



HM Revenue
& Customs

Simplifying the administration of Alcohol Duty

Consultation document

Publication date: 16 February 2017

Closing date for comments: 26 April 2017

Subject of this consultation:	Simplification and standardisation of the administrative and accounting requirements for alcohol duty.
Scope of this consultation:	This consultation covers HMRC's information requirements and administrative processes for UK alcohol production and the 'holding and movement' regimes. It will consider reform of procedures for registering with HMRC, making declarations of liability and information returns, deferment of duty and associated guarantees, and duty payments. This consultation will not cover alcohol duty rates, definitions of alcohol, or any changes to reliefs and exemptions.
Who should read this:	Representative bodies for the alcohol industry, businesses approved by HMRC to produce, process and hold alcohol subject to excise duty and those with an interest in doing so in the future.
Duration:	The consultation will run for 10 weeks, from 16 February 2017 to 26 April 2017.
How to respond or enquire about this consultation:	Alcohol Policy Team, HMRC 3W Ralli Quays 3 Stanley Street Manchester M60 9LA Telephone: 03000 575560 mailbox.alcoholpolicy@hmrc.gsi.gov.uk
Additional ways to be involved:	We do not intend to offer meetings at this stage, but will meet with stakeholders after this consultation and the next phase of consultation.
After the consultation:	HMRC intends to publish a summary of responses to this consultation in spring 2017. This will include details of any decisions taken and the steps required to implement any changes; including further consultation.
Getting to this stage:	In the Alcohol Strategy 2016 , HMRC committed to simplify the alcohol duty regimes. There has been initial informal consultation with alcohol sector representative bodies (see below).
Previous engagement:	HMRC officials met with bodies representing the alcohol trade to outline the need for reform and to set out high level proposals on 5 May 2016.

Contents

1	Introduction	5
2	Registration	7
3	Declarations	13
4	Deferment and guarantees	19
5	Scope for further reform	23
6	Assessment of impacts	24
7	The consultation process: how to respond	
Annex A	List of stakeholders consulted	
Annex B	Legislation	

Executive Summary

There are around 8,000 businesses who transact with HM Revenue and Customs (HMRC) on alcohol duty, paying duties of £10.5 billion every year. Currently, rules vary for different categories of drinks produced (e.g. beer, wine, spirits and cider), and a growing number of businesses trade in more than one category. Some are also involved in importing and exporting alcohol under EU-wide duty suspension procedures, or are approved for the Alcohol Wholesaler Registration Scheme (AWRS).

Budget 2016 announced a consultation on the reform of procedures for the administration of alcohol duty, as part of HMRC's [Alcohol Strategy](#). Our aim is for customers to submit one set of information and use a single process to register, account for and pay the alcohol duty they owe, reducing burdens on business and costs for HMRC.

This consultation is about simplifying the administration of the alcohol duty regime. Simplification is necessary before we consider development of new digital services which will transform how businesses transact with HMRC. HMRC's ['Making Tax Digital' strategy](#) outlines the department's aspiration to transform into one of the most digitally advanced tax administrations in the world by 2020.

This consultation sets out some of the initial changes we will need to make to our policy and processes, and invites comments on how proposed changes will impact businesses. We invite ideas and challenge from businesses to ensure we design procedures that deliver future benefits for legitimate trade and reduce opportunities for fraud.

1. Introduction

Background

- 1.1 [The HMRC Alcohol Strategy 2016](#), published in March, set out HMRC's commitment to work with the alcohol industry to improve the alignment of the alcohol taxes and schemes with each other. This includes reducing complexity and duplication and setting up procedures for faster, easier services to for those trading in alcohol. These changes will support businesses to get things right and make it easier for them to pay taxes.
- 1.2 The current procedures have been developed in isolation for each regime resulting in different requirements across the alcohol taxes. When changes have been made to specific regimes in the past, they were not extended to all regimes. In many cases, these variations are no longer fit for businesses of today or those of the future.

Aim of the consultation

- 1.3 This first stage of consultation outlines objectives and seeks opinions on proposed changes to policies and processes. Through this we will gather the views of the alcohol industry on the potential impacts of these changes. We hope to collect ideas from businesses to inform the design of tax administration for the future to benefit businesses and HMRC. No proposals within this document have been identified as being subject to impact from the UK's relationship with the European Union.

Policy context

- 1.4 Alcohol consumption generates £10.5 billion in duty each year and alcohol production is an important sector which contributes significantly to UK exports. HMRC has made considerable progress in tackling alcohol duty fraud, but the illicit market still costs the taxpayers around £1.8 billion a year. [The HMRC Alcohol Strategy 2016](#) set out our ambition to promote compliance by making it easier for businesses to pay the right duties. By simplifying the rules across regimes, reducing complexity of policy and processes and removing unnecessary regulation, we aim to improve the experience for businesses dealing with HMRC. We intend to:
- make it easier for businesses to understand their obligations
 - simplify our guidance
 - improve the efficiency of transactions, and
 - reduce the opportunity for errors and fraud.
- 1.5 In addition, simpler policy and processes will help HMRC to support legitimate businesses to comply with the rules and to allow us to focus our resources on those who are determined to break them.

Timetable

1.6 The timetable for consultation is expected to proceed as follows:

May 2016	Informal consultation with representative bodies
February 2016 – April 2017	Initial formal consultation (this document)
Early 2017	Summary of responses document
Autumn 2017	Consultation on detailed proposal

Provisional timescale dependant on final proposals

These dates are to be reviewed in line with changes to the Budget timetable announced at Autumn Statement 2016.

Structure of the document

1.7 The document is structured as follows:

- Chapter 2: Process of registering with HMRC.
- Chapter 3: Declaration of duty, including return periods.
- Chapter 4: Deferment and guarantees.
- Chapter 5: Impact of proposed reforms.
- Chapter 6 Summary of consultation questions
- Chapter 7: Details of the consultation process.

2 Registering for alcohol taxes

Current position

2.1 The legislation and policy for the alcohol production regimes dates back to 1979, and to 1992 for the domestic holding and movement regimes. In the past, businesses tended to produce one type of alcohol and each regime was introduced to serve a specific type of alcohol production. Since then, the regimes have gradually evolved, often independently, with rules added or amended to reflect EU law, or the prevailing risks and circumstances of the time.

2.2 Today, businesses in the alcohol sector frequently operate across several drinks categories and regimes. When a business grows and diversifies, or intends to start producing, holding or moving duty suspended alcohol, they may have to register several times with HMRC because of the different requirements across the regimes.

2.3 There are currently three different types of registration:

- 'licences' for wine, made-wine and spirits production
- 'registration' for beer and cider production along with holding and packing beer
- 'approval' for spirits production premises, plant and process and regimes within the holding and movement system

Throughout this chapter they will all be referred to as 'registration'; all of these registrations inform HMRC of a person's intention to operate within the alcohol regime.

2.4 There are separate forms for each type of application being made, with differing information requirements. A person may have to submit separate applications for each premises they operate within, further duplicating the information they are required to provide to HMRC.

2.5 An outline of all the forms currently used is set out in Table 2.1

Table 2.1 – Current registration forms

Registration Form	Purpose
BPH1	Apply to register as a brewer, packager and/or holder of beer.
CP30	Apply to register as a maker of cider or perry for sale.
WMW1	Apply for a licence to produce wine or made-wine for sale. Also, commercial growers wishing to receive wine, produced by a licensed wine producer on their behalf, in duty suspense.
DLA1	Apply for a licence when intending to produce spirits.
EX61	Apply to register as an excise warehousekeeper.
EX68	To make (or amend) an application to be a general storage and distribution warehouse.
EX69	To make (or amend) an application to be a trade facility warehouse for alcohol (and tobacco).
L5	Apply for a licence as a rectifier or compounder.

2.6 Currently, the process for submitting any of the registration forms in Table 2.1 is to complete an iform on the GOV.UK website. The form must then be printed and posted to HMRC once completed.

2.7 There is already work underway to modernise the way these forms are received. For the CP30, L5 and WMW1 there is the option of applying online via Government Gateway. Other forms will be available for applying online in the near future.

2.8 There are variations in the terms and conditions for registration with HMRC across the alcohol duty regimes, adding to complexity for businesses, and for HMRC in managing compliance in the alcohol sector. For instance, applicants are subject to a formal 'fit and proper' test for some regimes, but not others. There are also differences in the rules for cancelling or revoking registrations.

Proposed reforms

2.9 Our ambition is to simplify and standardise the policy and processes associated with registrations. This includes:

- introducing a standard framework for registration
- reducing the numbers of registrations required
- standardising core information requirements at point of application (and ultimately requiring this to be provided only once)
- simplifying the processes for notifying HMRC of changes to information held about a business

- 2.10 We want the terms and conditions to be consistent and equitable across the board, to clarify what is required and expected of businesses operating within the regimes and to enable HMRC to manage compliance effectively.
- 2.11 We expect this will make it easier for businesses to register and enable HMRC to streamline their processes to support business growth, for example, through a quicker approval service for new and expanding businesses. It will also improve HMRC's ability to assess and act upon revenue and compliance risks effectively across all alcohol duty regimes.

A standard framework for registration

- 2.12 Any person required to register to produce, process and hold alcohol subject to excise duty will do so under the same registration process. This framework for registration will be the same for all regimes, eliminating the variations that currently exist.
- 2.13 At the point of registration, a person will have to specify the activities they need to be registered to undertake. For example, if a person applies to produce beer, that is the only activity HMRC will be registering them for and the current rules applying to beer production will continue to apply.
- 2.14 Applicants will be required to provide core information which will allow HMRC to identify and register them. They will also need to provide supplementary information which will be used to assess the suitability of the applicant to operate within certain regimes. Details will need to be provided of all the premises from which activities relating to the application will be carried out.
- 2.15 Upon receipt of an application, HMRC will risk assess the information provided and perform an appropriate level of pre-registration checks. These checks will be carried out by HMRC officers and can include visits to a premises to assess the business' trading activities. HMRC will perform checks to confirm the information provided by the business is full and accurate and that the applicant is suitable for registration. HMRC may also ask for additional information relating to the business' activities.
- 2.16 Only applicants who can demonstrate that they're fit and proper (Box 2.1) to produce, process and hold alcohol subject to excise duty will be granted approval. This means HMRC must be satisfied the business is genuine and that all persons with an important role or interest in it are law abiding, responsible, and don't pose any significant threat in terms of potential revenue non-compliance or fraud.
- 2.17 We are considering the transitional arrangements for those who are currently registered with HMRC to produce, process and hold alcohol subject to excise duty.

Fit and Proper Test

2.18 This will apply to all registrations and applies to the activities identified at the time of registration only. HMRC will assess all applicants (not just the legal entity of the business but all partners, directors and other key persons) against a number of 'fit and proper' criteria. If appropriate standards are not met, the test is failed and a person will not be registered.

2.19 The parameters within the process may differ depending on the type and size of activities that a person is looking to undertake.

Box 2.1 – 'Fit and proper' criteria

- There's no evidence of illicit trading indicating the business is a serious threat to the revenue, or that key persons involved in the business have been previously involved in significant revenue non-compliance, or fraud, either within excise or other regimes.
- There are no connections between the businesses, or key persons involved in the business, with other known non-compliant or fraudulent businesses.
- Key persons involved in the business have no criminal convictions which are relevant, for example offences involving any dishonesty or links to organised criminal activity.
- The application is accurate and complete and there has been no attempt to deceive.
- There haven't been persistent or negligent failures to comply with any HMRC record-keeping requirements, for example poor record keeping in spite of warnings or absence of key business records.
- The applicant, or key persons in the business, have not previously attempted to avoid being approved and traded unapproved.
- The business has provided sufficient evidence of its commercial viability and/or credibility - HMRC won't approve applicants where they find that they cannot substantiate that there's a genuine plan to legitimately trade from the proposed date of approval.
- There are no outstanding, unmanaged HMRC debts or a history of poor payment.

2.20 This list mirrors the requirements to register for the Alcohol Wholesaler Registration Scheme (AWRS). It is not exhaustive and is for illustrative purposes only at this point.

2.21 HMRC may refuse to approve an application if they have justifiable concerns about the application.

Question 1: Do you support the change towards a single registration process? If not, what concerns do you have with the proposals and how could we mitigate these?

Question 2: Do you think the proposed ‘fit and proper’ criteria (see box 2.1) could pose a barrier to the registration of legitimate businesses? If so, please provide details.

Reducing the numbers of registrations required

2.22 We will seek to reduce the number of registrations required. To illustrate the number of registrations currently in use, **Box 2.2** highlights how businesses wishing to operate within the spirits regime are presently required to make as many as six separate applications before they commence production and sell their product.

Box 2.2 – New distillers: Current process

The specific process will vary depending on the circumstances of each distiller, however, it is possible that a new distiller could be asked to:

1. Apply for and obtain a distiller’s licence
2. Apply for and obtain approval of the plant and process to be used in spirits manufacture
3. Gain authorisation as a warehousekeeper
4. Gain approval for a warehouse to hold spirits in duty suspension
5. (If selling duty paid alcohol to another business) gain approval for the Alcohol Wholesaler Registration Scheme
6. (If making a product protected by a Geographical Indication) seek verification of processes.

At present, each of these stages requires a separate form to be completed.

2.23 Our aim is to reduce the application process to a single form. This will be completed by those who intend to produce, process and hold alcohol subject to excise duty. Those completing the form will still be required to state the activities they want to carry out, for example: beer production, cider production, excise warehousing (see **Box 2.3**).

Box 2.3 – New distillers: Potential new process

At the time of registration the prospective distiller will have to supply information on a single form. This will ask them to specify the activities they intend to undertake and will request information specific to those activities.

This single document would then be used for HMRC to assess the suitability of the person and register them to be:

1. A distiller
2. A warehousekeeper
3. A warehouse to hold spirits in duty suspension

2.24 We are reviewing our approach to the approval of plant and process¹ to be used in spirits manufacture and how this can be integrated into the single registration process. HMRC has the ability to apply conditions on the approval of plant in order to protect the revenue.

Question 3: Currently, an application to approve plant and process must contain:

- the location of the proposed distillery
- a full description of the manufacturing process
- the number and description of the vessels used in the manufacturing process and an explanation of their use
- a plan of the premises

What is the impact on your business of providing this information to HMRC?

Standardising information requirements

2.25 We are reviewing the information that is collected as part of the registration process to ensure that all data collected serves a function within HMRC. Where we find that details collected are no longer used, we will remove them from the registration form.

Simplifying the process for notifying HMRC of changes

2.26 All those who register to produce, process and hold alcohol subject to excise duty will be required to inform HMRC of any changes to the information provided including significant changes to plant and process where necessary. This will remove the requirement for those regimes who have to re-register when an address is changed.

¹ Current process for approval: <https://www.gov.uk/guidance/spirits-duty#get-your-plant-and-process-approved>

Question 4: How else can we improve the current process for informing HMRC of changes to registration particulars?

Consistent terms and conditions

- 2.27 We are currently able to impose conditions on registrations for beer registered premises, excise warehouses, distillers' warehouses and distilleries where the largest still is less than 18 hectolitres.
- 2.28 We intend to extend the ability to apply conditions to all alcohol registrations. HMRC will be able to impose conditions on anyone who is registered to hold, produce or process alcohol. We will also be able to amend and vary these conditions and, if there is reasonable cause, revoke an approved registration.
- 2.29 A general condition that will apply to all registrations, is due diligence². Due diligence requires consideration of the risk of excise duty evasion as well as any commercial and other risks when trading
- 2.30 There will be a requirement for all registered persons to inform HMRC when they cease to be involved in any of the activities they have registered for.
- 2.31 HMRC will have the ability to impose conditions or restrictions on premises where necessary and you will be informed of the reason for this.
- 2.32 Penalties connected to registration will be standardised across all regimes to reflect the changes of requirements relation to the registration process. These are listed in **Box 2.4**

Box 2.4 – Penalties connected to registration

- Failure to register
- Producing/ processing/ holding without being registered
- Failure to comply with regulations
- Failure to notify changes to HMRC
- Failure to notify cessation of production/processing/holding
- Failure to comply with conditions of registration

- 2.33 The sanctions attached to these penalties is not part of this consultation and will be considered in future consultations.

²For more information on due diligence: <https://www.gov.uk/hmrc-internal-manuals/excise-due-diligence-condition>

3 Declarations and payment

Current position

Duty returns

3.1 At present there are a number of different forms and methods for making an alcohol duty return to HMRC, depending on the category of alcohol concerned. These forms are required to accompany the payment of excise duty or to provide other information, such as a stock return. If a person produces both beer and cider, they need to fill in two separate returns; an EX46 and an EX606 (see table 3.1 below). As wine and cider are included on the same form however, anyone making those two products would only need to file a single return, the EX606.

3.2 The table below sets out the alcohol payment returns currently in use.

Table 3.1

Return Form	Purpose	Format
EX 46	To pay excise duty on beer removed from registered production premises or premises of beer packagers	Paper Issued by HMRC to beer producers and packagers and returned by post when completed. or Printed off from GOV.UK by beer producers and submitted to HMRC by post when completed. Submitted online on GOV.UK
EX606	To pay excise duty on wine/made wine/cider/perry removed from licensed or registered production premises.	Paper. Issued by HMRC to producers and returned by post when completed.

Table 3.1 continued

W5	To pay excise duty on alcohol goods removed from a warehouse where payment is by cash or equivalent methods. Used by spirits producers to account for excise duty on UK produced spirits (spirits must be warehoused following production).	Can be either (i) PDF Printed off from GOV.UK by spirits producers and submitted to HMRC by post when completed. Or (ii) Online declaration through ATWD or using ATWD XML
W5D	To pay excise duty on alcohol goods removed from a warehouse where payment is deferred or where scheduling is used. Used by spirits producers to account for excise duty on UK produced spirits (spirits must be warehoused following production).	Can be either i) PDF Printed off from GOV.UK by spirits producers and submitted to HMRC by post when completed. Or (ii) Online declaration through ATWD or using ATWD XML
HM2	To pay excise duty on goods (including alcohol) imported from other Member States by Registered Consignees or Registered Commercial Importers	PDF Printed off from GOV.UK and submitted to HMRC by post when completed
HM10	To pay excise duty on goods imported from other Member States by tax representatives.	PDF Printed off from GOV.UK and submitted to HMRC by post when completed

N.B. The Temporary Registered Consignee (TRC) scheme covers traders registered and approved to import and account for duty on excise goods (including alcohol) on a consignment by consignment basis. It has been excluded from the above table, because, unlike most of the other regimes covered, it neither requires monthly return declarations nor is used to account for duty on UK produced alcohol. More information on the TRC scheme can be found on in [Notice 204a Temporary Registered Consignees on GOV.UK](#).

3.3 The variation in information currently required for most of the duty returns is quite small. The replication of core details for separate returns could be eliminated by designing a single, simplified return that covers excise duty payment for all classes of alcohol.

3.4 Furthermore, if a return is required for each set of premises that a trader operates, a business may have to file a large number of individual returns to cover its

different products and its different premises. While it is possible to submit a composite duty payment return for beer produced at several different sites, for example, this cannot be done for spirits, which are subject to the requirements of the excise warehousing regime.

Accounting Periods

3.5 Table 3.2 outlines the choices within the regimes for different accounting periods, which are most commonly a calendar month alongside the option to request non-standard periods of 4 or 5 weeks. In addition to this, some parts of the warehousing regimes use mid-month to mid-month accounting periods.

Table 3.2 – Current return periods for forms

	Daily	Calendar month	Four weeks	Five weeks	Any other agreed period
Beer (EX46)		✓			✓
Wine & Cider (EX 606)		✓	✓	✓	
Registered Consignees & Commercial Importers (HM2)		✓			
Tax representatives (HM10)		✓			
Warehouse (W5)	✓				
Warehouse –deferment (W5D)	✓	✓			

3.6 Taking cider as an example, a company choosing to have a 5 week accounting period will operate as follows:

- the accounting period runs from 1 January 2017 to 5 February 2017;
- duty for the month of January does not have to be accounted for until 20 February 2017 (the “fifteenth day of the following accounting period”).

Return and Payment Dates

3.7 Once the returns are completed, they must be submitted to HMRC within a prescribed timescale and payment needs to be made within a given time period. Table 3.3 illustrates the different return and payment dates for each of the alcohol duty returns.

3.8 For the production of beer, wine and cider, the duty is effectively deferred until the payment date following the return period of when the duty point is reached. Payment is delayed as a matter of course; businesses do not have to request

deferred payments. A guarantee is required in order to defer the payment of duty unless a business is eligible for authorisation under the Excise Payment Security System (EPSS).³

Table 3.3 – Current return periods for forms

Return Form	Return Date	Payment Date
EX 46	The return is to be submitted by the 15 th of the following month	Payment is to be made by 25 th of the following month
EX606	The return is to be submitted by the 15 th of the following accounting period	Payment is to be made by 15 th of the following accounting period
W5	W5 to be submitted before goods leave the warehouse.	Payment is to be made no later than the day following removal from warehouse
W5D	W5D to be submitted before goods leave the warehouse.	Payment is taken on 29 th of the following month
HM2	Return to be submitted within 4 days of the end of the accounting period.	Payment is to be made by 15 th of the following month or 25 th of following month for beer
HM10	Return to be submitted within 4 days of the end of the accounting period	payment is to be made by 15 th of the following month or 25 th of following month for beer

Payment methods

3.9 HMRC currently accepts a range of payment methods for alcohol duty. It is our intention to establish fewer payment methods to reflect how modern businesses work whilst still meeting the HMRC's requirements.

Question 5: Are there any payment methods that you are unable to use as part of your business activities?

Other Returns

3.10 The following table outlines other returns required under certain regimes. These are not required for the accounting for alcohol duty but have been included here for completeness. As part of our review, we are looking at reducing the collection of surplus and duplicated data from traders and that includes how these forms will fit into our future vision.

³ Eligibility criteria for EPSS: <https://www.gov.uk/government/publications/excise-payment-security-system-epss-authorisation-criteria>

Table 3.4 – Other returns

Return Form	Purpose	Format	Return Period
W21	Declaration from spirits manufacturers of the quantity and type of spirits produced and raw materials used.	PDF Printed off from GOV.UK by spirits producers and returned by post when completed.	Quarterly for periods; 1 January – 31 March 1 April – 30 June 1 July – 30 September 1 October – 31 December To be submitted within 14 days of the end of the quarter.
W1	Stock declaration from excise warehouse keepers.	PDF Printed off from GOV.UK and returned by post when completed.	Calendar monthly. To be submitted within 14 days of the end of the month.

Question 6: Are there any requirements of these additional returns that you wish to comment on as part of our review?

Proposed reforms

3.11 Our aim is to create a single policy and process in relation to the declaration and payment of alcohol duty. This includes:

- a single return to account for all duties
- a standard return period across all regimes
- standardisation of the dates to provide returns and pay the duty

A 'single return' covering all regimes

3.12 Our aim is to standardise payment procedures by having a single duty payment return for everyone who is required to account for alcohol duty. This return will enable a trader to declare all their duties on the same form covering a standardised accounting period with fixed return and payment date(s). We are considering how this return would also account for under/over declarations and other claims available through some existing duty returns.

3.13 The single return may also allow traders to include the duty owed from multiple premises, further reducing the number of returns required. This point is under consideration and we envisage that there will still be a requirement to retain a satisfactory audit trail.

3.14 We are in the process of reviewing the information we currently request on both duty payment and other returns to ensure that all the details we ask for are

necessary for us to do our job. Any details collected that are no longer used will be removed from the return.

Question 7: Please identify any impacts that a single return would have on your business?

Question 8: Do you think there is anything HMRC should consider when devising a single duty payment return to meet the needs of your business?

Alignment of return periods

3.15 As part of the simplification, we are proposing to standardise the accounting period for all duty returns. One calendar month would seem to be the most logical option since it is currently used by the greatest number of regimes (seen in **Table 3.2.**) An alignment to calendar month accounting would decrease the possibility of confusion between the trade and HMRC and reduce the prospect of any errors occurring.

Return and Payment dates

3.16 There are a number of options for standardising the dates that a return must be submitted by. These are explored in **Box 3.1**

Box 3.1 – Return and payment options

Option A – return and payment due by the same date – “15th of following month”

This option mirrors the current requirements for the payment of Wine and Cider duties.

Option B - return and payment due by the same date – “Xth of following month”

HMRC specify the value of X.

Option C - return and payment due by same date – “Xth of following month”

Customer can specify the value of X within certain parameters.

Option D – Return and payment due by different days.

Set dates from HMRC with the return date preceding the payment date

A benefit of this option is the ability to identify and rectify any input errors before payment takes place; thus reducing administration burdens.

Option E – Return and payment due by different days.

Option for HMRC to specify date for return and customer can specify payment date within certain parameters including the return date preceding the payment date.

Question 9: Which would be your preferred option and why? Please outline the pros and cons of the options.

4. Deferment and Guarantees

Overview

- 4.1 This chapter covers the deferment of alcohol excise duty only. It does not cover deferment within the customs regime.
- 4.2 Duty on alcohol becomes payable when the product passes the duty point. The duty point is reached when the product leaves duty suspension. This covers a variety of circumstances, but most often when the alcohol leaves the production premises or warehouse for consumption in the UK. If duty was actually paid at this point, it could mean businesses potentially making multiple payments to HMRC each day. To overcome this, and simplify payments for both traders and HMRC, deferment arrangements are in place which allow a single payment to be made each month. To secure payments, traders making deferred payments are usually required to set up guarantees.
- 4.3 At present, duty points are broadly aligned across the regimes. However, the rules vary on who may hold a Deferment Account,⁴ who must have a guarantee in place and the length of the deferment period.
- 4.4 HMRC recognises that it may be difficult to make significant changes to simplify deferment or guarantees without increasing burdens on business or increasing risks to the revenue. Therefore, this consultation does not outline a firm proposal for change. This chapter, instead, seeks to understand how the operation of deferment and guarantees currently benefits traders, and the problems they cause. It also outlines some proposals for how deferment arrangements and guarantees could operate in the future and seeks views on those proposals.

Duty liability

- 4.5 We do not plan to make any changes to the law or guidance with respect to the point at which a product becomes liable to duty.

Duty points

- 4.6 Duty becomes payable at the duty point, although as noted above, payment is often deferred. The legislation regarding duty points was aligned in the Excise Goods (Holding, Movement and Duty Point) Regulations 2010. There are no plans for any changes to those regulations as part of this consultation.

⁴ An explanation of how a Deferment Account works can be found in Box 3.1.

Duty deferment

Current position

4.7 In the production regimes for beer, wine and cider, duty is deferred as described in Chapter 3. Payment is simply delayed until the month following the accounting period as a matter of course and a Deferment Account is not required.

4.8 Where goods are being imported or removed from an excise warehouse, a Deferment Account is required in order to defer duty. You can only defer payment if you are the owner of the goods, an importer or the warehouse keeper of the goods. Furthermore, HMRC must have approved you and allocated you with a Deferment Account Number.

4.9 Deferment, using a Deferment Account, works as set out in Box 4.1.

Box 4.1: Deferment

When, for example, goods are removed from an excise warehouse:

1. Each removal is recorded against the deferment account to show how much duty is payable (this is usually an automatic process through software such as CHIEF⁵ or ATWD).
2. All transactions are recorded on the deferment account for the current deferment period, and payment made by direct debit in the following month.
3. The deferment periods run as follows:
 - For customs purposes the deferment period runs by calendar month, with payment due on the 15th day of the following month.
 - For excise purposes, the deferment period runs from 15th of the month until the 14th of the next month with payment due on 29th of the latter month (28 February in non-leap years).
4. The deferment account is limited by value depending on the level of guarantee in place. Once this level is reached, the deferment account will not take any further transactions. The business will then have to decide if they would like to increase the value guaranteed or use an alternative method of payment.
5. On the payment date, the direct debit will collect the revenue payable and this will clear the transactions from the deferment account and return the full balance for use in the next deferment period.

⁵ CHIEF is the Customs Handling of Import and Export Freight system, the computer system which records Customs declarations. ATWD is the Alcohol and Tobacco Warehousing Declarations system, which is used to send excise warehousing and payment warrants to HMRC.

Objectives for reform

4.10 As part of the simplification process we are reviewing the procedures for excise duty deferment so that it is effective in protecting the revenue whilst supporting business.

Question 10: We welcome your comments on the current position for excise duty deferment. Are there any areas that you think could be improved?

Financial security

Current position

4.11 Duty deferment, as described above, allows payment of duty to be delayed beyond the point at which it is due. Whilst this approach is beneficial to both business and HMRC, it also introduced the potential for revenue loss as the duty is not collected at the point the alcohol is released onto the market. Therefore, HMRC requires financial security to protect against such loss, usually in the form of a guarantee from a financial institution.

4.12 At present the specific regulations regarding guarantees vary across the regimes, in some cases HMRC has discretion over whether to request security, while in others traders are required to provide such security.

4.13 Duty can be deferred without provision of a guarantee if traders are authorised to use the Excise Payment Security System (EPSS). This applies only to businesses who can meet certain requirements, including having been registered for VAT or, if trading beneath the VAT registration threshold, in an excise payment regime for 3 years or more, and meeting certain criteria relating to compliance history and financial viability.

4.14 EPSS is not available to Registered Consignees, Registered Commercial Importers or Tax Representatives appointed for distance selling arrangements, as EU law requires the duty on excise goods moving under these regimes to be covered by a guarantee.

Union Customs Code

4.15 Where a duty deferment account is used for non-EU trade, the Union Customs Code at present requires businesses to hold a Customs Comprehensive Guarantee (CCG). Further information on the CCG is available in Customs Information Paper 51 (2015)⁶.

⁶ <https://www.gov.uk/government/publications/customs-information-paper-51-2015-new-customs-comprehensive-guarantees-introduced-under-the-union-customs-code/customs-information-paper-51-2015-new-customs-comprehensive-guarantees-introduced-under-the-union-customs-code>

Objectives for reform

4.16 The following questions seek to explore the impact on businesses of having to provide financial security with a view to considering changes that could be made to improve or modernise this area. Any change should not compromise our responsibility for protecting revenue (on a risk-assessed basis); consistency of treatment for all; or our support to businesses to fulfil their responsibilities in an administratively effective way.

Question 11: If you are currently required to provide a guarantee, please provide an estimate of the fees/other costs required to set it up.

Question 12: If you are not currently required to provide a guarantee, what would be the impacts of setting up a guarantee for your business? Please include details of any potential costs involved.

5. Assessment of Impacts

5.1 At this stage of consultation the impacts outlined are very high level; we expect to provide more detail in following stages of consultation as the options for reform become more refined. If we decide to make any legislative changes, a Tax Information and Impact Note (TIIN) will be published alongside the draft legislation. The TIIN will take on board comments on impacts provided in response to this consultation.

Summary of Impacts

Exchequer impact (£m)	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	+/-	+/-	+/-	+/-	+/-	+/-
	The Exchequer impact will be estimated following consultation. The final costing will be subject to scrutiny by the Office for Budget Responsibility, and will be set out at a future fiscal event.					
Economic impact	These measures are not expected to have any significant macroeconomic impacts.					
Impact on individuals, households and families	The measure is not expected to impact on family formation, stability or breakdown as it is expected to affect businesses involved in the production, processing and warehousing of alcohol.					
Equalities impact	It is not anticipated that this measure will impact on any group with protected characteristics					
Customer costs impact	The reforms are expected to have a positive impact on the customer cost reduction target and lead to a decrease in administrative costs, particularly for businesses new to the alcohol duty regime. The extent of the savings for businesses will be explored as part of the consultation.					
Impact on businesses and civil society organisations	The reforms are expected to impact around 8,000 customers. Overall, we expect the reforms to lead to a decrease in administrative costs, particularly for businesses new to the alcohol duty regime. It is expected there will be one-off costs which include familiarisation with the new rules. On-going savings are expected to result from businesses now only have to register once, simplifying processes for making changes to registrations, a single standard return and alignment of return periods and payment dates. The number of businesses affected and the impacts on them will be explored as part of the consultation					

	Small and micro business assessment: The reforms will affect small and micro-businesses. The number of businesses affected and the impacts on them will be explored as part of the consultation.
Operational impact (£m) – [HMRC or other]	We expect that the savings to HMRC will be small; we will develop estimates internally, and intend to publish an estimate as part of the next consultation document.
Other impacts	We have considered impacts on other areas and identified that small and micro businesses will be affected. We will also use the consultation process to understand if there will be any other potential impacts.

5.2 As noted above, we expect the changes to reduce the administrative burden of complying with the alcohol duty regimes. We have limited data on the current impacts on business. In order to get a baseline estimate, it would be helpful to get a view from businesses on the current cost of compliance.

Question 13: For your business, what are the current costs of compliance with the alcohol duty regimes? Please provide details of both the one-off and on-going costs. Please indicate the size of your business and which regimes you deal with.

Question 14: Please provide details of the expected one-off and on-going savings for your business as a result of these reforms.

Question 15: Do you use agents, trade bodies or other sources to support your business activities?

Question 16: Are there any specific impacts for small & micro businesses (those employing fewer than 25 employees) not covered above?

Question 17: In order for us to better understand the businesses involved, can you provide details of the following:

- The size of your business e.g. number of employees, turnover.
- To what extent you use software or online tools.
- How easy it was to familiarise yourself with the regimes you operate within.

6. Summary of Consultation Questions

Registrations

Question 1: Do you support the change towards a single registration process? If not, what concerns do you have with the proposals and how could we mitigate these?

Question 2: Do you think the proposed 'fit and proper' criteria (see box 2.1) could pose a barrier to the registration of legitimate businesses? If so, please provide details.

Question 3: Currently, an application to approve plant and process must contain:

- the location of the proposed distillery
- a full description of the manufacturing process
- the number and description of the vessels used in the manufacturing process and an explanation of their use
- a plan of the premises.

What is the impact on your business of providing this information to HMRC?

Question 4: How else can we improve the current process for informing HMRC of changes to registration particulars?

Returns and payments

Question 5: Are there any payment methods that you are unable to use as part of your business activities?

Question 6: Are there any requirements of these additional returns that you wish to comment on as part of our review?

Question 7: Can you identify any impacts that a single return would have on your business?

Question 8: Do you think there is anything HMRC should consider when devising a single duty payment return to meet the needs of your business?

Question 9: Which would be your preferred option and why? Please outline the pros and cons of the options.

Deferment and guarantees

Question 10: We welcome your comments on the current position for excise duty deferment. Are there any areas that you think could be improved?

Question 11: If you are currently required to provide a guarantee, please provide an estimate of the fees/other costs required to set it up.

Question 12: If you are not currently required to provide a guarantee, what would be the impacts of setting up a guarantee for your business? Please include details of any potential costs involved.

Assessment of impacts

Question 13: For your business, what are the current costs of compliance with the alcohol duty regimes? Please provide details of both the one-off and on-going costs. Please indicate the size of your business and which regimes you deal with.

Question 14: Please provide details of the expected one-off and on-going savings for your business as a result of these reforms.

Question 15: Do you use agents, trade bodies or other sources to support your business activities?

Question 16: Are there any specific impacts for small & micro businesses (those employing fewer than 25 employees) not covered above?

Question 17: In order for us to better understand the businesses involved, can you provide details of the following:

- The size of your business e.g. number of employees, turnover.
- To what extent you use software or online tools.
- How easy it was to familiarise yourself with the regimes you operate within.

7. The Consultation Process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

- Stage 1 Setting out objectives and identifying options.
- Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.
- Stage 3 Drafting legislation to effect the proposed change.
- Stage 4 Implementing and monitoring the change.
- Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 1 of the process. The purpose of the consultation is to seek views on the policy design and any suitable possible alternatives, before consulting later on a specific proposal for reform.

How to respond

A summary of the questions in this consultation is included at chapter 7.

Responses should be sent by 26 April 2017, by e-mail to:
mailbox.alcoholpolicy@hmrc.gsi.gov.uk

or by post to:

Alcohol Policy Team, HMRC
3W Ralli Quays
3 Stanley Street
Manchester
M60 9LA

Please do not send consultation responses to the Consultation Coordinator.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from [HMRC's GOV.UK pages](#). All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs (HMRC).

HMRC will process your personal data in accordance with the DPA and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation Principles

This consultation is being run in accordance with the Government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website:
<http://www.cabinetoffice.gov.uk/resource-library/consultation-principles-guidance>

If you have any comments or complaints about the consultation process please contact:

John Pay, Consultation Coordinator, Budget Team, HM Revenue & Customs, 100 Parliament Street, London, SW1A 2BQ.

Email: hmrc-consultation.co-ordinator@hmrc.gsi.gov.uk

Please do not send responses to the consultation to this address.

Annex A: List of stakeholders consulted

The following attended a meeting on 5 May 2016 to outline the proposals for reform:

British Beer and Pub Association

Bonded Warehousekeepers Association

Scottish Craft Distilleries

Scotch Whisky Association

UK Travel Retail Forum

Wine and Spirits Trade Association

Annex B: Relevant (current) Government Legislation

The Alcoholic Liquor Duties Act 1979

The Customs and Excise Management Act 1979

The Warehousekeepers and Owners of Warehoused Goods Regulations 1999

The Excise Goods (Holding, Movement and Duty Point) Regulations 2010

The Spirits Regulations 1991

The Beer Regulations 1993

The Wine and Made-wine Regulations 1989

The Cider and Perry Regulations 1989