

ALCOHOL KNOWLEDGE CENTRE

BRIEFING



A BRIEF HISTORY OF ALCOHOL DUTY

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This briefing contains the following chapters:

- Current UK alcohol duties
- UK alcohol duties over time

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A brief history of alcohol duty

Summary

- Increasing excise taxes on alcoholic beverages is a World Health Organization 'Best Buy' intervention for the prevention and control of noncommunicable diseases
- In the UK, beer and spirits are taxed in proportion to their alcohol content, and cider and wine according to the volume of liquid sold; the government is likely to review duty structures in the coming years
- To address alcohol's rising affordability, the UK introduced a duty escalator between 2008 and 2012; however, it was scrapped entirely by 2014, and excise taxes for all beverage types are now lower than they were in 2012

Introduction

Governments have levied taxes on alcohol for centuries, and today the vast majority of countries apply specific excise duties to at least some alcoholic drinks.¹ However, several countries exempt particular products from alcohol taxes: for example, there is no duty charged on wine in Germany, Italy or Spain.²

Increasing excise taxes on alcoholic beverages is a World Health Organization 'Best Buy' intervention for the prevention and control of noncommunicable diseases.³ This is because consumers are sensitive to changes in the price of drinks; if an increase in duty raises the price of an alcoholic beverage, then they are likely to consume less of it.

In turn, lower consumption levels can lead to reductions in related harms. Modelling estimates produced by University of Sheffield researchers in 2019 suggests that reintroducing an alcohol duty escalator (of 2% above the rate of inflation) in 2020 would result in an estimated 4,700 fewer deaths in England and 420 in Scotland over the period to 2032, compared with a policy of maintaining duty rates constant in real terms.

In addition to the substantial burden on mortality, they estimate that reintroducing a duty escalator in 2020 for over the following 12 years is estimated to:⁴

- reduce hospital admissions by 160,760 (-1.3%);
- reduce alcohol-related criminal offences by 263,084 in England and 31,992 in Scotland (reducing the cost to society by £901m and £279m respectively);
- bring 1.4m fewer workplace absences in England, saving the economy £156m, and 115,296 fewer absences in Scotland, saving £13m.

¹ World Health Organization. *Global Information System on Alcohol and Health (GISAH): Excise tax on alcoholic beverages by country* <<https://apps.who.int/gho/data/node.gisah.A1186?lang=en&showonly=GISAH>>

² Angus C, Holmes J, Meier PS. Comparing alcohol taxation throughout the European Union. *Addiction* 114(8): 1,489–94. 2019

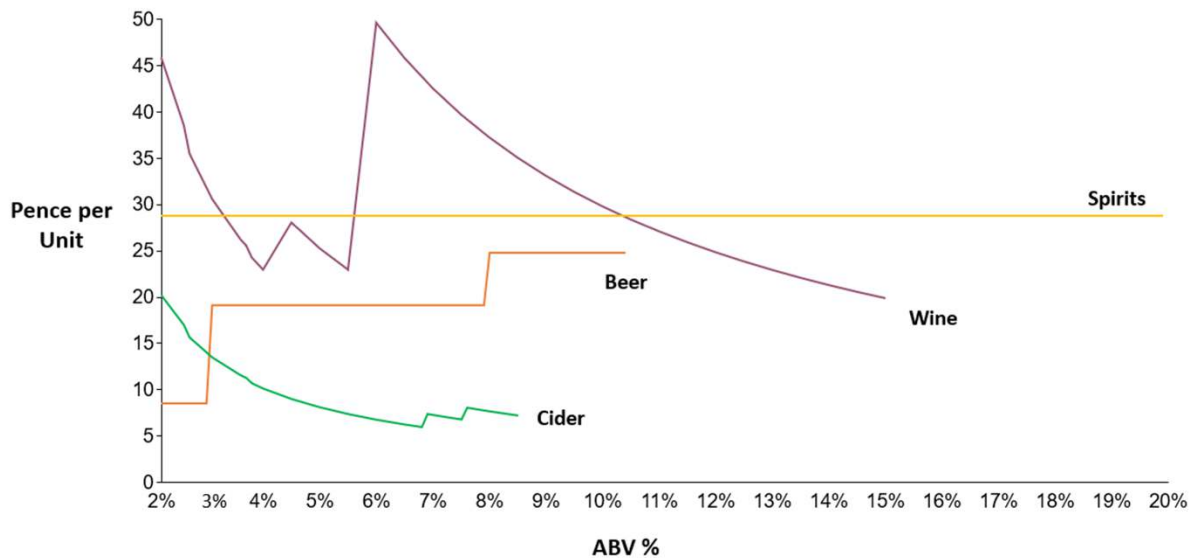
³ World Health Organization. *Management of substance abuse – Raise prices on alcohol through excise taxes and pricing policies* <https://www.who.int/substance_abuse/safer/r/en/>

⁴ ScHARR, University of Sheffield (October 2019), *Modelling the impact of alcohol duty policies since 2012 in England & Scotland*, pp. 2-3, 15

Current UK alcohol duties

In the UK, there are significant differences in the level of tax on different types of alcohol, summarised in figure 1 below.¹

Figure 1 UK alcohol duty per unit by beverage type, 2020 (one unit = 8g/10ml pure alcohol)



Source: Institute of Alcohol Studies. Budget 2020 analysis. 2020

These rates of tax have a number of controversial features. First, in order to adhere to European Community Directive 92/84/EEC, beer and spirits are taxed in proportion to their alcohol content, but cider and wine are taxed according to the volume of liquid sold.² As a result, on a per unit basis, higher strength wines and ciders attract less duty than lower strength wines and ciders. The UK Government has expressed objections to these regulations,³ and is likely to review duty structures in the coming years.

Second, there are significant differences in the level of tax between different types of drink, with wine and spirits attracting higher rates of duty on average than beer, and cider taxed at the lowest rate of any drink.

¹ Institute of Alcohol Studies. *Budget 2020 analysis*. 2020
<<http://www.ias.org.uk/uploads/pdf/IAS%20reports/sb26032020-1.pdf>>

² Official Journal of the European Communities. [Council Directive 92/84/EEC](#). 1992

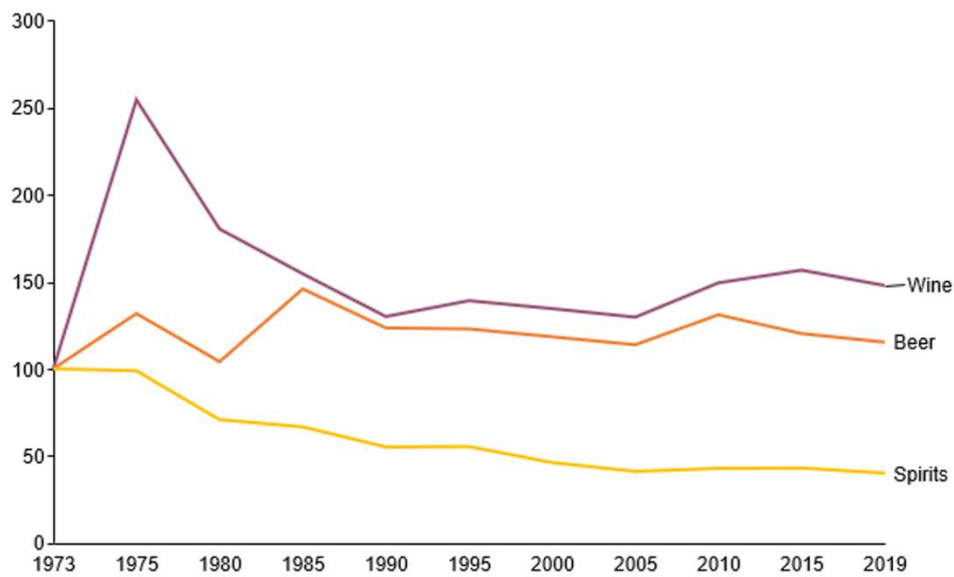
³ EU Home Affairs, Health and Education Sub-Committee, *A new EU Alcohol Strategy? – Evidence* (HL 2014-15 123), p. 196; [Letter dated 06/06/2016](#) from Lord Prior of Brampton to Lord Brooke of Alverthorpe (DEP2016-0511)

<<http://bit.ly/2IDr5gg>>

UK alcohol duties over time

The level of UK alcohol duty has fluctuated over time. The chart below shows how real duty rates (ie adjusted for inflation) have changed since 1973. It shows a dramatic increase in wine duty from 1973 to 1977, largely reversed by reductions in the 1980s. Wine duty today is now at a comparable level to the mid-1980s. Figure 2 also shows that beer duty peaked in 1985 and today is at a similar level to 1978. Spirits duty has seen a longer term erosion, and is 60% lower than it was in the 1970s.

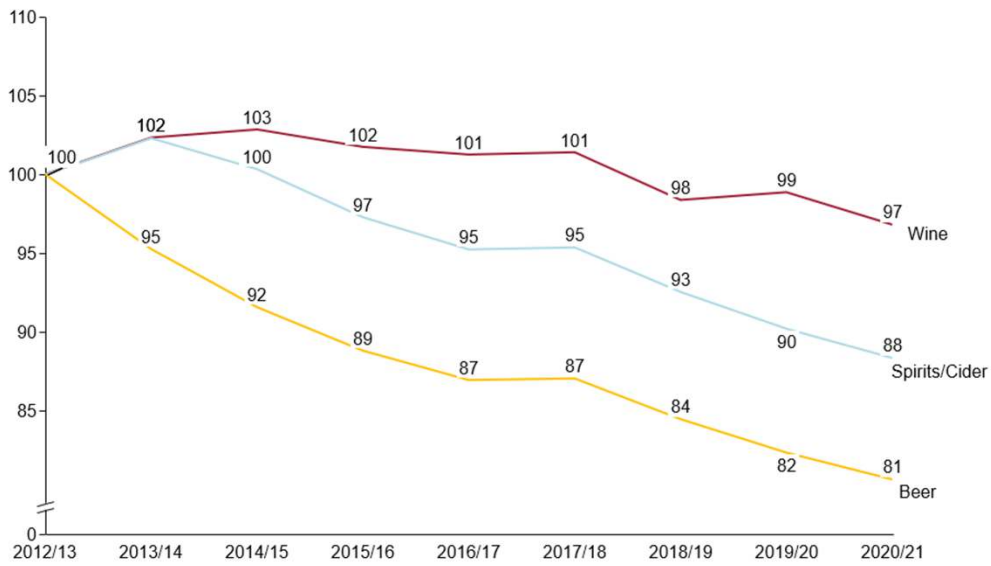
Figure 2 Real UK alcohol duty rate by product 1978–2019, Indexed: 1973 = 100



Source: HM Revenue & Customs. Alcohol Duty Statistics Tables

The most recent sustained increase in alcohol duty was the period of the 'alcohol duty escalator', which automatically increased all alcohol duties by 2% above the rate of inflation each year. The duty escalator was introduced by then-chancellor Alistair Darling in the 2008 Budget as a four-year measure to address the rising affordability of alcohol.¹ Darling's 2010 Budget planned to extend the duty escalator until 2014. However, it was scrapped in 2013 for beer,² and 2014 for other drinks.³ Since then, a series of cuts and freezes have ensured that in real terms beer duty is now 19% lower, cider and spirits duty 12% lower and wine duty 3% lower than in 2012.⁴

Figure 3 Real UK alcohol duty rate by product, 2012–21, Indexed: 2012/13 = 100



Source: Institute of Alcohol Studies. *Budget 2020 analysis*. 2020

- ¹ HM Treasury. Chancellor of the Exchequer's Budget statement. 2008
<https://webarchive.nationalarchives.gov.uk/+http://www.hm-treasury.gov.uk/bud_bud08_speech.htm>
- ² BBC News. Budget 2013: Beer down 1p as planned duty rise axed, *BBC News*. 2013 March 20
<<https://www.bbc.co.uk/news/business-21863051>>
- ³ BBC News. Budget 2014 Beer duty cut by 1p, *BBC News* 2014 March 19
<<https://www.bbc.co.uk/news/business-26644768>>
- ⁴ Institute of Alcohol Studies. *Budget 2020 analysis*. 2020