

The new alcohol duty system: consultation response template

Consultation questions

Please provide your response in the boxes below. Make sure to note the “Guidance for respondents” provided above before completing.

Overview of new rates structure

1. What are your views on the proposed new structures of alcohol duty?

We very much welcome the principles of the new system and the move to a strength-based system. The price of alcohol is strongly linked to alcohol harm, so this is a welcome first step to reduce harms.

However, to make most of this unique opportunity and have the biggest impact on public health and alcohol harm, we would urge the Government to go further by:

- Increasing overall duty rates,
- Ending cider exceptionalism,
- Reducing the lower limit of the upper band, and
- Automatically increasing alcohol duty in line with inflation every year.

Action on alcohol harm is urgently needed. Across the UK, about 70 people die every day due to alcohol.¹ The COVID-19 pandemic has further exacerbated the situation: deaths from alcohol increased by 18.6% to new record levels in 2020 in the highest year-on-year increase.² In October 2021, 18.1% of adults in England (equating to 8 million people) were drinking at ‘increasing or higher risk’ levels. In comparison, 11.9% (5 million) people were drinking at this level in October 2019.³ The increase seems to be particularly concentrated in the heaviest drinkers: new research shows that those in the top fifth of alcohol-purchasing households bought around 17 times more alcohol from shops and supermarkets than the bottom fifth during the lockdown period between March and July 2020.⁴

Furthermore, alcohol is a significant driver of health inequalities: people from the most deprived groups in England are 60% more likely to die or be admitted to

¹ The UK wide estimate comes from summing the most recent estimates from England, Scotland, Northern Ireland, and Wales: Public Health England (accessed 2021), [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 \(2018\)](#).

² Office of National Statistics (2021). [Alcohol-specific deaths in the UK: registered in 2020](#).

³ Gregory, A. (2021) [Millions in UK drinking harmful levels of alcohol at home, experts warn](#). *The Guardian*.

⁴ Anderson, P. et al. (2022). [The COVID-19 alcohol paradox: British household purchases during 2020 compared with 2015-2019](#).

hospital due to alcohol than those from the least deprived.⁵ There are also substantial regional differences. For example, alcohol-related mortality is more than 28% higher in the North East of England relative to the English average.⁶ Research shows that both households in more socially disadvantaged areas as well as those living in the North of England bought more alcohol during the lockdown period between March and July 2020.⁷ Addressing alcohol harm thus needs to be a key part of the levelling-up agenda and the drive to reduce health inequalities.

Alcohol is the leading risk factor for death, ill-health and disability amongst 15-49-year-olds in England.⁸ This has far-reaching consequences for our economy and society as a whole. 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.⁹ In total, alcohol is estimated to cost the UK at least £27 billion annually.¹⁰

The pandemic has brought the importance of public health into sharp focus – it is only with a healthy population that we can have a healthy economy. It is therefore great to see the Government taking the first steps and reforming the alcohol duty system to help reduce alcohol harm and improve public health.

There is a well-established link between the price of alcohol and alcohol harm: the cheaper alcohol is, the more is consumed and thus the more harm is caused.¹¹ Both the World Health Organization and Public Health England support alcohol duty as a highly effective and cost-effective policy for reducing alcohol-related harm.¹²

We very much welcome the move to a strength-based system which will ensure that all alcohol will be taxed according to its strength. Higher-strength products are associated with more harm and should therefore be taxed more per unit than weaker drinks – which the new system will do.

⁵ Public Health England (accessed December 2020). [Local alcohol profiles for England](#).

⁶ Public Health England (accessed November 2021). [Local Alcohol Profiles for England](#).

⁷ Anderson, P. et al. (2022). [The COVID-19 alcohol paradox: British household purchases during 2020 compared with 2015-2019](#).

⁸ Public Health England (2016). [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#).

⁹ Public Health England (2016). [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#).

¹⁰ Burton, R. et al. (2016). [A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective](#).

¹¹ Public Health England (2016). [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#).

¹² World Health Organisation (2017). [Tackling NCDs: "best buys" and other recommended interventions for the prevention and control of noncommunicable diseases](#) and Public Health England (2016). [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#).

Research shows that heavier drinkers tend to consume alcohol products that are both cheaper and stronger on average, compared with lighter drinkers.¹³ Indeed, 40% of alcohol sold below 50p-per-unit is consumed by the 4% of the population who drink at higher-risk levels.¹⁴ Moreover, high-strength products are also associated with specific harms: for example, spirits are more likely to be ‘over-poured’, and are linked to aggression and more fatal alcohol poisonings.¹⁵ It is therefore important that the proposed higher rate for high-strength products and spirits is kept.

To most effectively support public health and reduce alcohol harm, there are several areas where the new system should go further. **Firstly, overall duty rates remain too low to likely have a significant impact on public health.**

While we are aware that the Government was aiming for the new duty system to be cost-neutral, we note that the proposed system will create a net cut in duties, costing the Treasury £115 million in revenue.

In the past 30 years, alcohol’s affordability has already increased massively, with duty rates now significantly lower, in real terms, than a decade ago. Beer duty will now be 28% lower in real terms than in 2012/13, with cider and spirits duty being 21% lower and wine duty 13% lower.¹⁶ As the consultation document notes, Scotch whisky is even facing the lowest real-term tax rate since 1918.¹⁷

Given these historically low rates and the significant costs of alcohol to the UK, we believe overall duty rates should be increased. Ideally, the revenue from alcohol duty should cover the costs of alcohol harms – currently it is about half.¹⁸ However, in the meantime, even a smaller increase would have a positive impact on alcohol harm.

University of Sheffield research found that increasing alcohol duty by just 2% above inflation from 2020-2032 would save over 5,000 lives and prevent almost 170,000 hospital admissions in England and Scotland.¹⁹ Moreover, a recent study by the World Health Organization showed that by doubling current alcohol duties, the UK could avoid more than 1,800 cancer cases (nearly 11% of new cases) and 680 deaths (nearly 11% of deaths).²⁰

¹³ Griffith, O’Connell and Smith (2017). [Tax design in the alcohol market](#).

¹⁴ The Institute of Alcohol Studies (2021). [October Budget analysis](#).

¹⁵ BBC News (2009) [Home drinkers ‘over-pour spirits’](#); Mäkelä, P. et al. (2007) [Does beverage type matter?](#), Nordic Studies on Alcohol and Drugs, 24, pp617-31.

¹⁶ Institute of Alcohol Studies (2021). [October Budget analysis](#).

¹⁷ HM Treasury (2021). [Autumn Budget and Spending Review 2021](#).

¹⁸ HM Revenue and Customs (2020). [UK alcohol duty statistics](#).

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

²⁰ Kilgus et al. (2021) [Modelling the impact of increased alcohol taxation on alcohol-attributable cancers in the WHO European Region](#).

Secondly, drinks of the same strength should be taxed at the same rate and the exceptionally low rates for cider should be increased.

The move to a strength-based system will help to some degree to address the problem of cheap high-strength ciders, which is welcome. However, cider duty in the 3.5-8.4% bracket will remain much lower than other alcoholic products: under the proposed rate, a 440ml can of 4.5% cider would be charged 8.78p/unit, thus being taxed 17.38p for the can. An equivalent can of beer would be charged 19.08p/unit, making the tax per can 37.78p – more than double that of cider.

By having the lowest per unit rate, ciders are disproportionately consumed by harmful drinkers. Ciders are also a common choice of those with alcohol-related problems.²¹

We recognise the Government's aim to protect the cider industry; however, cider production directly employs only 2,000 workers in Britain, compared to the 16,000 employed by the manufacture of beer.²² Even in Herefordshire – where about 40% of direct employment in cider and perry production in Great Britain is located – jobs in cider and perry production make up of just 1% of jobs in the area.²³ There are other mechanisms, such as business rates, employment laws and corporation tax, to help support jobs in this sector.

Thirdly, the lower limit of the upper band should be reduced. The current duty system considers beer from 7.5% ABV as high-strength, while the main cider rate goes up to less than 6.9% ABV. However, in the proposed new system, the higher rate starts only at 8.5% ABV. This could create an incentive to create more high-strength ciders and beers between 6.9/7.5-8.4% ABV which could have a negative impact on consumption and alcohol harm.

We would therefore like the lower limit of the band to be reduced to at least 6.9% ABV in line with the previous cider rates. To maximise public health benefits and encourage further reformation, the Government should consider reducing the limit even further to 6.5% ABV.

Finally, we welcome the assumption that duty will increase in line with inflation every year. However, to ensure duty rates are not eroded over time, we would like to call for a stronger commitment by automatically linking alcohol duty rates to inflation.

²¹ Sheron, N., Chilcott, F., Matthews, L., Challoner, B., & Thomas, M. (2014). [Impact of minimum price per unit of alcohol on patients with liver disease in the UK](#). *Clinical medicine (London, England)*, 14(4), 396–403; Black, H., Gill, J., & Chick, J. (2011). [The price of a drink: levels of consumption and price paid per unit of alcohol by Edinburgh's ill drinkers with a comparison to wider alcohol sales in Scotland](#). *Addiction (Abingdon, England)*, 106(4), 729–736; Black, H. et al. (2014). [White cider consumption and heavy drinkers: a low cost option but an unknown price](#). *Alcohol and Alcoholism*.

²² Corfe, S. (2019). [Pour decisions? The case for reforming alcohol duty](#). Social Market Foundation.

²³ Corfe, S. (2019). [Pour decisions? The case for reforming alcohol duty](#). Social Market Foundation.

Taxes should be used to raise the real price of alcohol products, so that their affordability declines or at least stays constant over time. However, by making the decision about rates annually at the Budget, they risk being eroded by political pressures to introduce cuts and freezes, which counter public health goals. Precedent has shown that alcohol duty has been cut or frozen in 9 out of 10 years since 2012/13 – despite the assumption that duty rates would increase with inflation.²⁴ This has led to the much lower real term duty rates outlined above and has contributed to alcohol's increased affordability. In addition, it has also led to a significant cost to the Treasury: The cumulative cost since 2012 will be £16.2 billion by 2026/27.²⁵ This is money that is urgently needed for public services and to aid in the COVID-19 recovery.

These cuts and freezes also had significant consequences for public health: research from the University of Sheffield estimated that the changes in alcohol duty policy between 2012-2019 led to almost 2,250 additional deaths and almost 66,000 hospital admissions in England and Scotland.²⁶

To prevent this from happening in the future, alcohol duty should be automatically increased in line with inflation every year. The overall rate of alcohol duty could be reviewed every 5-10 years by an independent commission, which would consider alcohol's societal cost.

This is similar to a proposal from the Social Market Foundation: an independent Commission of experts from Government, charities, health care, and academia could be set up to advise on the level of alcohol duty with consideration of the societal cost of alcohol. This could follow a similar model to the Low Pay Commission, which advises the Government on National Living Wage and the National Minimum Wage. This rate could be inflation adjusted automatically and comprehensively reviewed every 5-10 years.²⁷

2. Do you think the proposed duty rates are appropriate?

As outlined above, we welcome the new system's move to a strength-based system and the focus on the strongest products which cause the most harm. However, as mentioned, the overall rates are too low to significantly impact

²⁴ Institute of Alcohol Studies (2021). [October Budget analysis](#).

²⁵ Institute of Alcohol Studies (2021). [October Budget analysis](#).

²⁶ Angus, C. & Henney, M. (2019). [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield.

²⁷ Corfe, S. (2019). [Pour decisions? The case for reforming alcohol duty](#). Social Market Foundation.

alcohol's affordability and thus alcohol harm. While some products will incur a higher tax under the new system, others will become cheaper.

We welcome the higher rate for spirits and other higher-strength drinks, as these drinks tend to be associated with specific harms (see above). However, the lower limit of the higher band should be reduced, to ensure beers and ciders in particular are not reformulated to higher strengths.

3. Are there any other changes that you think should be included in the new structures?

The new system should be accompanied by a thorough evaluation. An evaluation mechanism is important to understand the impacts of the new system over time and assess how far it has been successful in helping to improve public health and reduce alcohol harm. Such an evaluation should be carried out by an independent body and should include analysis of the impact of the new system on consumption rates, health and social harms (such as on violence, crime and inequalities). The evaluation could follow a similar model as the evaluation of minimum unit pricing in Scotland.

As outlined above, changes to duty can have a significant impact on public health outcomes. We would therefore like to ask for any modelling and impact assessments on how the new system will impact consumption, health and other harm measures to be published.

Draught products rates

4. Do you support the principle of the proposed rates for draught products?

We support the principle of differential rates for the on-trade and the off-trade. To help reduce alcohol harm and improve public health, differential rates should be used to increase prices in the off-trade, which are much cheaper, and thus linked to more harm.

There has been a shift from drinking at pubs to drinking at home: off-trade consumption is now more than twice that of on-trade consumption.²⁸ This has been partly driven by much cheaper prices in the off-trade: a pint of beer in a pub costs about three times the equivalent amount bought from a supermarket.²⁹

²⁸ Institute of Alcohol Studies (Accessed 2021). [Consumption](#).

²⁹ Bhattacharya, A. & Corfe, S. (2020). ['Pub relief' on alcohol duty could support hospitality and reduce harmful drinking](#).

Research shows that heavy drinking is more concentrated in the off-trade: harmful drinkers account for 32% of alcohol-related revenue in the off-trade, compared with 17% of revenue in the on-trade.³⁰ Yet, the proposed duty system will not impact the off-trade prices of popular drinks such as Guinness, Stella Artois, Fosters, Carling and San Miguel.³¹

Cheap supermarket alcohol is also seen as one of the main causes of pub closures. In a survey amongst publicans in the North East, about half cited cheap supermarket alcohol as a main cause of pub closures, compared to only 4% who blamed alcohol taxes.³² A former publican explained: "I think that cuts in alcohol duty only benefit supermarkets. We are led to believe that this is a measure that helps pubs and landlords such as myself, but it is putting us at a greater disadvantage and enabling supermarkets to capitalise on cheaper alcohol to attract customers and drive their profit."³³ In a different survey of publicans across the UK, 45% said that duty should be kept at the same rate in pubs and not reduced, and 72% said that duty on alcohol in supermarkets should be increased.³⁴

We would therefore like to see a mechanism that increases alcohol duty in the off-trade in order to create differential rates for the on- and off-trade.

In addition to simply increasing off-trade rates, the introduction of minimum unit pricing (MUP) in England should also be considered to increase the price of the cheapest strongest products. MUP has been introduced in Scotland and Wales already and has had positive results: in Scotland, MUP led to a 3.5% reduction in off-trade sales per adult in the first year.³⁵ The impact on prices has almost exclusively been in the off-trade sector, where, prior to MUP, 47% of alcohol sold was sold below 50p per unit. On-trades prices have largely been unaffected.³⁶ There have been no significant negative impacts on alcohol producers or sellers.³⁷

5. Do you consider that the proposed rates are appropriate?

³⁰ Bhattacharya, A. et al. (2018). [How dependent is the alcohol industry on heavy drinking in England?](#)

³¹ Wood, P. (2021) [Alcohol duty: How Budget 2021 tax changes will affect price of beer and prosecco for drinkers and producers](#). *iNews*.

³² Balance North East (2018). [Views from behind the bar, North East Landlord Survey 2018](#).

³³ Balance North East (2018). [Strong support for higher alcohol taxes to help fund public services](#).

³⁴ IAS (2017). [Pubs Quizzed: What publicans think about policy, public health & the changing trade](#).

³⁵ Giles, L., Richardson, E. & Beeston, C. (2021). [Using alcohol retail sales data to estimate population alcohol consumption in Scotland: an update of previously published estimates](#). Public Health Scotland.

³⁶ Giles, L., & Richardson, E. (2021). [Monitoring and Evaluating Scotland's Alcohol Strategy: Monitoring Report 2021](#).

³⁷ Frontier Economics (2019). [Minimum Unit Alcohol Pricing. Evaluating the impacts on the alcoholic drinks industry in Scotland: baseline evidence and initial impacts](#).

n/a

6. Do you agree with the qualifying criteria for the draught rates?

n/a

7. Would any safeguards be needed to prevent fraud or diversion?

n/a

Small producer relief

8. Do you support the principle of an expanded small producer relief?

n/a

9. Do you agree that this should be based on total production, measured in hectolitres of pure alcohol?

n/a

10. What would the appropriate start point be for a taper be in hectolitres of pure alcohol?

n/a

11. What is the largest size a producer should be to qualify for the small producer relief, in hectolitres of pure alcohol?

n/a

12. To inform this, do you have any information on the cost differences between large and small producers in the different categories?

n/a

13. Would any safeguards be needed for any categories? For example, would businesses be required to grow themselves a minimum percentage of the input ingredients to qualify for these new reliefs?

n/a

14. Are you content for the small producer relief to otherwise follow the design of the Small Brewers Relief (SBR) scheme, e.g. on technical details?

n/a

Approvals

15. What are your views on the proposed administration system for alcohol approvals?

n/a

16. Will the changes reduce the complexities in the current system and support your business's ability to diversify, grow and adapt?

n/a

17. Do you see any issues with the changes proposed and, if so, how could they be improved?

n/a

Returns and payment

18. What are your views on the revised arrangements for declaration and payment of alcohol duty?

n/a

19. Will the changes reduce administrative burdens?

n/a

20. Do you see any issues with the changes proposed and, if so, how could these be improved?

n/a

Digitisation

21. What are your views on the intention to digitise the approvals and accounting systems for alcohol producers?

n/a

22. Do you have any suggestions on how further digitisation could support your business?

n/a

23. Do you see any issues with the proposals and, if so, how these could be improved?

n/a