



## DEBATE PACK

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# Taxation on beer and pubs

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Westminster Hall  
5 February 2020  
2.30 - 4 pm  
Debate initiated by Mike Wood MP

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.

# 1. Background

## Excise duties are levied on three major categories of goods – alcoholic drinks, tobacco products and road fuels.<sup>1</sup>

Generally excise duties are 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. Duty rates across these categories, and the share of the selling price taken in duty, and tax, as of April 2016, are illustrated below:<sup>2</sup>

**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<sup>a</sup></i>
Packet of 20 cigarettes:			
specific duty	392.8	} 59.0	} 75.6
<i>ad valorem</i> (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

<sup>a</sup> 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.

**Duties on alcoholic drinks are forecast to raise £12.6 billion in 2019/20 – split between beer & cider, £4.1bn; wine duties, £4.6bn, and spirits duties, £3.9bn.** In this year fuel duties and tobacco duties are forecast to raise £28.4 billion and £9.1 billion respectively.<sup>3</sup>

Further statistics on the receipts from alcohol duties are published by HM Revenue & Customs.<sup>4</sup>

**As flat-rate duties are expressed in cash terms, they must be revalorised (ie, increased in line with inflation) each year in order to maintain their real value.**

In its last year in office the Labour Government proposed that the rates of duty on alcoholic drinks would rise each year by 2% in real terms at least until 2014/15. A commitment to raise duty rates by a specified percentage each year is called a duty ‘escalator’.

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

1. Duty rates on alcoholic drinks, tobacco products, and road fuels, are on Gov.uk

drinking without unfairly penalising responsible drinkers, pubs and important local industries.”<sup>5</sup> Subsequently two changes were made to the structure of beer duty: an additional tax on high strength beers and a reduced rate of duty on low strength beers.<sup>6</sup> The review did not offer a view on the level of duty rates, though it noted there was little consensus on the right level of tax as “the debate about the absolute level of alcohol duty rates is often polarised.”<sup>7</sup> That said, many commentators attributed the difficulties being faced in the pub trade at this time to the impact of the duty escalator on the price of beer.<sup>8</sup>

In his 2013 Budget the then Chancellor, George Osborne, announced that the rate of beer duty would be cut by 1p and the duty escalator would be removed from this drink category.<sup>9</sup> In the 2014 Budget Mr Osborne announced the duty escalator would be scrapped from other drinks,<sup>10</sup> and in Budgets over the next three years the rate of beer duty was cut by 1p on two occasions, and then frozen.

In his Spring 2017 Budget the then Chancellor, Philip Hammond, announced duty rates for alcohol go up in line with inflation for the coming year.<sup>11</sup> In addition the Government launched a consultation on options for reform to ensure that “duty rates better correspond to alcoholic strength”; specifically, a new duty rate band to target cheap, high strength ‘white’ ciders, and a new lower strength still wine band, to encourage the production and consumption of lower strength wines.<sup>12</sup> Subsequently in his Autumn 2017 Budget the Chancellor confirmed that the Government would introduce a higher duty rate on white ciders, although duty rates on alcohol would be frozen.<sup>13</sup>

**In the last Budget in October 2018 the then Chancellor Philip Hammond announced the rates of duty on beer, cider and spirits would be frozen for the coming year.** The Chancellor also announced that the duty rate on most wine and higher strength sparkling cider would be increased in line with inflation from 1 February 2019, while the new duty rate band on ‘mid-strength’ still cider and perry (6.9%-7.5% abv) would come in from this date. These measures were forecast to cost £165-£185m a year from 2019/20.<sup>14</sup>

**No further changes to alcohol duty rates have been made since then.**

<sup>5</sup> [Budget 2010, HC 61, June 2010](#) para 2.96

<sup>6</sup> [HC Deb 30 November 2010 c65WS](#). The new duty rates came into effect from 1 October 2011.

<sup>7</sup> HM Treasury, [Review of alcohol taxation](#), November 2010 para 2.2

<sup>8</sup> For example, 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

<sup>9</sup> HC Deb 20 March 2013 c943

<sup>10</sup> HC Deb 19 March 2014 c791

<sup>11</sup> [HC Deb 8 March 2017 c815](#)

<sup>12</sup> [Budget 2017, HC 1025, March 2017 para 3.33](#); HMT, [Alcohol structures consultation](#), March 2017

<sup>13</sup> HC Deb 22 November 2018 c1053

<sup>14</sup> HMRC, [Alcohol Duty Uprating – tax information & impact note](#), 29 October 2018. see also, HM Treasury press notice, [Treasury backs British brewers with duty freeze](#), 1 February 2019.

Following the postponement of the Budget due to the timing of the General Election, the Chancellor Sajid Javid has announced the next Budget will be on 11 March 2020.<sup>15</sup> In its Election Manifesto the Conservative Party stated that in government it would “review alcohol duty to ensure that our tax system is supporting British drink producers.”<sup>16</sup> No further details have been published to date.

In answer to a recent PQ on the Government’s approach to beer duty, Simon Clarke, the Exchequer Secretary said the following:

Fiscal changes to alcohol, and tax rates are kept under review, and further announcements to duty changes will be made in due course. To date, since 2010, government has scrapped the beer duty escalator, making the price of a typical pint 14p cheaper than it otherwise would have been. Pubs are also able to benefit from wider reforms including the Pubs Code and reductions to business rates.<sup>17</sup>

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<sup>15</sup> HMT press notice, [Chancellor launches Budget process to usher in ‘decade of renewal’](#), 7 January 2020

<sup>16</sup> Conservative Party, [The Conservative and Unionist Party Manifesto 2019](#), December 2019 p46

<sup>17</sup> [PQ5549](#), 28 January 2020

## 2. Press articles

### [Return of the small pub met with cautious welcome](#)

Morning Advertiser  
16 January 2020

### [Beer tax freeze or cut 'most direct way' of keeping pubs open](#)

Morning Advertiser  
24 December 2019

### [Time at the Bar?: They were once bastions of cultural heritage but numbers have dwindled for years, with independents bearing the brunt of the decline. Mick O'Hare looks back at the history of the Great British Pub and finds not all hope is lost](#)

[Intranet link]  
The Independent  
15 December 2019

### [Trade reacts to Conservative election win](#)

Morning Advertiser  
13 December 2019

### [Alcohol tax review proposal 'good first step'](#)

Morning Advertiser  
8 November 2019

### ['I'm not a person who believes we can keep every pub open'](#)

Morning Advertiser  
18 October 2019

### [The fight to secure the pub's future](#)

Morning Advertiser  
24 July 2019

### 3. PQs

**[Beer: Excise Duties](#)**  
**28 Jan 2020 | 5549**

**Asked by: Giles Watling**

To ask the Chancellor of the Exchequer, whether he plans to differentiate the rate of duty on beer between supermarkets and pubs after the UK has left the EU.

**Answering member: Simon Clarke | Department: Treasury**

Fiscal changes to alcohol, and tax rates are kept under review, and further announcements to duty changes will be made in due course.

To date, since 2010, government has scrapped the beer duty escalator, making the price of a typical pint 14p cheaper than it otherwise would have been. Pubs are also able to benefit from wider reforms including the Pubs Code and reductions to business rates.

**[Beer and Public Houses: Taxation](#)**  
**03 Sep 2019 | 280975**

**Asked by: Graham P Jones**

To ask the Chancellor of the Exchequer, whether he has plans to undertake a review of the level of taxation on (a) beer and (b) pubs.

**Answering member: Simon Clarke | Department: Treasury**

All taxes are kept under review and the impact of a change to beer duty or other taxes is considered at each fiscal event, including their effect on pubs and the wider economy.

**[Public Houses: Closures](#)**  
**03 Jul 2019 | 269679**

**Asked by: Andrew Rosindell**

To ask the Secretary of State for Business, Energy and Industrial Strategy, what steps his Department is taking to help reduce trends in the number of pubs closing each year.

**Answering member: Kelly Tolhurst | Department for Business, Energy and Industrial Strategy**

Several measures have been introduced across Government to support pubs, including a freeze on beer duty announced at Budget 2018. This means that the price of a typical pint of beer in 2019 is 2p lower than it would have been had duty increased with inflation and 14p lower than it otherwise would have been since ending the beer duty escalator in 2013.

Many small pubs are benefitting from the business rates retail discount announced at Budget 2018, which cuts bills for eligible businesses by

one third from April 2019 for two years. It is available to eligible businesses with a rateable value below £51,000.

Additionally, some 2,000 pubs have been listed as Assets of Community Value (ACVs), meaning that if they are put up for sale, the community can have up to six months to bid to buy them. Planning regulations which came into effect in May 2017 removed permitted development rights from all pubs, meaning that planning permission must now be obtained prior to change of use or demolition.

Furthermore, the Government's recent announcement of a tourism sector deal, as part of the Industrial Strategy, will be a boost for pubs and the hospitality industry.

## 4. Further reading

[Taxation of Beer and Pubs: Briefing](#) Society of Independent Brewers, January 2020

[Economies of ale: changes in the UK pubs and bars sector, 2001 to 2019](#), ONS, 16 January 2020

[Alcohol taxation and the pubs trade](#), House of Commons Library, December 2019

[Beer duty: guidance](#), HMRC, November 2019

[Pub Statistics](#), House of Commons Library, 31 July 2019

[Alcohol Duty Uprating](#), HMRC, 29 October 2018

[Alcohol duties](#), Office for Budget Responsibility, 2018



## 5. Other Parliamentary material

### 5.1 Debates

#### [Beer Duty Rates](#)

25 Jun 2019 | 662 cc283-294WH

#### [Beer Taxation and Pubs](#)

28 Mar 2019 | 657 cc609-636

#### [Pubs: Business Rates](#)

15 Jan 2019 | 652 cc317-326WH

### 5.2 Written Ministerial Statements

#### [Business rates reliefs](#)

27 January 2020 | HCWS64

The Government will increase the retail discount from one-third to 50 per cent, extend that discount to cinemas and music venues, extend the duration of the local newspapers office space discount, and introduce an additional discount for pubs.

The increase in the level of the retail discount from one-third to 50 per cent will apply in 2020/21 for eligible retail businesses occupying a property with a rateable value less than £51,000.

The extension of the retail discount is to those eligible music venues and cinemas with a rateable value of less than £51,000.

The extension of the £1,500 business rates discount for office space occupied by local newspapers will apply for an additional 5 years until 31 March 2025.

The pubs discount will provide a £1,000 discount to eligible pubs with a rateable value of less than £100,000 in 2020/21. This is in addition to the retail discount and will apply after the retail discount.

All reliefs are subject to state aid rules and apply in England only.

The Government confirms that it will fully fund local authorities for awarding these reliefs and provide new burdens funding to local authorities for administrative and IT costs.

Local authorities should start preparations to include these changes now, and act promptly to ensure eligible business receive the increased support in their rates bills at the start of the financial year.

The Government expects local authorities to ensure these changes are applied for the start of the 2020/21 billing period. The Government will publish amended guidance for the retail discount reflecting these changes as well as refreshed pubs relief guidance for local authorities.

The Barnett formula will be applied in the usual way. Consequentials for the devolved administrations will be confirmed at the Budget.

## **The Pubs Code and Pubs Code Adjudicator**

30 Apr 2019 | HCWS1529

The Department for Business, Energy and Industrial Strategy (BEIS) will today begin the statutory review of the Pubs Code (the Code) and the Pubs Code Adjudicator (PCA) through the launch of an invitation to all those with an interest to feed in their views and experiences of the operation of Code and the effectiveness of the PCA.

Pubs are a vital part of communities across the country. The Government has been supporting them through freezing beer duty, cutting business rates for many pubs and supporting community pubs through changes to planning law and by funding Pub is the Hub's pub diversification work.

The establishment of the Pubs Code was provided for by the Small Business, Enterprise and Employment Act 2015 ("the Act") and is set out in the Pubs Code etc. Regulations 2016. The Code governs the relationship between large pub owning businesses and their tied tenants, giving tenants certain rights, including the right at certain times to exercise a "Market Rent Only" option, under which their rent is set at the market level and they are no longer required to buy products from their pub owning business.

The Pubs Code Adjudicator ("PCA") was established by the Act and is appointed by the Secretary of State for Business, Energy and Industrial Strategy. The role of the PCA includes giving advice and guidance; the investigation of non-compliance with the Code; where non-compliance is found, requiring publication of information, imposing financial penalties or making enforceable recommendations; and arbitrating disputes under the Code.

Section 46 of the Act requires the Secretary of State to review periodically the operation of the Pubs Code and section 65 of the Act requires the Secretary of State to review periodically the Adjudicator's performance. The review will look at the period from the establishment of the Code and the PCA to 31 March 2019.

The invitation to submit comments and evidence will run for 12 weeks and can be accessed through Gov.uk (<https://www.gov.uk/government/consultations/pubs-code-and-pubs-code-adjudicator-statutory-review>). Stakeholders have until 22 July 2019 to respond. Following this, BEIS will analyse the responses and other evidence as set out in the terms of reference. A report on the findings of the review will then be published as soon as practicable and laid before Parliament by the Secretary of State.

The Terms of Reference for the Pubs Code and PCA Reviews will today be placed in the Libraries of both Houses of Parliament.



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