

BRIEFING

IAS Institute of
Alcohol Studies

Autumn Budget Analysis 2024

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Summary

- In the **Autumn Budget 2024** there were three key announcements:
 1. Most alcohol duty rates will go up by RPI inflation in February 2025.
 2. Draught Relief – part of the Reform of Alcohol Duty – will be increased.
 3. Confirmation that the temporary wine duty 'easement' will end.
- This is only the third time in a decade that most products' duty rate has kept in line with inflation, as the Treasury and OBR assume will happen.
- After the increase, alcohol duty will still be much lower than it was in 2012/13. In real terms:
 - Beer duty will be 32% lower
 - Draught beer duty will be 42% lower
 - Cider and spirits duty will be 26% lower
 - Draught cider duty will be 36% lower
 - Wine duty will be 19% lower
- Cumulatively, duty cuts will cost the Treasury over **£28.6 billion** from 2013-2030, compared with if duty had been raised in line with inflation as was planned.
- Recommendations:
 1. Raise alcohol duty above inflation each year, targeting off-trade alcohol.
 2. The rates are set too low – they should at least cover the £27.4 billion cost of alcohol harm to society.
 3. Cider is still being preferentially treated with lower rates than the same strength beer, which is likely to continue to cause harm. They should be equalised.

What happened to alcohol duty in the Autumn Budget 2024?

Most alcohol duty rates kept in line with inflation

In her first budget as Chancellor of the Exchequer, Labour's Rachel Reeves announced that off-trade alcohol duty will be kept in line with the retail price index (RPI) rate of inflation for beer, wine, cider, and spirits, from 01 February 2025.

Nominal duty rates will increase by 3.65% from 01 February next year, making it only the third time in over a decade that most alcohol duties have been kept in line with inflation. In theory, the Treasury and Office for Budget Responsibility (OBR) assume that all alcohol duty rates will go up with inflation year-on-year from 01 February so that alcohol duty does not lose value in real terms. In practice, this has only happened infrequently in recent years.

Draught Relief increased again

Also announced in the new Labour government's budget was a plan to increase Draught Relief (which was introduced in the Reform of Alcohol Duty in August 2023) by reducing

rates by 1.7%. The relief applies a lower rate of alcohol duty on products under 8.5% ABV that are served on draught in the on-trade (from a container of at least 20 litres).

This increases the value of Draught Relief from 9.2% to 13.9% for qualifying beer and cider products and from 23% to 26.9% for qualifying wine, other fermented products, and spirits.

The purpose of the measure is to support the hospitality industry, particularly pubs, from rising costs.

The new duty rates will be as follows:

Table 1: Alcohol duty rates - off-trade products

ABV	New duty rates from 01 February
0 to 1.2%	£0.00
1.3% to 3.4%	£9.61
3.5% to 8.4%	
Beer	£21.78
Cider	£10.02
Spirits & Wine	£25.67
8.5% to 22%	£29.54
Stronger than 22%	£32.79

Table 2: Alcohol duty rates - draught products under 8.5%

ABV	New duty rates from 01 February
1.3% to 3.4%	£8.28
3.5% to 8.4%	
Beer, spirits, wine and other fermented products	£18.76
Cider 3.5-8.4%	£8.63

Wine duty 'easement' will end

The Chancellor also confirmed that the temporary 'easement' for duty on most wines will end on 31 January. The easement – which was put in place to give wine producers time to adjust to the new taxation system – meant that between 01 August 2023 and 01 February 2025, wines with strength of 11.5-14.5% ABV were to be taxed as if they were 12.5% ABV. This range accounts for about 85% of the wine sold in the UK.

Wine trade groups and some major producers had been calling for the easement to be made permanent, however, this would have negated much of the public health objective of the tax reform. Beer and spirits were already taxed by alcohol by volume (ABV) strength before the reform, so the reform was partly about bringing wine and cider in line with beer and spirits. Taxing wine by strength will now give a financial incentive for producers to reduce the ABV of their products, as some are already planning to do. Concha y Toro, the largest exporter of wine in Latin America, is planning on reducing the strength of its Isla Negra products sold to the UK from 12-13% down to 10.5-11%.¹ With around 1.77 billion

¹ The Drinks Business (2023), [Why a leading wine brand is lowering its alcohol level](#).

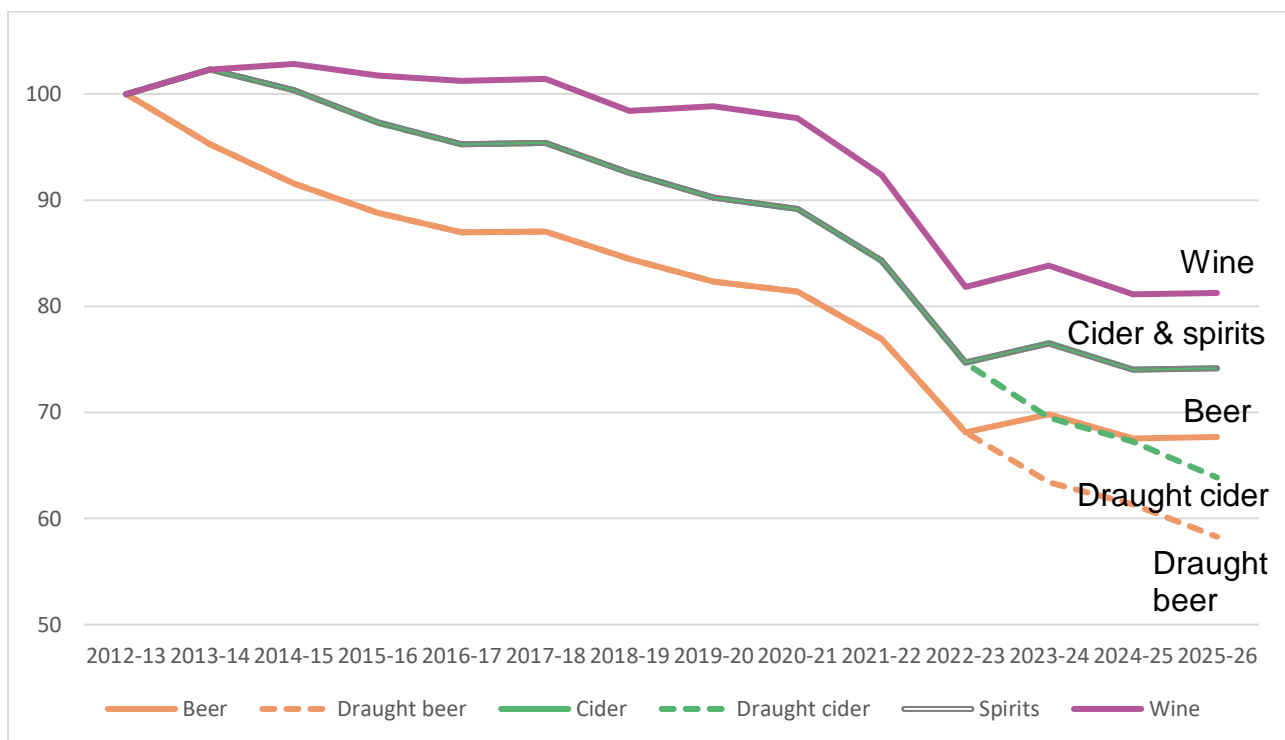
bottles of wine consumed in the UK every year – and assuming an average strength of 12% ABV – if 85% of those reduced their strength by 1%, over 1 billion units of alcohol would be removed from consumption.

How these changes affect duty rates

Since the introduction of Draught Relief in 2023, different decisions can now be taken on most on- and off-trade alcohol product duty rates.

Figure 1 shows how duty has changed in real terms since 2012, with the difference in on and off-trade duty shown clearly from 2022-23.

Figure 1: Real duty rates, indexed: 2012/13=100



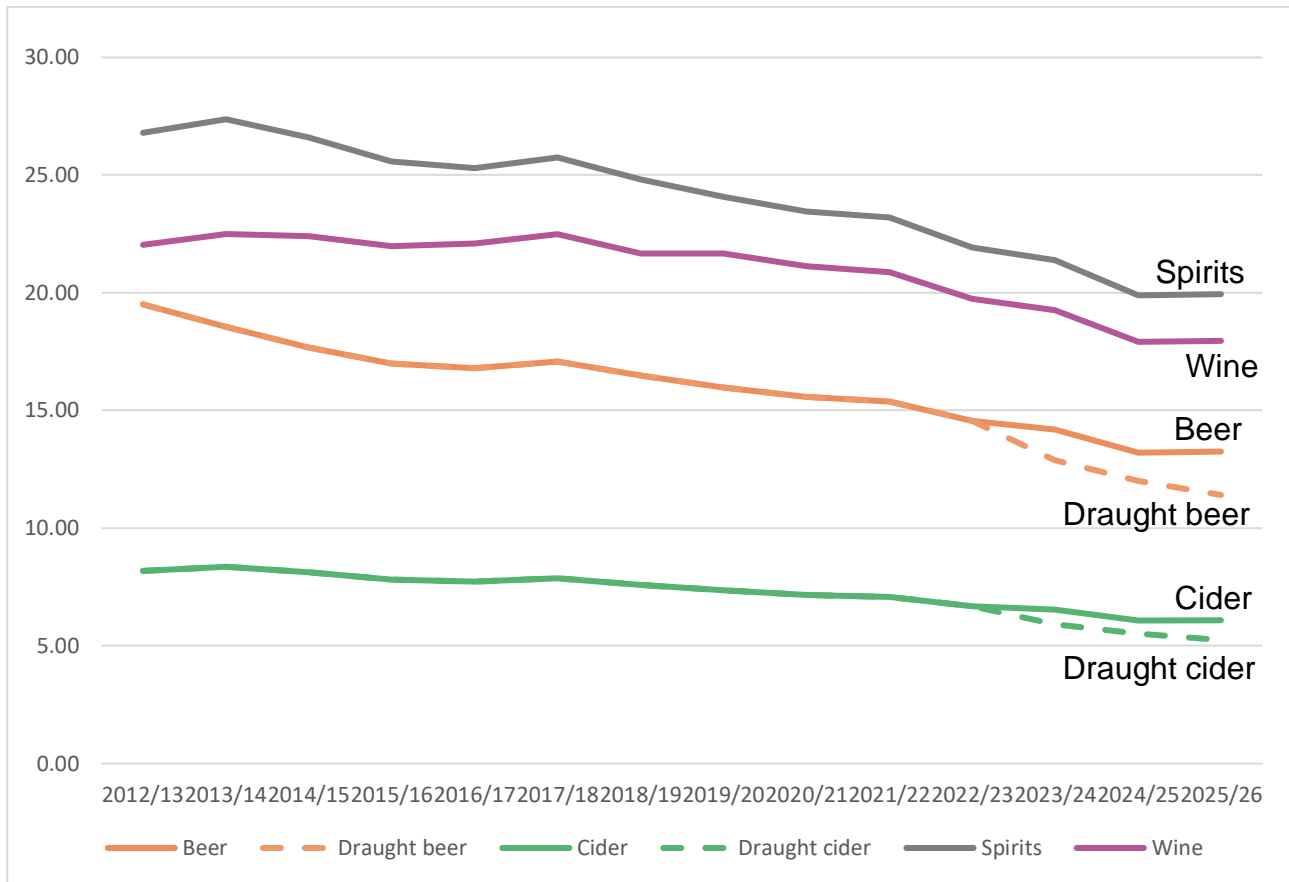
While keeping most duty in line with inflation will slow the rising affordability of off-trade products, it falls well short of undoing the last decade of cuts and freezes. In 2025-26, in real terms, compared to 2012-13:

- Beer duty will be 32% lower
- Draught beer duty will be 42% lower
- Cider and spirits duty will be 26% lower
- Draught cider duty will be 36% lower
- Wine duty will be 19% lower

Compared to 2012 prices, the rate that each litre of pure alcohol is taxed at has fallen significantly across all products, as Figure 2 highlights. The figure also draws attention to how little cider is taxed per unit compared to the same strength beer. It is generally agreed

that higher strength alcohol such as spirits should be taxed at a higher rate per unit of alcohol, as these products are disproportionately consumed by higher risk drinkers.²

Figure 2: Alcohol duty rates per litre of pure alcohol – adjusted to 2012 prices



How will these changes affect drinking patterns and harm?

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. As demonstrated above, alcohol duty in the off-trade will stay the same in real terms and will fall slightly in the on-trade. Therefore, alcohol will likely get slightly cheaper in real terms, albeit by far less than recent cuts and freezes have led to.

The Sheffield Addictions Research Group (SARG) has, for the first time, published a briefing report, modelling the likely impact of decisions taken on alcohol (and tobacco) duty at the Budget.³ Their analysis estimates that, compared with if *all* alcohol duty had been increased with inflation:

- The extension of draught relief is estimated to increase drinking, with:
 - 2,167 more individuals drinking at increased risk levels
 - 5,635 more at higher risk levels
 - 7,802 fewer at lower risk levels

² Griffith, R., O'Connell, M., & Smith, K. (2020). [Tackling heavy drinking through tax reform and minimum unit pricing](#). The Institute for Fiscal Studies.

³ Morris, D., Gillespie, D., Angus, C., Chen, R. & Brennan, A. (2024) [Modelling of the health and economic impacts of alcohol and tobacco tax policy in England: Autumn Budget 2024](#). An analysis using the Sheffield Tobacco and Alcohol Policy Model. University of Sheffield.

- Over five years this leads to an estimated 1,118 additional hospitalisations and 142 additional deaths.
- Alcohol duty and VAT receipts are estimated to fall by £405 million over five years.

Previous estimates from SARG modelling lay bare the consequences of consecutive duty cuts in recent years. As a result 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 million⁴

The real-terms decline in alcohol duty was even bigger between 2019 and 2024 compared to 2012 and 2019 because of high inflation. So these predicted deaths and hospitalisations are likely to be much higher. In addition, these harms are experienced disproportionately by the lowest income groups.⁵ Deaths from alcohol are already at record high levels in the UK, having increased by 33% from 2019 to 2022.⁶

Impact on Treasury revenue

The Chancellor's decisions will cost the Treasury anticipated revenue of £10 million in the year 2024-25. Cumulatively, this decision will cost the public purse £465 million over the six years from 2024-30, as shown in Table 3.

Table 3: Impact of Autumn Budget 2024 alcohol duty decisions on government finances⁷

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Exchequer impact	-10m	-85m	-85m	-90m	-95m	-100m	£465m

This is substantially less than previous Budget freezes and cuts have cost. For instance, the Autumn 2021 Budget alcohol duty freeze cost the Treasury anticipated revenue of £3 billion over the six years from 2021-2027 – around £500 million every year.⁸

However, added to the cuts and freezes in alcohol duty since 2012, the annual cost of recent cuts to alcohol duty will be more than £2.4 billion in the year 2024-25. By 2029-30, the total cumulative foregone revenue will reach **£28.6 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 £28.6 billion for the public finances. (See below for a full explanation of how these figures are calculated.)

⁴ 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

⁵ OHID, [Local Alcohol Profiles for England](#)

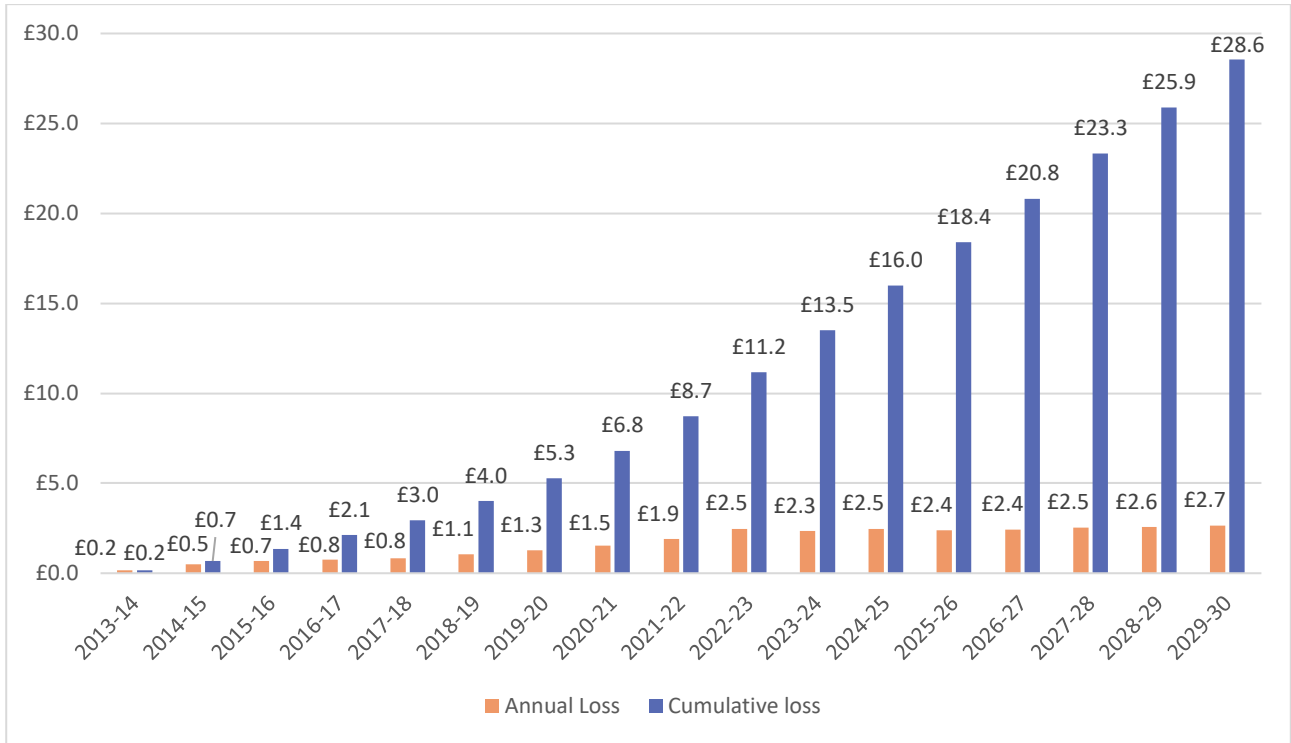
⁶ ONS (2024) [Alcohol-specific deaths in the UK: registered in 2022](#)

⁷ HM Treasury [Autumn Budget 2024](#) p.120

⁸ HM Treasury [Autumn Budget and Spending Review 2021](#) p.134

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 £8.8 billion.⁹ Therefore this lost revenue of £28.6 billion could have covered the costs of alcohol harm to the NHS for over three years.

Figure 3: Cumulative and annual impact of alcohol duty cuts since 2012 on government finances (£billions)¹⁰



These costs are based on the OBR's forecast of how much policy decisions from each Budget since 2013 have cost. This includes estimates from a 2018 parliamentary question about past freezes and cuts.¹¹ When alcohol duty is frozen or cut, it reduces Treasury revenue not just for that year but for all future years, as the tax that would have been collected each year is no longer received. This calculation is likely an underestimate because, following a triple U-turn on alcohol duty rates in late 2022, the government froze rates from February to July 2023, but the OBR did not provide a forecast for the cost of this freeze.

On- vs off-trade drinking and public health

In our submission to the Autumn Budget, we called for Draught Relief to be protected while at the same time increasing off-trade alcohol duty well above inflation. This is because there is evidence to suggest that at-home alcohol consumption is more harmful than on-trade consumption. Higher risk drinkers account for 32% of alcohol-related revenue in the off-trade, compared with 17% of revenue in the on-trade.¹² So, as the Social Market

⁹ Calculated using OECD (2021) [Preventing Harmful Alcohol Use](#) as a percentage of current UK GDP

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

¹¹ Hansard (2018) Alcoholic Drinks: Excise Duties: [Written question – 161163](#). [Accessed 2 November 2018]

¹² Bhattacharya, Aveek, et al. "[How dependent is the alcohol industry on heavy drinking in England?](#)." *Addiction* 113.12 (2018): 2225-2232.

Foundation has stated: “if we want to target alcohol taxes at drinkers who are consuming at riskier levels, we should tax off-trade alcohol more”.¹³

In addition, pub drinkers may consume less alcohol due to higher prices and because they cannot ‘over-pour’ their drinks. Publicans can monitor the drinking of their customers, and (while poorly enforced) can face legal sanctions if they serve those who are already heavily intoxicated.

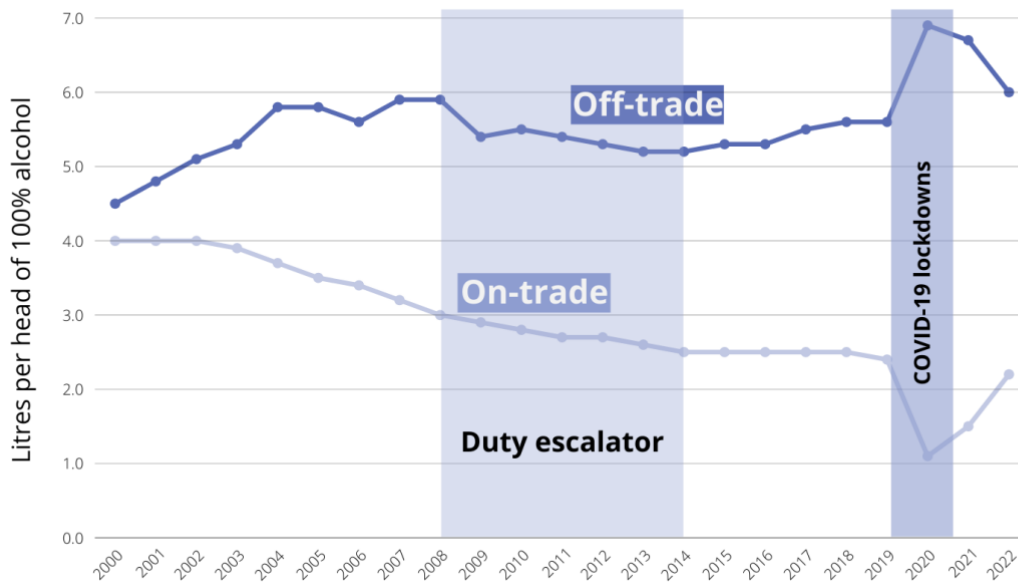
Although on-trade drinking is often linked to acute harms such as violence, a 2023 IAS and University of Liverpool study found that on-trade closures during the pandemic did not lead to a significant fall in the proportion of violence that was alcohol-related.¹⁴ This highlights that home drinking is 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”.¹⁵

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.

Over the past two decades the gap between consumption of alcohol in the on- and off-trade has been widening, as Figure 4 shows. Three quarters of alcohol is now consumed at home, which helps explain the shocking rise in chronic diseases related to alcohol.

Figure 4: UK consumption of alcohol in the on-trade and off-trade¹⁶



Source: The British Beer & Pub Association | Statistical Handbook 2023 | TABLE B9/B10 - UK CONSUMPTION OF ALCOHOL IN THE ON-TRADE & OFF-TRADE

¹³ Social Market Foundation (2021), [‘Pub relief’ on alcohol duty could support hospitality and reduce harmful drinking](#)

¹⁴ 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.

¹⁵ 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.

¹⁶ The British Beer & Pub Association (BBPA) [Statistical Handbook 2023](#)

Yet, while Draught Relief should be protected to support hospitality and try to reduce home drinking, this should be done alongside a significant increase in alcohol duty rates for off-trade products.

What should the Labour government do next?

There are concerns that the Autumn Budget was Labour's chance to make big changes across many economic and societal aspects, including alcohol duty. A number of organisations interested in public health called for the government to reintroduce the so-called 'alcohol duty escalator', a policy that New Labour introduced in 2008 that raised alcohol duty by 2% above RPI each year. For this not to have been done could be a sign that industry lobbying has had its desired effect. However, there is optimism that Labour's Health Mission and focus on prevention will necessitate a longer-term assessment of how alcohol duty decisions are made.

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."¹⁷ This position is supported by the International Monetary Fund¹⁸ and the Institute for Fiscal Studies (IFS)¹⁹. 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. 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.

¹⁷ Corfe, Scott (2019). [Pour decisions? The case for reforming alcohol duty](#), Social Market Foundation.

¹⁸ IMF (2023) [How To Design Excise Taxes on Alcoholic Beverages](#).

¹⁹ Griffith, R., O'Connell, M., & Smith, K. (2017). [Design of optimal corrective taxes in the alcohol market](#), IFS Working Papers.

Recommendations to better protect public health

There are several areas where the alcohol duty system could be improved to help protect public health and reduce alcohol harm:

- 1. Raise alcohol duty above inflation each year, targeting off-trade alcohol.**
 - a. This will help tackle the rising affordability of alcohol, which has become 27% more affordable since 2012.²⁰
- 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. Current duty rates are set far too low to be able to make a significant difference to public health. Currently, the overall revenue from alcohol duty and VAT is around £15 billion across the UK – under half of the costs of alcohol to society (estimated to be at least £27.4 billion in England alone²¹).
 - b. 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.
 - c. Each year, duty rates should increase in line with inflation or earnings. Rates should increase within days of announcement, to avoid producers forestalling.
 - d. Every 5 or 10 years, the mechanism should be reviewed to consider the latest evidence base on alcohol-related costs to society.
 - e. 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. 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 less than half that of beer for the 3.5-8.4% ABV band, in which most common ciders fall.

For more details on the wine duty ‘easement’ and why it was bad for public health, [read our blog here](#). You can find the charts used in this publication on our website [here](#), particularly under the Price and Consumption topics.

²⁰ NHS Digital (2024), [Affordability of Alcohol](#), Statistics on Public Health, England 2023.

²¹ Institute of Alcohol Studies (2024), [Cost of alcohol harm in England](#), Economy Factsheet.