

# Autumn Budget Submission October 2024

## 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

Raising alcohol duty is identified as one of the most effective and cost-effective policies to tackle the exorbitant health and economic harms associated with alcohol consumption.<sup>1</sup> With alcohol deaths at a record high in the UK and alcohol duty rates at historically low levels, it is crucial that fiscal levers are utilised to prevent harm and protect public finances.

At almost every fiscal event over the past decade, alcohol duty rates have been cut in real-terms with a cumulative cost to the Exchequer of £28.3 billion. This has led to alcohol becoming increasingly affordable, which in turn has led to alcohol consumption steadily increasing since 2014 and alcohol-related deaths and diseases with it. The cost of alcohol harm to the UK economy is staggeringly high. A longer-term plan for alcohol duty that considers the system-wide implications for tax revenues, the economy, and health outcomes, should be introduced.

Alcohol duties are among the significant taxes that the government has not ruled out increasing, and since the Chancellor has identified a £22 billion fiscal 'black hole', the foregone revenue from previous duty cuts will have contributed to this. Increasing alcohol duties to cover the cost of alcohol harm would therefore not only support the new government's health mission and its focus on prevention and reducing health inequalities – it would also further the cross-governmental economic growth mission.

IAS therefore makes the following recommendations to the Chancellor ahead of the Autumn Budget (more detail at end):

- 1. Contribute to the development of a cross-government alcohol strategy that supports the economic growth and health missions by raising alcohol duty.**
- 2. Develop a mechanism that ensures alcohol duty rates cover the external cost of alcohol harm to society and incentivises alcohol producers to reduce harm.**
- 3. At the same time support the on-trade and hospitality sector – and reduce home-drinking – by protecting draught relief.**
- 4. Equalise cider duty rates over time with that of beer of the same strength (ABV).**
- 5. End the temporary wine easement in February 2025 to incentivise wine producers to develop lower ABV products.**

---

<sup>1</sup> WHO (2023) [WHO factsheet on noncommunicable diseases](https://www.who.int/publications-detail/WHO-factsheet-on-noncommunicable-diseases).

## Rising cost of alcohol harm

Alcohol is *the* leading risk factor for death, ill health, and disability among 15-49-year-olds in the UK.<sup>2</sup> In 2018 – before deaths from alcohol significantly increased during the pandemic – Public Health England estimated that almost 180,000 working years were lost due to alcohol in England, amounting to 18% of the total working years lost; a significant impact on the UK's economic labour supply.<sup>3</sup> In 2022, there were over 10,000 deaths caused by conditions due exclusively to alcohol, the highest number on record, 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 higher-risk levels increased significantly as a result of the pandemic: between February to September 2020 the number of people drinking 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 will be an additional 148,000 cases of alcohol-related disease and almost 10,000 additional deaths by 2035, costing the NHS £1.2 billion.<sup>6</sup> UCL's Alcohol Toolkit Study shows that we are far from returning to pre-pandemic levels of higher risk drinking.<sup>7</sup>

A 2024 estimate by IAS, using Cabinet Office methodology, found that alcohol harm costs England at least £27.44 billion each year.<sup>8</sup> Over £5 billion of this is due to lost productivity, including unemployment, people being off work ill, or reduced productivity at work, due to illness from alcohol. Direct costs to the NHS stand at £4.9 billion and costs linked to alcohol-related crime and disorder are £14.6 billion.

These external costs of alcohol harm dwarf the alcohol duty receipts that are collected by HMRC, which stood at £12.6 billion for the whole of the UK in 2023/24.<sup>9</sup>

## Cumulative duty cuts have increased harm and reduced Treasury revenue

Over the past decade, alcohol duty rates have been cut in real-terms at almost every Budget and are now at historically low levels. This has had a two-fold effect of 1) reducing Treasury revenue, and 2) increasing alcohol consumption and associated harms.

In the Spring 2024 Budget, the freeze to alcohol duty rates was estimated by the government to cost the Treasury £1.7 billion between 2024-2029. Due to successive freezes since 2013, by 2028-29, the total cumulative foregone revenue will reach **£28.3 billion** (see **Figure 1**). In other words, if the previous government had stuck to the planned trajectory for alcohol duty in 2012 – to increase all duties by 2% above

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

<sup>3</sup> Public Health England (2018) [Working years of life lost due to alcohol mortality](#).

<sup>4</sup> Office for National Statistics (2024) [Alcohol-specific deaths in the UK: registered in 2022](#).

<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](#).

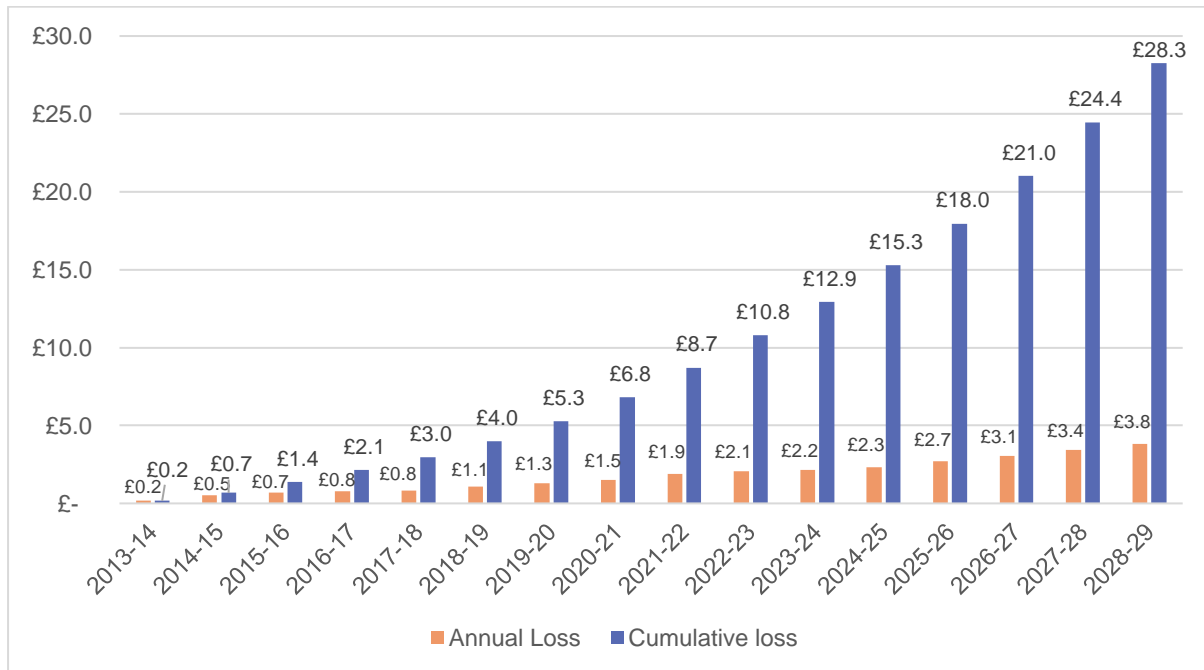
<sup>7</sup> UCL, [Alcohol in England, Alcohol Toolkit Study](#) (accessed August 2024).

<sup>8</sup> Institute of Alcohol Studies (2024), [Cost of alcohol harm in England, Economy Factsheet](#).

<sup>9</sup> HMRC (2024) [Alcohol Bulletin commentary \(May to July 2024\)](#).

inflation in 2013/14 and 2014/15, and maintain them in line with inflation every year thereafter – this would have raised another £28.3 billion for the Treasury.

**Figure 1: Cumulative and annual impact of alcohol duty cuts since 2012 on government finances (£billions)<sup>10</sup>**



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 lay bare the consequences of consecutive duty cuts. As a result of changes to alcohol duty policy between 2012-2019, increased alcohol consumption is estimated to have led to:

- 2,223 additional alcohol-related deaths in England and Scotland between 2012 and 2019
- 65,942 additional alcohol-related 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 Sheffield Addictions Research Group also modelled the impact of the Spring 2024 Budget freeze on alcohol duty and estimated that over a 5 year period it will lead to 16,569 more hospital admissions and 1,507 more deaths compared with if duty had gone up with inflation. At the same time, the alcohol industry will have made

<sup>10</sup> HM Treasury Spring Budget [2023](#) & [2024](#), HM Treasury Autumn Statement [2022](#) & [2023](#), HM Treasury Growth Plan [2022](#), and [HRMC Alcohol Bulletin](#) and [IAS Spring 2023 Budget Analysis](#).

<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

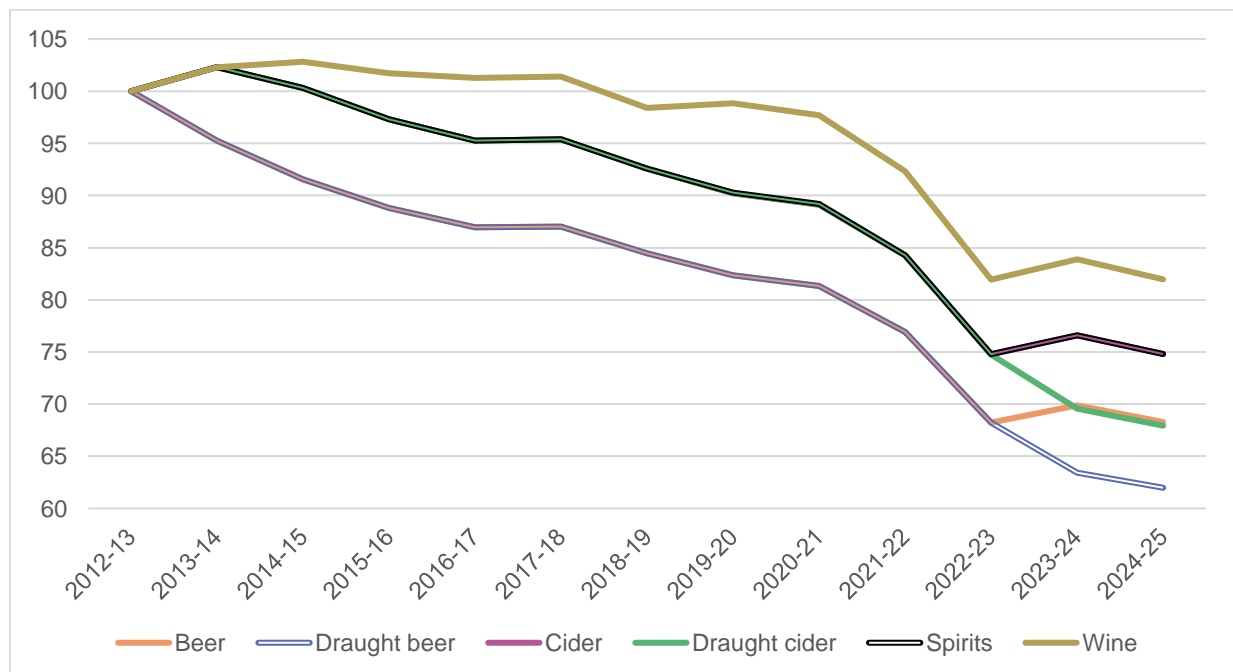
an estimated £3.06 billion in additional revenue<sup>12</sup>, while the freeze will have cost the Treasury £1.7 billion.<sup>13</sup>

### Rates are far too low and should cover the cost of harm

Currently alcohol duty rates are set far too low. Again, due to successive freezes, rates have fallen significantly in real-terms. In 2024/25 compared to 2012/13:

- Beer duty is 32% lower
- Draught beer duty is 38% lower
- Cider and spirits duty is 25% lower
- Draught cider duty is 32% lower
- Wine duty is 18% lower

**Figure 2: Alcohol duty rates by product, indexed to 2012/13**



Several institutions have called for alcohol duty to be linked to the social costs of alcohol. The Social Market Foundation argues that duty should not be seen as a “cash cow”, but that: “At the very least, alcohol duty should cover the health, crime and welfare costs to government and wider society.”<sup>14</sup> This position is supported by the International Monetary Fund<sup>15</sup> and the Institute for Fiscal Studies (IFS)<sup>16</sup>. In fact, in the 2017 working paper, the IFS published optimal off-trade alcohol duty rates to cover the cost of harm (for cider £25.40, spirits £42.60, beer £28.30, and wine £30.40 per litre of ethanol). Adjusting by CPI inflation, these rates today would be: cider £33, spirits £55, beer £36, and wine £39 per litre of ethanol. These rates vary across product type because of the different associated harms of different products.

<sup>12</sup> Angus, C (In press). Modelling of the health and economic impacts of alcohol and tobacco tax policy in England: Spring Budget 2024, Sheffield Addictions Research Group.

<sup>13</sup> HM Treasury Spring Budget 2024.

<sup>14</sup> Corfe, Scott (2019). [Pour decisions? The case for reforming alcohol duty](#), Social Market Foundation.

<sup>15</sup> IMF (2023) [How To Design Excise Taxes on Alcoholic Beverages](#).

<sup>16</sup> Griffith, R., O'Connell, M., & Smith, K. (2017). [Design of optimal corrective taxes in the alcohol market](#), IFS Working Papers.

Using these inflation-adjusted rates, current off-trade duty rates would increase by the following:

- Beer duty: 71% increase
- Cider duty: 240% increase
- Spirits duty: 74% increase
- Wine duty: 37% increase

As the SMF has called for, the cost of alcohol harm should be calculated by the government – or an independent body commissioned by the government – and duty rates should cover these costs. Every 5 or 10 years the cost of harm should then be recalculated, and duty rates adjusted accordingly. This would help incentivise alcohol producers to reduce the cost of harm from their products, in order to be taxed less. In the intervening years, duty rates could be kept in line with inflation or earnings, so that rates do not fall in real-terms.

Duty rates should be increased within days of an announcement, as was previously done under the last Labour government. This would avoid alcohol producers ‘forestalling’ – paying duty on far more product earlier than they would have done. Not only would this avoid producers cashing in on lower rates, it would also prevent trade associations from erroneously claiming that raising duty disincentivises production and therefore reduces Treasury revenue, reducing the misinformation in trade group lobbying.

### Supporting pubs with duty changes

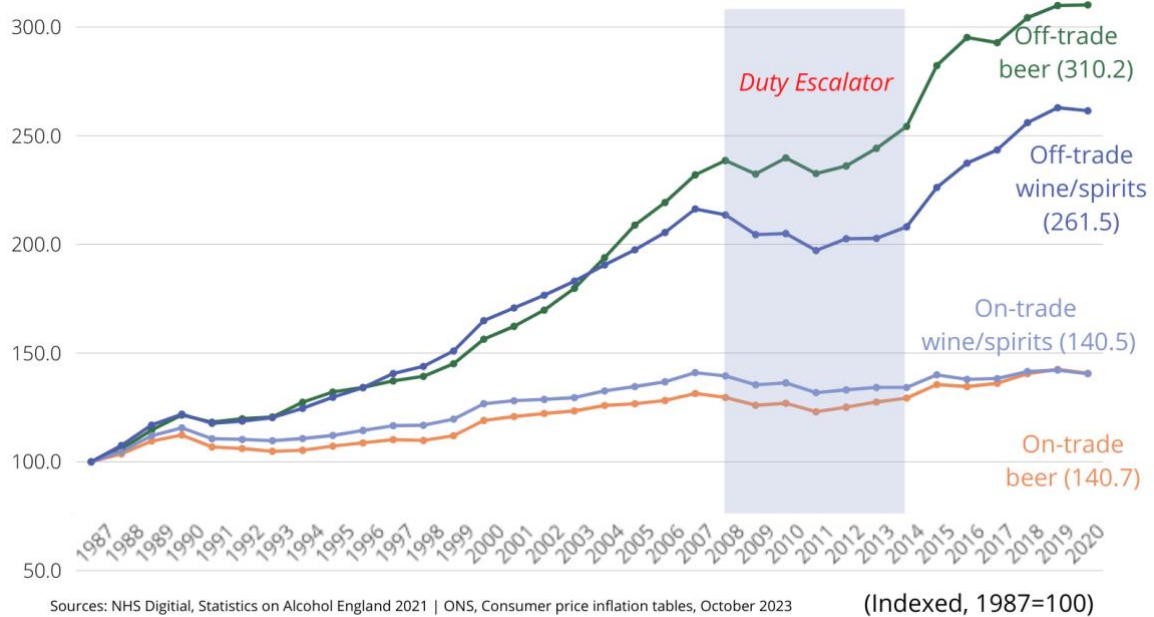
Generating revenues to cover the cost of alcohol harm through the duty system can be achieved while supporting the on-trade (pubs, bars, and restaurants). With the reform of alcohol duty introducing a specific mechanism to support the on-trade with a ‘draught relief’, the government can now separate the on- and off-trade with alcohol duty policy decisions. Duty rates should therefore be increased to cover the social cost of harm, but specifically targeting off-trade alcohol.

Across the board freezes to alcohol duty have not helped pubs, as they help supermarkets maintain much lower prices on alcohol, driving people to consuming at-home more.<sup>17</sup> Pub landlords have made it clear that cheap supermarket alcohol is the biggest threat to their business survival.<sup>18</sup> This is evident when looking at the widening gap in affordability of on- and off-trade alcohol in recent years. The only time when the gap was not widening was when the last Labour government introduced the so-called ‘duty escalator’, which increased duty by 2% above inflation each year (see **Figure 3**). When the escalator was scrapped, the affordability of off-trade alcohol shot up once again.

<sup>17</sup> Roberts, J (2024). [Dispelling Six Industry Myths About Alcohol Taxation](#), Institute of Alcohol Studies.

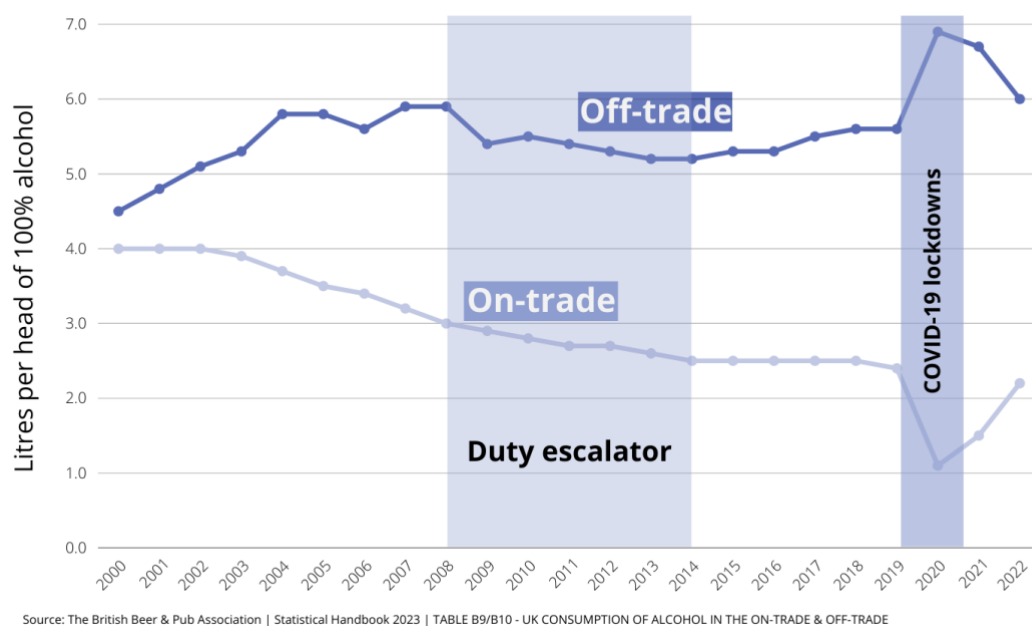
<sup>18</sup> Bhattacharya, A (2017). [Pubs Quizzed: What Publicans Think About Policy, Public Health and the Changing Trade](#), Institute of Alcohol Studies.

**Figure 3: Rising affordability of alcohol in on- and off-trade**



Alcohol is now consumed far more at home than in the on-trade, as **Figure 4** shows. Again, during the ‘duty escalator’ off-trade alcohol consumption began to fall, but picked up when the policy was scrapped.

**Figure 4: Amount of alcohol consumed in the on- and off-trade**



There are arguably a number of benefits to shifting consumption from at home to the on-trade:

- Under the Licensing Act 2003, on-trade servers are responsible for the sale and supply of alcohol and must not knowingly sell alcohol to someone who is already intoxicated. Measures served in premises are known and at home people are likely to over-pour measures and be less aware of how much they have consumed. This is exacerbated by the much lower price of alcohol in the off-trade.

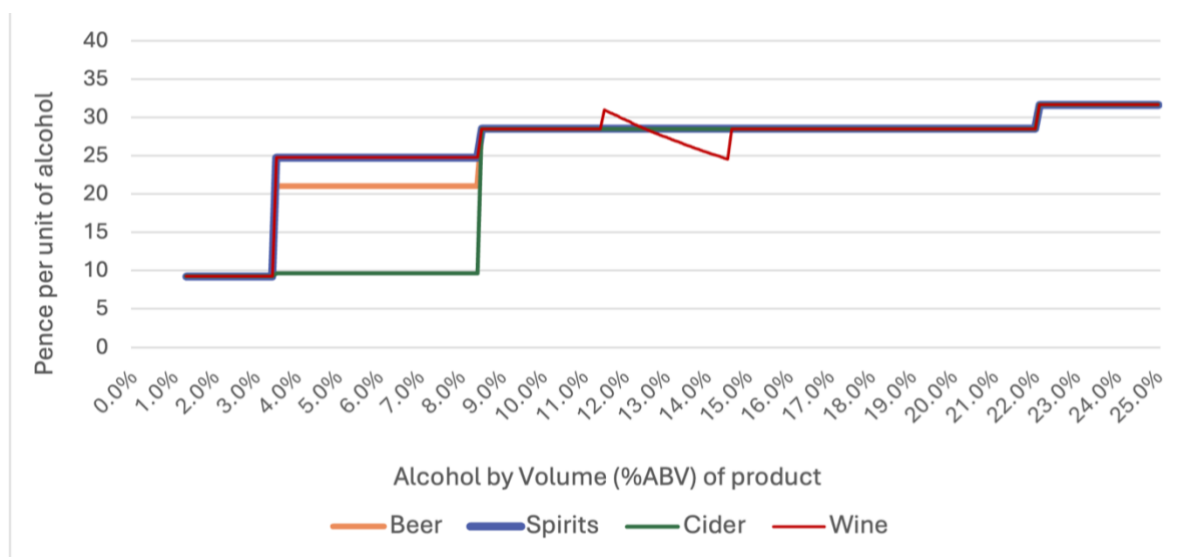


- Heavy drinkers are more likely to consume cheaper off-trade alcohol, and such drinking is linked to many chronic diseases, from liver disease to heart disease and cancer. As with other countries, the UK saw a big rise in home drinking during the pandemic, helping to explain the 33% increase in alcohol-specific deaths. Home drinking has not reverted to pre-pandemic levels.
- Although on-trade drinking is often linked to acute harms such as violence, a 2023 IAS and University of Liverpool study found that on-trade closures during the pandemic did not lead to a significant fall in the proportion of violence that was alcohol-related.<sup>19</sup> This highlights that home drinking is a crucial driver of violence, including domestic violence.
- There are also social and community benefits associated with on-trade establishments. This may particularly be the case among older people, with one study recognising that drinking in the on-trade “could help sustain social and leisure activity, which may otherwise diminish through retirement and other transitions relating to the ageing process”.<sup>20</sup>
- Finally, on-trade establishments require far more employment than the off-trade, so moving from home drinking back to pub drinking could support the wider economy by increasing the number of jobs in the UK economy.

### Wine duty ‘easement’

One of the clearest achievements of the reform to alcohol duties was that it brought wine and cider into line with beer and spirits by taxing on the basis of strength. The ‘easement’ – which gave wine producers 18 months to adjust to the new system by taxing all products with strength of 11.5-14.5% ABV as if they were 12.5% ABV – created a temporary distortion to the new system, as the following figure shows.

**Figure 5: Duty rates in pence per unit – during temporary wine easement**



<sup>19</sup> Lightowlers, C. and Bryant, L. (2023) [Off-trade alcohol availability and violence: Assessing the impact of on-trade outlet closures](#), University of Liverpool and Institute of Alcohol Studies.

<sup>20</sup> Bareham, B. K., Kaner, E., Spencer, L. P., & Hanratty, B. (2019). [Drinking in later life: a systematic review and thematic synthesis of qualitative studies exploring older people's perceptions and experiences](#). Age and ageing, 48(1), 134-146.

This goes against the public health objective of the reform as it does not give a commercial incentive to wine producers to reduce the strength of their products. And 85% of wine sold in the UK is within this ABV range. The easement should end in February 2025 as planned, so that wine is treated as other products already are and will bring wine producers in line with other producers, e.g. brewers, who have met ABV accuracy requirements for decades.

Reducing the strength of many wine products would lead to reductions in alcohol consumption and subsequent harm. As alcohol-related breast cancer can be caused even at low levels of drinking – and wine is consumed far more by women than men – if wine producers were to reduce the strength, it would likely lead to reductions in alcohol-related female breast cancer cases.

## Recommendations

- 1. Contribute to the development of a cross-government alcohol strategy that supports the economic growth and health missions by raising alcohol duty.**
  - a. Alcohol duty is the major pricing measure to tackle alcohol harm and raise Treasury revenue but would be more effective when implemented alongside a minimum pricing policy, which is required for cheaper off-trade products where duty is not passed through to consumers.
  - b. An alcohol strategy would also include measures to tackle the availability and marketing of alcohol, as well as drink driving, and improving access to treatment.
- 2. Develop a mechanism that ensures alcohol duty rates cover the external cost of alcohol harm to society and incentivises alcohol producers to reduce harm.**
  - a. The government should calculate the external cost of harm or appoint independent analysts to do so in order to better inform the debate on what rates should be set at to cover the cost of negative externalities.
  - b. Each year, duty rates should increase in line with inflation or earnings. Rates should increase within days of announcement, to avoid producers forestalling.
  - c. Every 5 or 10 years, the mechanism should be reviewed to consider the latest evidence base on alcohol-related costs to society.
  - d. This would increase certainty on how duty is likely to change over time allowing businesses to plan better, and would also incentivise alcohol producers to reduce the cost of harm in order to reduce tax burden at the next review.
- 3. At the same time support the on-trade and hospitality sector – and reduce home-drinking – by protecting draught relief.**
- 4. Equalise cider duty rates over time with that of beer of the same strength (ABV).**
  - a. 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.
- 5. End the temporary wine easement in February 2025 to incentivise wine producers to develop lower ABV products.**