

Budget Submission – September 2021

Institute of Alcohol Studies

About IAS

The Institute of Alcohol Studies is an independent institute bringing together evidence, policy and practice from home and abroad to promote an informed debate on alcohol's impact on society. Our purpose is to advance the use of the best available evidence in public policy decisions on alcohol. For more information, please visit www.ias.org.uk.

Introduction

- We welcome the chance to submit evidence to this Budget. IAS is a member of the Alcohol Health Alliance UK (AHA) and supports the AHA's Budget submission.
- Alcohol causes significant harm in the UK, which has been exacerbated by the Corona pandemic. Last year, deaths from alcohol have risen by 20% in England and Wales to an all-time high.
- Alcohol also bears substantial cost to the public purse: the total cost of alcohol to society is estimated at £21 billion each year, including £3.5 billion to the NHS and £11.4 billion for alcohol related crime.
- Alcohol duty is one of the most effective and cost-effective policies to reduce alcohol harm. Research by the University of Sheffield, commissioned by the Institute of Alcohol Studies, showed that increasing alcohol duty by 2% above inflation every year would save more than 5,000 lives and prevent almost 170,000 hospital admissions in England and Scotland over 12 years.
- However, cuts and freezes in alcohol duty since 2012 have instead contributed to increased alcohol harm. Moreover, these cuts have cumulatively cost the Treasury more than £1.8 billion in lost revenue in 2020/21.
- We welcome the on-going review of the alcohol duty system, as the current system is inconsistent, complex and encourages the production of particularly harmful products, such as cheap white cider. In line with the Alcohol Health Alliance UK and other public health stakeholders, we believe that a new alcohol duty system needs to be:
 - o **Proportionate:** The overall level of alcohol tax should cover the cost of alcohol to society;
 - o **Scaled:** Stronger drinks should be taxed more, per unit, than weaker drinks to reduce alcohol harm;
 - o **Consistent:** Same strength drinks should be charged the same level of tax;
 - o **Up-rated:** Alcohol duty should automatically increase in line with inflation or earnings to prevent alcohol harms from rising;
 - o **Targeted:** Alcohol duty rates should be linked to the harm alcohol causes. As alcohol sold in off-trade locations such as shops is

associated with more harm than alcohol sold in pubs and restaurants (on-trade), off-trade sales should be subject to higher duty levels.

- However, until the duty system has been reformed accordingly, **alcohol duty should be increased by 2% above inflation in this Budget, to save lives, reduce inequalities and protect public finances.**

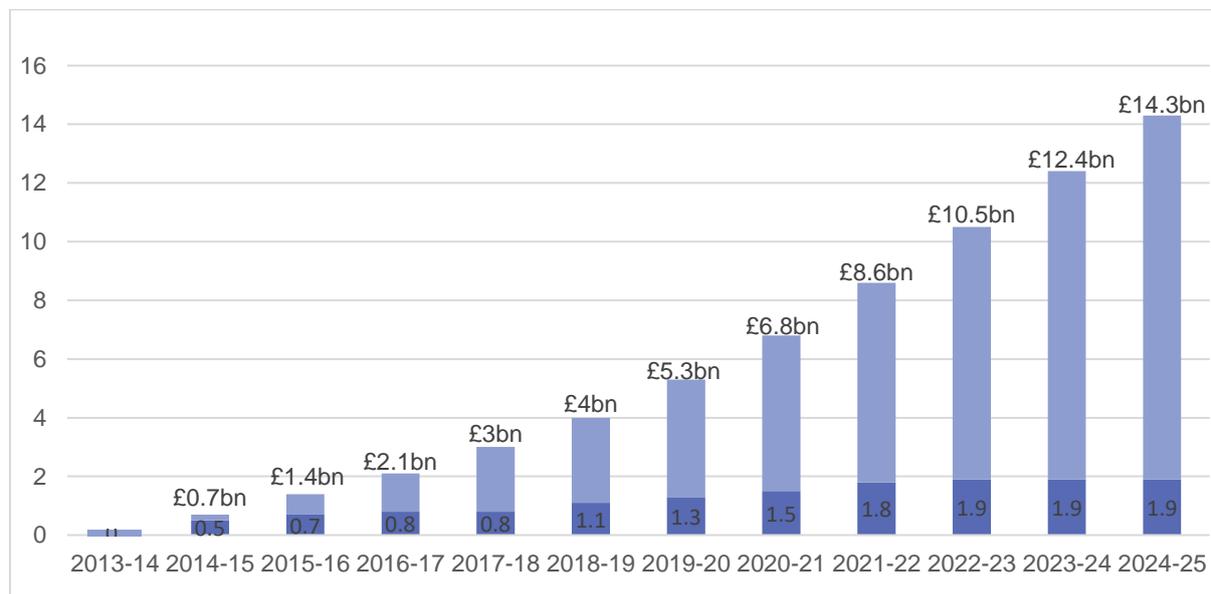
Increasing alcohol duty raises much needed revenue

Increasing alcohol duty by 2% above inflation in this Budget can help raise much-needed revenue for public services.

Recent policy has led to substantial falls in alcohol duty and consequently foregone revenue. In real terms, beer duty is now 21% lower, cider and spirits duty are 13% lower and wine duty is 5% lower than in 2012.¹

Cuts and freezes since 2012 are costing the Treasury about £1.8 billion annually in lost revenue.² By 2024/25, the total cumulative foregone revenue will reach £14.3 billion. In other words, if the Government had stuck to the planned trajectory for alcohol duty in 2012 – that is, to increase all duties by 2% above inflation in 2013/14 and 2014/15 and maintain them in line with inflation every year thereafter – this would have raised another £14.3 billion for the public finances.³

Figure 3: Cumulative and annual impact of alcohol duty cuts since 2012 on government finances⁴



¹ Institute of Alcohol Studies (2021) [March 2021 Budget analysis](#)

² Institute of Alcohol Studies (2021) [March 2021 Budget analysis](#)

³ Institute of Alcohol Studies (2021) [March 2021 Budget analysis](#)

⁴ Institute of Alcohol Studies (2021) [March 2021 Budget analysis](#)

Currently, alcohol duty raises between £10.5-12.1 billion annually⁵ – less than half of alcohol’s total societal costs.⁶ A new alcohol duty system needs to ensure that alcohol taxes are proportionate to the social harm alcohol causes. Commissioned by the Institute of Alcohol Studies, the Social Market Foundation explored the case for reforming alcohol duty and the principles which should underpin a new, improved alcohol duty regime in its recent report ‘*Pour Decisions*’. It recommends that alcohol duty “should be explicitly linked to the social costs of alcohol rather than be treated as a cash cow”. At the very least, alcohol duty should cover the health, crime and welfare costs to government and wider society (the “externalities” associated with alcohol consumption).⁷ We have attached a copy of the report for further evidence.

Increasing alcohol duty reduces harm

Alcohol causes significant harm in the UK: about 80 people die every day because of alcohol.⁸ The Coronavirus pandemic has exacerbated existing problems, with deaths from alcohol rising by 20% in England and Wales to an all-time high in 2020.⁹ Alcohol is the biggest risk factor for death, ill-health and disability amongst 15-49-year-olds in England.¹⁰

While each of these deaths is a tragedy and impacts millions of families, friends and communities across the country, alcohol also bears substantial cost to the public purse: the total cost of alcohol to society is estimated at £21 billion each year, including £3.5 billion to the NHS and £11.4 billion for alcohol related crime.¹¹ Moreover, about 167,000 working years of life are lost to alcohol in England every year – this is more than the ten most common types of cancer combined.¹²

Alcohol is a significant contributor to health inequalities: in England, the rate of alcohol-related deaths and hospital admissions is over 60% higher in the most deprived decile compared to the least.¹³ There are also geographic disparities, with alcohol-related mortality being more than 20% higher in the North East of England compared to the English average.¹⁴

Increasing alcohol duty is one of the most effective and cost-effective policies to reduce alcohol harm and has been recommended by Public Health England (PHE), the Organisation for Economic Co-operation and Development (OECD) and the World Health Organization (WHO), among others. Alcohol harm is closely linked to price: the more affordable alcohol is, the more is consumed and the more harm is caused. The affordability of alcohol has increased dramatically over the last thirty

⁵ HM Revenue and Customs (2020). [UK alcohol duty statistics](#).

⁶ Home Office (2012). [Impact assessment: a minimum unit price for alcohol](#); Association of Police and Crime Commissioners (2020). [Alcohol and drugs in focus](#).

⁷ Corfe, S., Social Market Foundation (2019). [Pour decisions? The case for reforming alcohol duty](#).

⁸ Public Health England (accessed March 2020), [Local Alcohol Profiles for England](#); Scottish Public Health Authority (2018). [Hospital admissions, deaths and overall burden of disease attributable to alcohol consumption in Scotland](#); Public Health Wales Observatory (accessed July 2020). [Alcohol in Wales](#); Northern Ireland Statistics and Research Agency (2019). [Alcohol-specific deaths registered in Northern Ireland \(2018\)](#).

⁹ Public Health England (2021). [Monitoring alcohol consumption and harm during the COVID-19 pandemic: summary](#).

¹⁰ Public Health England (2016). [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#).

¹¹ Home Office (2012). [Impact assessment: a minimum unit price for alcohol](#); Association of Police and Crime Commissioners (2020). [Alcohol and drugs in focus](#).

¹² Public Health England (2016). [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#).

¹³ Public Health England (accessed December 2020). [Local alcohol profiles for England](#).

¹⁴ Public Health England (accessed 21 December 2020). [Local Alcohol Profiles for England](#).

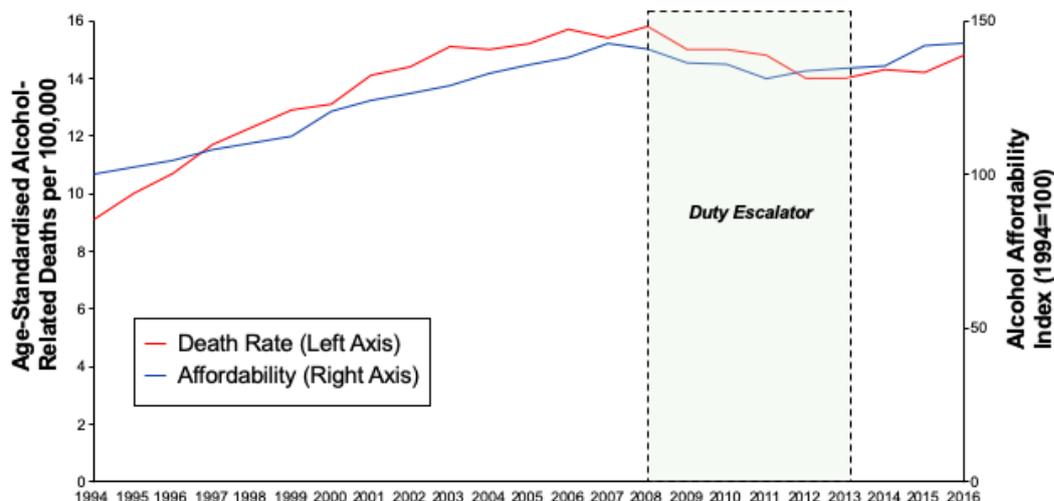
years, with alcohol now 74% more affordable in England than it was in 1987.¹⁵ The rise in affordability has been particularly stark in the off-trade: the affordability of off-trade beer has more than tripled, and the affordability of off-trade wine and spirits has increased by 163%.¹⁶

A new WHO report found that almost 11% of new cancer cases, as well as 11% of cancer deaths could be avoided every year in the UK if alcohol duty was doubled.¹⁷ This was the highest number of avoidable alcohol-related cancer cases and deaths in the WHO European Region.

Research by the University of Sheffield, commissioned by the Institute of Alcohol Studies, further showed that increasing alcohol duty by 2% above inflation every year would save more than 5,000 lives and prevent almost 170,000 hospital admissions in England and Scotland over 12 years.¹⁸ The impact would be biggest on the most deprived group.¹⁹

The impact increasing alcohol taxes has had on health in the UK can be seen in Figure 2: alcohol-specific deaths peaked with the introduction of the duty escalator in 2008, stalled while it was in place and appear to be rising again since its repeal.

Figure 2: Age-standardised alcohol-specific deaths, UK 1994–2016²⁰



Increasing alcohol duty can help level the playing field between supermarkets and pubs

¹⁵ NHS Digital (2020). [Statistics on Alcohol, England 2020](#).

¹⁶ The Institute of Alcohol Studies (2020). [March Budget analysis](#).

¹⁷ Kilian, C. et al (2021). [Modelling the impact of increased alcohol taxation on alcohol-attributable cancers in the WHO European Region](#).

¹⁸ Angus, C. & Henney, M. (2019). [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield and IAS.

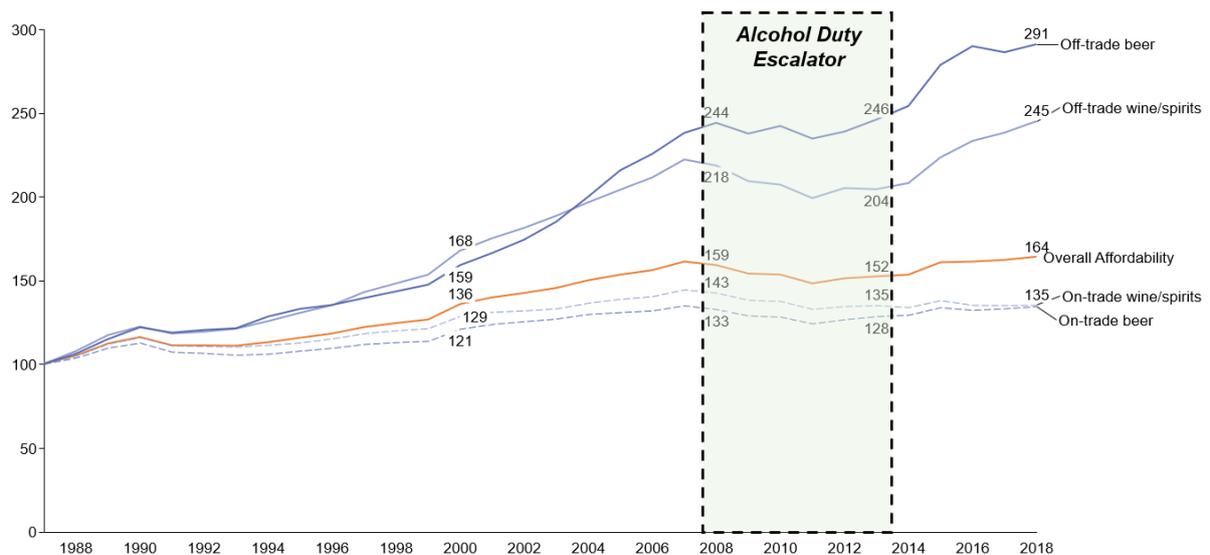
¹⁹ Angus, C. & Henney, M. (2019). [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield and IAS.

²⁰ Institute of Alcohol Studies analysis

Given the economic difficulties faced by the hospitality sector during the pandemic, we are aware that there might be a reluctance to increase alcohol duty for fear of its impact on the British pub industry in particular. However, cuts to alcohol duty not only impact prices in the on-trade but also off-trade, helping supermarkets to maintain the lower prices that undermine pubs.

As figure 3 shows, the era of the alcohol duty escalator – when alcohol duty was increased by 2% above inflation every year – was the only period when rising affordability in the off-trade was curbed.

Figure 3: Affordability Index by beverage type and location, 1987–2018²¹ (1987=100)



Moreover, between 2008 and 2013, when the duty escalator was in place, the net decline in the number of pubs was 1.5% a year. Between 2013 and 2017 – when beer duty was frozen – it continued at around the same rate (1.6% a year).²²

Increasing alcohol taxes is therefore unlikely to hurt the pub trade; instead, it can help level the playing field between pubs and supermarkets.

Support for increasing alcohol duty is high

The public supports increasing alcohol duty. Research by the Alcohol Health Alliance found that 56% of the public support increases in alcohol duty if the additional money is used to fund public services impacted by alcohol use, such as the health service and the police.²³

Moreover, a poll carried out by YouGov before the March 2020 Budget found that alcohol duty was the second most popular tax to increase to raise revenue, behind only tobacco duty and equal with corporation tax. 40% of people would like to see an increase in alcohol duty, whereas just 14% support a cut.²⁴

²¹ Institute of Alcohol Studies analysis

²² BBPA (2018), Statistical Handbook 2018

²³ Alcohol Health Alliance (2020). [Small change: alcohol at pocket money prices.](#)

²⁴ YouGov (2020). [Budget 2020: what tax changes would be popular?](#)

