in the on-trade are rising at their lowest rate for more than 25 years: 96% of British Beer and Pub Association members have said that they plan to reduce or freeze their prices as a result of our policies. That is fantastic news for the 32 million people in the UK who drink beer each year; incidentally, that is more than the number of people who voted in the last general election.

Our customers want choice. It is great news that more than three quarters of respondents to the British Beer and Pub Association survey intend to launch new products directly as a result of the cut in beer duty. Small brewers relief has reduced the beer duty paid by micro-brewers by up to a half. That has

encouraged new micro-breweries to be set up and to expand. There are now 1,000 more breweries in the UK than in the year before small brewers relief was introduced. I am particularly interested in how we can do more to help those industries, because there are many associated benefits from having more thriving breweries, not just in exports, but in the tourism offer, as my hon. Friend has said.

Sir Peter Bottomley: Regional brewers also matter. Will my hon. Friend allow me to pay tribute to Hall & Woodhouse, which is one of the many? It set up the community chest in Dorset and West Sussex, which gives grants to good organisations. Not all of the organisations are run in the pubs, but the pubs and brewers want to support them.

Priti Patel: My hon. Friend is absolutely right. Regional brewers play an important role by bringing diversity to the mix and by making a contribution. When there is a range of thriving breweries, with regional aspects as well, it provides differentiation and helps with tourism, because it makes regions attractive to people and brings them in. I want to touch on the big societal changes that we have seen over the past few years. People give a lot more consideration to what they are drinking. They take an interest not only in what they drink, but in how it is produced. With some notable exceptions, people are much more knowledgeable about responsible drinking and regional varieties.

Every landlord knows that any drink is capable of being enjoyed in a responsible way or of being misused. This Government will always argue against the top-down approach. I pay tribute to the industry for everything that it has done on responsible drinking and to pubs for the role that they have played in promoting responsible behaviour. We have seen successful schemes, such as the highly renowned Best Bar None. My hon. Friend the Member for Burton has spoken eloquently about continued action through the tax system to ensure that pubs and breweries continue. I commend him for his speech today.

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[Public Bill Committee \(Finance Bill\), *Sixth sitting*, 7 July 2016 cc174-6](#)

Debate on provision in the Finance Bill to implement changes in alcohol duty rates for 2016.

Clause 143 : Alcoholic liquor duties: rates

Question proposed, That the clause stand part of the Bill.

Rebecca Long Bailey : The clause increases the rates of alcohol duty on wine and some ciders and perries in line with inflation. The changes took effect on 21 March. In discussing the clause, I want to touch on one type of alcohol duty that is notably not being increased in line with inflation.

The rates of duty on beer, spirits, wine and made-wine exceeding 22% alcohol by volume, and on still and sparkling cider and perry not exceeding 5.5%, will be frozen in 2016-17, as announced in the Budget. That freeze is expected to cost £85 million each year to 2020-21. We are not opposed to the freeze on beer duty, but I would like the Minister to address some minor concerns.

The Government have stated that their intention is to help pubs, which are important community assets that encourage responsible alcohol consumption. The industry, specifically the Campaign for Real Ale, the Society of Independent Brewers and the British Beer and Pub Association, has welcomed the freeze. Some trade bodies, however, have questioned why wine has been singled out for a duty rise. Will the Minister give some guidance on that? I am also interested to know that given my own more general interest in the price of a bottle of wine.

Furthermore, the Government acknowledged in their policy paper that the freeze is “likely to lead to a minor increase in overall alcohol consumption in the UK.” Will the Minister give exact details of how minor that expected increase will be? Those minor questions aside, we will not be opposing the clause.

Damian Hinds : Clause 143 sets out changes to alcohol duty rates from 21 March this year. It was announced in the Budget that the duty on beer, spirits and most ciders would be frozen this year and that the duty on most wines and higher-strength sparkling cider would rise with inflation. With those changes, we continue to support the pub industry, which plays such an important part in British cultural life. To respond to the hon. Lady’s point about what is most advantageous to the on-trade—to pubs—beer is considered to have a greater price sensitivity effect than wine, by a number of estimates.

The British Beer and Pub Association estimates that about 30 million adults visit a pub at least once a month. As I think all hon. Members would acknowledge, pubs are important community assets that promote responsible drinking in a generally friendly atmosphere. In the Budget, the Government therefore took further action to support the sector. Given that about two thirds of alcohol sold in pubs is beer, we froze duty on a typical pint of beer, following three consecutive beer duty cuts that were widely welcomed. The Government’s support for pubs means that a typical pint of beer is now 10p cheaper than it would have been if we had not ended the beer duty escalator in 2013. I am sure that is welcome news to many, many pub goers. In the BBPA’s assessment, the three beer duty cuts have created 19,000 jobs. The duty freeze will offer further support to pubs. The duty on high and low-strength beer will also be frozen, which offers the sector a continued incentive to expand the choice of those drinks to consumers.

The Government’s key priority for this Parliament is to restore the public finances to a sustainable position. We outlined in the Budget our commitment to fiscal sustainability, and the decisions taken on duty rates must, of course, reflect that.

The clause provides for duty on most wines to increase by RPI only. Under these changes, the duty on beer and wine will remain broadly similar, and the duty rate on wine above 22% ABV will continue to be the same as that for spirits. The hon. Lady may have a particular interest in this point: the price of a bottle of wine is now 7% lower than it would have been if we had not ended the wine duty escalator in 2014.

The clause also sets out that duty on high-strength sparkling cider is increased by RPI only, which means that it continues to be the same as for sparkling wine of equivalent strength. It was also announced in the Budget that the duty on all other ciders would be frozen. That means that a typical litre of cider is now 4p cheaper than it would have been if we had not ended the cider duty escalator in 2014. The freeze in cider duty supports the industry, which has high production costs and plays an important role in many local economies, particularly in some of our rural areas.

The Budget also froze duty on spirits. As Scottish National party Members and others will acknowledge, Scotch is one of the great British success stories. Its exports are estimated to be worth nearly £4 billion, and account for about 20% of total food and drink exports. The freeze in spirits duty will provide further support to the Scotch industry. It means that a 70 cl bottle of whisky is now 87p lower in price than it would have been if we had not ended the spirits duty escalator.

The freeze will help elsewhere, too, including by supporting the global thirst for British gin. According to the Wine and Spirit Trade Association, 140 million bottles were exported in 2014, which is an impressive 37% increase in five years. Government statistics also show that between 2010 and 2015 a total of 174 new spirit distilleries opened in the UK, with 56 new licences issued in the

past year alone. The announcements made in this year's Budget and in 2014 and 2015 have increased the confidence in the sector.

The changes to alcohol duty rates in the clause ensure that responsible drinkers are not penalised. It is right to point out the Government's continuing care and concern for the wider health agenda on alcohol consumption, but it is important not to penalise responsible drinkers. We recognise that not everyone is a responsible drinker, and we have taken a targeted approach to tackling alcohol-related harm. For example, to encourage the consumption and production of lower-strength beer, the Government place higher duties on super-strength beer and cider. Licensing rules are also in place to help to tackle irresponsible alcohol consumption. For example, local authorities can now introduce early morning restriction orders more easily.

The clause reaffirms the Government's commitment to supporting the pubs industry and responsible drinkers.

Question put and agreed to.

Clause 143 accordingly ordered to stand part of the Bill.

2.3 EDMs

[Early Day Motion 625 of 2014-15 : Beer Duty Budget 2015](#)

Date tabled: 15.12.2014

Primary sponsor: Griffiths, Andrew

Sponsors: Robertson, Laurence Evans, Nigel Davidson, Ian Cunningham, Tony Williams, Roger

That this House welcomes the ending of the beer duty escalator and the positive impact of two successive beer duty cuts in the 2013 and 2014 Budgets in supporting the growth of Britain's breweries and underpinning confidence in the UK's pubs; notes that beer duty is now 13 per cent lower than under the tax rises previously planned, a tax reduction that has been popular with pubgoers, leading to an additional 16,000 jobs and in the first six months following the Budget an extra £44 million in investment; and urges the Government to consider a further cut in beer duty in the 2015 Budget which would secure pub jobs, help keep pub pints affordable and support Britain's much-loved pubs.

The motion had 122 signatures.

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[Early Day Motion 759 of 2015-16 : Business rates on British pubs](#)

Date tabled: 24.11.2015

Primary sponsor: Mulholland, Greg

Sponsors: Meale, Alan Lucas, Caroline Bottomley, Peter Kinahan, Danny Godsiff, Roger

That this House is concerned with the disproportionate business rates being paid by British pubs, with the pub sector paying the second highest business rates bill in the UK; notes that the pub sector's total tax bill comes to £7.3 billion, or £140,000 per pub; is frustrated that pubs, which form a core part of many communities and create local jobs and business, are paying such a high amount, £800 million more than the gambling and betting sector; recognises the threat the disproportionate business rates pose to community pubs, and the damage losing these pubs will

have on communities across the UK; notes that the pub sector pays six times the justifiable amount of business rates, the sector accounting for 0.5 per cent of the UK's turnover, but paying 2.8 per cent of the UK's total business rates bill; welcomes previous reductions on beer duty but notes that this is on beer and on beer sold anywhere, so calls on HM Treasury to reduce the unfair and onerous burden of business rates on British pubs by freezing the business rate multiplier, extending Small Business Rates Relief and applying Retail Relief, which would provide pubs with a rateable value of £50,000 with a discount and to look again at the way pub business rates are calculated; and calls on the Government to look at further ways directly to support British pubs through the tax system considering their importance to local communities as well as the local and national economy.

The motion had 10 signatures.

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[Early Day Motion 919 of 2015-16 : Beer duty in the 2016 Budget](#)

Date tabled: 06.01.2016

Primary sponsor: Evans, Nigel

Sponsors: Davies, David TC Robertson, Laurence Brady, Graham Sharma, Virendra [R] Bottomley, Peter

That this House welcomes the ending of the beer duty escalator and the impact of the unprecedented three successive beer duty cuts in the 2013, 2014 and 2015 Budgets in supporting the growth of Britain's breweries and underpinning confidence in the UK's pubs; notes that this has led to an additional 19,000 vital jobs compared to the duty escalator and over £1 billion of investment in the sector expected in 2015-16; and urges the Government to sustain this momentum by considering a further cut in beer duty in the 2016 Budget which would secure pub jobs and help reduce the cost of living for hard-working people.

The motion had 52 signatures.

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[Early Day Motion 1041 of 2015-16 : Changes in beer duty](#)

Date tabled: 01.02.2016

Primary sponsor: Meale, Alan

Sponsors: Bottomley, Peter Cunningham, Jim MacNeil, Angus Robinson, Gavin Day, Martyn

That this House is concerned that despite cuts in duty, the UK retains the second-highest level of beer duty in Europe, with the nation paying almost 40 per cent of all EU excise despite consuming around 12 per cent of produced beer within its boundaries; believes that cutting such duty could play a crucial role in helping struggling pubs stay open, create jobs and support local communities, increase investment in brewing and pubs and keep a lid on price increases; and calls on the Chancellor of the Exchequer to review present arrangements and to examine how to support both the industry itself and those who live and work in its shadows.

The motion had 24 signatures.

2.4 Other

Press Notices

Society of Independent Brewers press notice, [*BPA, SIBA and CAMRA publish 'The Story of Beer Duty' setting out damage caused by Beer Duty Escalator*](#), 11 November 2016

The British Beer & Pub Association (BBPA) has today published 'The Story of Beer Duty: 2008-2016', detailing how the Government's decision to abolish the Beer Duty Escalator helped to spark a major turnaround in the fortunes of the beer and pub sector.

The report, published in partnership with the Society for Independent Brews (SIBA) and the Campaign for Real Ale (CAMRA), articulates the two different approaches to beer duty between 2008 and 2016. It outlines the damage caused by the Beer Duty Escalator, which saw beer duty increase by 42 per cent between 2008 and 2012. During this time, beer sales fell by a staggering 18.5 per cent, 3,700 pubs closed and 75,000 jobs were lost. The abolition of the escalator in 2013, after years of campaigning by the BBPA and the wider industry, coupled with a 'penny off a pint' led to a major turnaround in the beer and pub sector. Beer sales have stabilised, with 2014 seeing the first year of beer sales growth in a decade.

As the report details, beer makes up nearly seven in every ten drinks sold in pubs. The reversal of falling beer sales has also generated investment in pub estates and breweries. More than £1 billion is being invested annually by brewers and pub owners, both in state-of-the-art brewing technology and refurbishments of Britain's much-loved pubs. The report presents several case studies that demonstrate the industry's commitment to investment.

Today, the beer and pub sector supports almost 900,000 jobs across the country, from farmers, to brewery technicians, and head chefs in pubs. One in thirteen young people currently working in Britain are employed in the beer and pub sector. Across Britain, 30 million people visit Britain's pubs each month, with over 15 million people drinking beer. Going to the pub is third on the list of things to do for overseas visitors to Britain and seven out of ten visit a pub whilst they are here. The BBPA argues that it is now more important than ever that the Government continues to act to protect British beer and pubs; the BBPA has also recently published a manifesto, setting out how the beer and pub sector can continue to be a force for growth and job creation, as Britain prepares to leave the EU.

Brigid Simmonds, BPBA Chief Executive, comments: "The Story of Beer report shows us that 'a penny off a pint' in 2013 was much more than a good headline or political gimmick. The effects of the removal of the Beer Duty Escalator have been extraordinary, and I am proud that the BBPA, alongside SIBA and CAMRA, played such a key role in its abolition. We will continue to work with Government as the process of leaving the European Union begins. Given that we still pay 40 per cent of the total beer tax bill in Europe, but only consume 13 per cent of the product, it is vital that there are no increases in beer duty. It is also vital that Britain's beer and pubs are protected, so that the sector can continue to be a powerful source of growth and jobs."

Mike Benner, SIBA Managing Director, adds: "SIBA is proud to have played a central role alongside the BBPA and CAMRA in the scrapping of the Beer Duty Escalator. This, along with subsequent duty cuts, has had a hugely positive effect on the beer industry by keeping prices affordable for consumers and encouraging investment into independent craft breweries, and it is essential that support for this great British industry continues."

Colin Valentine, CAMRA National Chairman said: "It is clear that reductions in beer tax have had an immensely positive impact on the industry, and helped keep the price of a pint affordable for consumers. "A report commissioned by CAMRA found that three consecutive cuts in beer duty and the abolition of the beer duty escalator have helped stem the number of pub closures and supported more than 26,000 additional jobs. Any future hikes in beer duty would curb the good work the Government has done to support pubs, and drive people to drink at home rather than in their local pub". ...

Notes to editors:

'The Story of Beer Duty: 2008 to 2016' [can be viewed here](#).

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Campaign for Real Ale (CAMRA) press notice, [CAMRA calls for a penny off your pint](#), 6 February 2017

With the Chancellor's Budget just over a month away, CAMRA is ramping up its campaign to call on the government to keep the price of your pint down. CAMRA is leading the campaign by calling on the Treasury to reduce beer duty by 1p ahead of the Budget on the 8th March. With inflation expected to rise in the next year, the cut will help to cap the price of beer, keeping more money in consumers' pockets and helping the pubs and brewing sector to grow. Beer duty campaigners have had some success in recent years with three consecutive penny cuts to duty and a subsequent freeze, however the UK is still paying among the highest rate of beer duty in Europe at 52.2p on the pint. This compares to other big brewing nations which pay a tenth less than UK beer drinkers such as Germany and Spain, who enjoy their beer at under 5p of duty on a pint.

The three cuts in duty have been good news for drinkers, publicans and the Treasury. Not only has the price of beer been contained, but the beer, brewing and pubs sector now support nearly 900,000 UK jobs, and contributes £23.6bn to the economy every year. CAMRA believes a further cut would only help encourage investment, protect jobs and improve confidence in the sector. CAMRA is also particularly concerned that more people are now buying their beer from the supermarket rather than the pub, choosing to drink at home rather than socialise with their friends in their local.

In an effort to help pubs, CAMRA is calling for a reduction of up to £5000 in business rates for pubs in England which would allow pub owners to reinvest the additional funds back into the business.

Colin Valentine, CAMRA's National Chairman says: "It is clear that previous cuts to beer duty have benefitted beer drinkers and supported significant growth in the brewing industry. However, we as a nation are still paying a notable amount - especially in comparison to our European neighbours. At the same time, pubs are confronted with higher taxation and cost, despite the vital role that they play in bringing our communities together and ensure we are drinking responsibly. We are simply calling for fairer measures for beer drinkers and publicans in our asks to government. I hope the Chancellor will take all of this into consideration when deciding this Budget."

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Wine and Spirits Trade Association (WSTA) press notice, [Don't punish wine and spirit drinkers with price hikes – WSTA urges Treasury](#), 22 February 2017

The Wine and Spirit Trade Association met Financial Secretary Jane Ellison MP, on Monday, to explain why increasing wine and spirits duty would deliver an unfair triple whammy for consumers.

The trade body warned the Minister that if duty goes up on March 8th consumers' key concern will be exacerbated further. Coming on the back of the already staggeringly high taxation in the UK, price rises driven by the increase in cost of imports due to the plummeting pound and impending inflation, an increase in excise duty would badly damage consumer confidence.

At the same time, the WSTA provided the Finance Secretary with evidence for optimism showing that a modest 2% cut would bring a boost to the UK drinks industry, jobs and consumers – as well as growing the public finances.

WSTA Chief Executive, Miles Beale, said: "Britons already pay more than 68% of all still wine duties collected in Europe and over 27% of all spirits duties. It is deeply unfair that hard pressed UK consumers already pay more than the Germans, French, Italians and Polish combined. If duty goes up – on top of the effects of the plummeting pound and rising inflation – it will inflict a triple whammy on British consumers. And yet doing just the opposite would be win, win, win. A 2% duty cut for wine and spirits would benefit consumers, would benefit our industry and would benefit the Treasury through additional revenue - just as it did two years ago."

Miles Beale, WSTA Chairman Dan Jago and Chair of the wine and spirit APPG Tim Loughton MP, joined forces to urge Ellison to back British businesses and give them direct support to earn breathing space on the back of Brexit and the fall of the pound. They warned that a lack of government support will drive up costs for consumers, jeopardise some of the 554,000 jobs generated by the UK wine and spirit industry and the £17.7bn it contributes to the public purse. The meeting came as an exclusive polling commissioned from YouGov showed that 71% of the public are concerned about the prospect of higher inflation this year – 82% of those are aged over 65. The message delivered to Jane Ellison was clear - a 2% cut would result in a three way win, while any increase would bring British consumers a triple whammy of price rises and Government would lose extra revenue for the public coffers.

The UK wine and spirit industry is facing a tough trading landscape and any duty increase in the current climate would be devastating to business, stifle investment and threaten jobs. If the Chancellor made the bold decision to make the 2% cut for wine and spirits independent economic modelling, conducted by EY, shows that this would provide an extra £368m to the Treasury. These calculations are backed up by a recent duty cut success story. After a freeze in wine duty in the 2015 Budget, wine duty income increased by £136m (+3.6%) the following year and after a 2% cut in spirits duty that year, spirits duty income increased by £124m (+4.1%) over the same period. A cut would also boost international trade and help us maintain the UK's position as the central player in the global wine trade, as well as remaining the world's largest spirits exporter.

Ellison – previously of the Department of Health - is now responsible for the UK tax system which sees the wine and spirit industry paying in £17.5bn in tax every year. The meeting provided an opportunity to convey that a cut would add a further £2.9bn (+6%) in economic activity pushing the industry's value up to more than £50bn.

Dan Jago, Wine and Spirit Trade Association Chairman said: "Having worked in the wine and spirit retail industry of 30 years this is one of the toughest times the trade has seen as it faces a future of uncertainty and inevitable price rises for imports from around the globe. We are asking for a modest 2% cut to wine and spirit duty, which is within the Chancellor's gift and which would give the trade the confidence that Government is supporting British business. It will also give hard pressed consumers a better deal."

Tim Loughton, MP, said: "I strongly support the WSTA's call to back British business and ask the Chancellor to level out the playing field for unfair taxation on wine and spirits at the next Budget."

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British Beer and Pub Association press notice, [*Beer sales down in 2016 – penny off a pint in the Budget would safeguard jobs and pubs, says BBPA*](#), 23 February 2017

Sales of British beer fell by one per cent in 2016, prompting renewed calls from the industry for a one penny cut in beer duty in the Budget on 8th March. The fall means that 78 million fewer pints of beer were sold in 2016 compared with the previous year.

Overall, however, sales in the past three years have stabilised after years of sharp decline, says the BBPA, a trend greatly helped by three, one penny cuts in beer duty from 2013-2015, and a freeze last year. Tax cuts have increased confidence and investment in the sector, and have been accompanied by campaigns such as 'There's a Beer for That', which promotes the beer category as a whole, with widespread backing throughout the industry, through 'Britain's Beer Alliance'. Prior to 2013, there was a slump of 14 per cent in sales under the controversial beer duty escalator, when a tax hike of 42 per cent from 2008-13 was accompanied by 58,000 job losses and 7,000 pub closures.

In order to safeguard jobs, pubs and investment, the current trends make it essential that the Government does not revert to beer tax hikes, as currently planned, in the Budget on 8th March, says the BBPA.

Brigid Simmonds, BBPA Chief Executive, comments: "Whilst overall, beer sales have stabilised following years of sharp decline under the beer duty escalator, these latest figures show that more action is needed to ease the tax burden on brewers, pubs and pubgoers. For the Budget, the Government has currently earmarked a tax rise for beer, but this would begin to undo much of the great work done in recent years, with three duty cuts and a freeze, from 2013.

"Recent Budgets have shown that reducing beer duty is a low cost, targeted measure, that can make a real difference. Beer duty is now 17 per cent lower than it was due to be under the escalator. However, our tax rates are still the third highest in the EU and far higher than in neighbouring countries. The Chancellor can safeguard pubs, and protect jobs and investment, with a further one penny cut in the Budget on 8th March."

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Extract from Institute for Fiscal Studies, *Green Budget, February 2016* ([Chapter 9 : Excise Duties](#)) pp220-223

Alcohol duties

Externalities and internalities of alcohol consumption

Externalities associated with alcohol consumption include (i) direct externalities experienced by victims of accidents, property damage and violence caused by other people's drinking, (ii) collectively-borne costs such as policing and publicly-funded medical costs associated with alcohol abuse and (iii) tax revenue externalities. Alcohol consumption, for some individuals, is also likely to lead to internalities such as future health problems.

In contrast to tobacco, where the social harm from externalities is probably approximately linear in the level of consumption, both externalities and

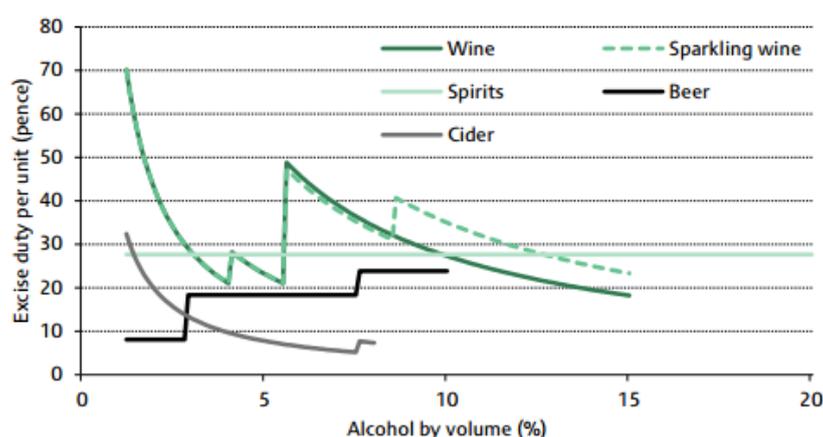
externalities from alcohol are likely to be highly non-linear: while for a smoker the next cigarette of the day is roughly as damaging as the first, the tenth pint of beer in an evening is likely to cause much more harm than the first. In addition, for a given level of consumption, the size of harm is likely to vary across people: the tenth pint of beer for someone prone to alcohol-fuelled violence is likely to be more harmful than the tenth pint consumed by the convivial drunk.

This creates challenges both in quantifying the marginal external (or internal) costs of alcohol consumption, and hence the appropriate tax level, and in designing a tax structure that effectively targets the most harm-inducing consumption. Notwithstanding these difficulties, a reasonable starting point in the design of alcohol excise taxes may be that, all else equal, taxes per unit of alcohol should be the same regardless of the form of drink. This would make sense if the harm associated with the consumption of an additional unit of alcohol by an abusive consumer is not dependent on the type of alcohol he or she drinks.⁴⁰

On the other hand, if abusive drinkers tend to consume more of their alcohol units in concentrated form (as, for instance, this allows for more rapid alcohol consumption) or alcohol with any other identifiable characteristic, then there is a case for taxing this form of alcohol more strongly.

Figure 9.12 shows the current structure of alcohol excise taxes, measured per unit of alcohol. Excise taxes vary by alcohol type and strength. Strength is measured as alcohol by volume (ABV) – the percentage of an alcohol product's volume comprised of pure alcohol. For beer, lager, spirits and spirit-based alcopops, the tax is levied directly on alcohol content. For cider and wine, the tax is levied per litre of product (within broad strength bands). To make the figure easier to read, we stop the horizontal axis at 20% ABV; however, it should be noted that the 27.66 pence per unit duty for spirits also applies to spirits products stronger than 20% ABV.

Figure 9.12. Excise tax per unit of alcohol, by alcohol strength and type



Note: Figure assumes all cider is 'still' ('sparkling' cider attracts a different duty rate, which is levied only on champagne substitutes in pressurised bottles).

Source: Calculated from HMRC data.

For spirits and spirit-based alcopops, the tax levied per unit of alcohol is constant in strength. For beer, the tax per unit of alcohol increases with strength; strong beers attract a higher tax rate than mid-strength beers, which in turn attract a higher tax rate than low-strength beers. For wines and cider, the tax per unit varies by type and declines in strength, with discrete jumps at

⁴⁰ A unit of alcohol is equal to 10 millilitres (8 grams) of pure alcohol. In the UK, a standard measure of strong spirits (e.g. vodka) contains 1 unit of alcohol.

several points. For instance, a cider with 6% ABV attracts half the excise tax per unit of alcohol of a cider with 3% ABV. The highest rates of all are levied on very low-strength wine 'coolers', at more than 50p per unit, in contrast to a typical table wine of 12.5% ABV which has a duty rate of 21.9p per unit.

The banding creates particular oddities for wine: moving from a wine of 5.5% ABV to 5.6% ABV sees the duty rate per unit jump from 21.1p to 48.8p. Cider typically attracts a much lower rate of duty per unit than other alcohol types, and high-strength ciders have by far the lowest duty rates per unit of any alcohol product. A cider of 7.5% ABV attracts a duty of 5.2p per unit, whereas a beer of the same strength attracts a duty of 18.4p. As a result, a litre of 7.5% ABV beer will be liable for duty of 138p, while a litre of 7.5% ABV cider will attract duty of only 39p.

Overall, it is very difficult to justify the existing structure of alcohol excise taxes based on the likely harm associated with consuming different types and strengths of alcoholic drinks.

The structure of alcohol excise taxes is partly restricted by an EU Directive that sets out that the tax base for wine and cider should be the volume of liquid, whereas the base for spirits and beer is the alcohol content (European Commission Council Directive 92/83/EEC). This places legal constraints (the existence of which is hard to defend on any economic grounds) on what reforms the government could legally undertake. Nevertheless, within these constraints, the system could better target problem drinking.

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