

## Autumn Statement Submission October 2023

### About the Institute of Alcohol Studies

The Institute of Alcohol Studies (IAS) 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](http://www.ias.org.uk).

### Summary and recommendations

We welcome the chance to make a representation to the forthcoming Autumn Statement. Raising alcohol duty is identified as one of the 'best buy' policies to tackle the exorbitant costs linked to treating non-communicable diseases (NCDs)<sup>1</sup>. With rates of alcohol harm increasing across the UK, now is more important than ever to take fiscal steps to prevent harm and protect public finances.

IAS welcomes the new reforms to alcohol duty structures, which for the first time have introduced a system whereby all alcohol is taxed according to its strength. In principle, the new system is a positive development for public health, whereby stronger drinks linked to higher rates of harm can become less affordable. However, in practice, there are several areas where the new alcohol duty system could be improved to help protect public health and reduce alcohol harm, and we call on the Chancellor to take the following actions:

1. Increase alcohol duty by 2% above inflation to raise revenue, save lives, decrease alcohol health harms and ease the pressure alcohol puts on public services.
2. Raise duty rates for cider in line with beer to ensure all alcohol products of a similar nature are taxed equally according to strength.
3. Introduce an automatic uprating mechanism for alcohol duty in line with inflation or earnings every year, with a comprehensive review taking place every 5-10 years.

### Rising cost of alcohol harm

Alcohol is the leading risk factor for death, ill health, and disability amongst 15-49-year-olds in the UK.<sup>2</sup> Deaths from alcohol are currently at record high levels, rising by 27% between 2019-2021.<sup>3</sup> Almost 10,000 people died directly as a result of drinking alcohol in the UK in 2021, and the ONS estimates that this number accounts for only around a third of the total number of deaths related to alcohol.<sup>4</sup>

The number of people drinking at harmful levels increased significantly as a result of the pandemic: between February to September 2020 the numbers of people drinking

<sup>1</sup> WHO (2023) [WHO factsheet on noncommunicable diseases](#).

<sup>2</sup> VizHub - GBD Results (2019) [Global Health Data Exchange](#), Institute for Health Metrics and Evaluation, University of Washington

<sup>3</sup> Office for National Statistics (2022) [Alcohol-specific deaths in the UK: registered in 2021](#)

<sup>4</sup> Ibid

at higher-risk levels in England rose from 4.8 million to 8.4 million.<sup>5</sup> Modelling has estimated that if alcohol use does not return to pre-pandemic levels, there could be up to 99,500 extra cases of hypertension and 20,000 excess cases of stroke by 2035, costing the NHS up to £1.2 billion.<sup>6</sup>

Alcohol costs the UK economy around £8-11 billion a year through alcohol-related sickness absence, unemployment, impaired workplace productivity and premature death.<sup>7</sup> Alcohol harm is both a determinant and outcome of socioeconomic inequality: in England, the death rate from alcohol in the most deprived 10% of the population is double that in the least deprived.<sup>8</sup> Additionally, alcohol fuels crime and disorder and contributes to family breakdown, domestic violence, and puts significant pressure on our public services. The overall societal costs from alcohol are estimated to be at least £27 billion every year<sup>9</sup>, including £8.3bn in healthcare costs<sup>10</sup>.

### Reforms are welcome, but alcohol duty remains too low

IAS joins other health bodies, including members of the Alcohol Health Alliance, in welcoming the new Alcohol Duty Reforms which for the first-time tax alcohol products according to strength. Addressing the affordability of stronger products, which are linked to higher rates of alcohol consumption and harm, will be an important step in the right direction to tackle the human and financial cost linked to alcohol. However, while the principles of the Reforms are welcome, in practice the current rates of duty will do little to address the increasing affordability of alcohol that has been driven by more than a decade of duty cuts and freezes.

In 2023-24, in real terms, compared to 2012-13:

- Beer duty will be 29% lower.
- Draught beer duty will be 36% lower.
- Cider and spirits duty will be 23% lower.
- Draught cider duty will be 30% lower.
- Wine duty will be 15% lower.

### Lower duty means more deaths, hospitalisations and crime

It is well established that lower alcohol taxes and prices lead to higher levels of consumption, which in turn lead to worse health and social outcomes. Estimates from the Sheffield Alcohol Policy Model, which utilises the best available evidence on these relationships, lay bare the consequences of consecutive duty cuts. As a result

<sup>5</sup> Royal College of Psychiatrists (2020) [Addiction services not equipped to treat the 8 million people drinking at high risk during pandemic, warns Royal College](#)

<sup>6</sup> IAS and Health Lumen (2022). [The COVID hangover: Addressing long-term health impacts of changes in alcohol consumption during the pandemic.](#)

<sup>7</sup> Institute of Alcohol Studies (2017) [Splitting the bill: alcohol's impact on the economy](#)

<sup>8</sup> OHID (2021). [Local Alcohol Profiles for England: short statistical commentary, December 2021](#)

<sup>9</sup> Burton, R. et al. (2016). [A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective.](#) *The Lancet.*

<sup>10</sup> The OECD estimates that the costs of alcohol in the UK account for an estimated 3% of health expenditure. OECD (2021) [Preventing Harmful Alcohol Use: Key Findings for the United Kingdom.](#) £8.3bn is 3% of £277bn, the figure given for total current health expenditure in 2021 by the ONS. ONS (2022) [Healthcare expenditure, UK Health Accounts provisional estimates: 2021](#)

of changes to alcohol duty policy between 2012-2019, increased alcohol consumption is estimated to have led to:

- 2,223 additional deaths in England and Scotland between 2012 and 2019
- 65,942 additional hospital admissions in England and Scotland over the same period
- £341 million in additional costs to the NHS
- Over 100,000 additional alcohol-attributable crimes
- Over 500,000 additional lost days of work, at a cost to the economy of £62 million<sup>11</sup>

The decline in real duty is even bigger between 2019 and 2023 compared to 2012 and 2019, because of high inflation. These predicted deaths and hospitalisations are therefore likely to be much higher. In addition, these harms are experienced disproportionately by the lowest income groups.<sup>12</sup> Deaths from alcohol are already at record high levels in the UK, having increased by 27% from 2019-2021.<sup>13</sup>

### Cost to the public purse and missed opportunity for the NHS

The Chancellor's decision to freeze duty until August and then uprate, and to increase Draught Relief, will cost the Treasury anticipated revenue of £155 million in the year 2022-23. Cumulatively, this decision will cost the public purse £880 million over the six years from 2022-28. Added to the cuts and freezes in alcohol duty since 2012, the annual cost of recent cuts to alcohol duty will be more than £2.1 billion in the year 2022-23. By 2027-28, the total cumulative foregone revenue will reach **£23.9 billion**. In other words, if the Government had stuck to the planned trajectory for alcohol duty in 2012 – 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 £23.9 billion for the public finances.

The OECD estimates that diseases and injuries caused by alcohol lead to treatment costs of 3.0% of total health expenditure in the UK, equating to around £8.3 billion.<sup>14</sup> Therefore this lost revenue of £23.9 billion could have covered the costs of alcohol harm to the NHS for almost three years.

### Recommendations

The new alcohol duty rates are set at a level that is too low to be able to make a significant difference to public health. Currently, the overall revenue from alcohol duty is around £12.4 billion<sup>15</sup> – which is less than half of the costs of alcohol to society (estimated to be at least £27 billion).<sup>16</sup>

<sup>11</sup> Angus, C. and Henney, M. (2019) [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield and Institute of Alcohol Studies

<sup>12</sup> OHID, [Local Alcohol Profiles for England](#)

<sup>13</sup> ONS (2022) [Alcohol-specific deaths in the UK: registered in 2021](#)

<sup>14</sup> Calculated using OECD (2021) [Preventing Harmful Alcohol Use](#) as a percentage of current UK GDP

<sup>15</sup> Office for Budget Responsibility (2023) [Economic and fiscal outlook](#) p.148

<sup>16</sup> HM Treasury (2021) [The new alcohol duty system: Consultation](#) p.4; Burton, R. et al. (2016). [A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective](#).

**We recommend the Chancellor increases alcohol duty by 2% above inflation to raise revenue, save lives, decrease alcohol health harm and ease the pressure alcohol puts on public services**

Cider is still being treated preferentially, with a rate of less than half that of beer for the 3.5-8.4% ABV band, in which most common ciders fall. The change to the strength-based system will mean that there is no longer a perverse incentive to produce super strong white cider, yet, overall, cider as a category remains widely undertaxed.

**We recommend the Chancellor raises duty rates for cider in line with beer to ensure all alcohol products of a similar nature are taxed equally according to strength**

Alcohol duty rates continue to be set annually at the Budget. Indexing duties in line with inflation ensures that duty does not lose value over time (which would lead to greater health harms) and helps to protect revenue. While the Government said that the assumption will be that alcohol duties rise in line with inflation, the rates will continue to be reviewed on an annual basis and therefore subject to political pressures to introduce cuts and freezes.

**We recommend that alcohol duty should be automatically updated in line with inflation or earnings every year, with a comprehensive review taking place every 5-10 years.**