

Black Beer: Repeal of Relief

Who is likely to be affected?

Producers and consumers of the fermented beverage known as Black Beer.

General description of the measure

The relief exempts from excise duty a particular type of black beer. The product, known as Black Beer in the UK, is a black beer with an original gravity of 1200 degrees or more and is a concentrated beverage made from malt. There is only one known producer of Black Beer, based in Yorkshire, producing around 35,000 bottles annually. In its concentrated form, it has an alcoholic strength of 8.5 per cent abv. Black Beer is generally used as a mixer, with lemonade or milk, or in cooking. It is also taken for its perceived medical and nutritional benefits (e.g. it has a high level of vitamin C). An excise duty exemption in 1931 ensured its continued production, which would have been put at risk by substantial increases to beer duty at the time. The duty exemption is now being repealed.

Policy objective

The repeal supports the Government's objective to simplify the tax system and is part of a package of measures which will repeal reliefs that are no longer necessary, have not achieved their policy rationale or are distortive.

Background to the measure

Following the Office of Tax Simplification review of reliefs, the Government announced at Budget 2011 that it would repeal seven reliefs in Finance Act 2011 and confirmed its intention to abolish a further 36 reliefs in Finance Bill 2012 and beyond, subject to a period of consultation.

Consultation on the abolition of 36 tax reliefs was published on 27 May 2011 and views were requested on the Government's proposal to repeal this relief. The Government response was published on 6 December 2011. All documents are available on both the HM Treasury and HM Revenue & Customs (HMRC) websites.

Detailed proposal

Operative date

The excise duty exemption will be withdrawn from 1 April 2013.

Current law

Section 1(3) of the Alcoholic Liquor Duties Act 1979 (ALDA) defines beer which is subject to excise duty under that Act and excludes black beer of an original gravity of 1200 degrees or more. The exemption is permitted by Article 28 of Council Directive 92/83.

Proposed revisions

Legislation will be introduced in Finance Bill 2012 to amend section 1(3) of ALDA to take effect on and after 1 April 2013. This will bring this type of black beer within the definition of beer and it will then become subject to duty under section 1 of ALDA.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	-	-	negligible	negligible	negligible
	This measure is expected to have a negligible impact on the Exchequer. Any impact will be set out at Budget 2012.				
Economic impact	This measure has no significant economic impact.				
Impact on individuals and households	<p>There will be a small negative impact on individuals and householders who consume Black Beer. If changes to the duty treatment of Black Beer were passed on in the price of the product, then a 68cl bottle may increase in price by about £1 – £2.</p> <p>Black Beer is mainly consumed by small numbers of people in the over 65 age group in Yorkshire. Any increase in the retail price may have some impact on individuals and households where the product is bought.</p>				
Equalities impacts	Evidence from the consultation suggests that there may be an impact among the over 65s who consume Black Beer if the retail price of the product increases, perhaps reducing the number of people who remain loyal to the product.				
Impact on business including civil society organisations	<p>The withdrawal of the duty exemption will have a negative impact on the sole producer of Black Beer, based in Yorkshire. It will make the product more expensive making it less affordable, particularly for consumers of pensionable age.</p> <p>There may also be an impact on distributors, suppliers and retailers of Black Beer, but this is likely to be minimal, as only relatively small quantities of the product are made each year (less than 10,000 cases).</p>				
Operational impact (£m) (HMRC or other)	There will be a negligible operational impact for HMRC.				
Other impacts	<p><u>Small firms impact test:</u> The consultation did not identify anything to suggest that the abolition of this relief would have a significant impact on small firms.</p> <p><u>Competition assessment:</u> The measure is pro-competitive, as it removes a duty exemption that affects a single producer of an alcoholic beverage to distortive effect.</p>				

Monitoring and evaluation

This change does not require monitoring or evaluation. It removes a distortive duty exemption affecting one single trader. Any correspondence received on the impact of the repeal will be dealt with on a case by case basis.

Further advice

If you have any questions about this change, please contact Paul Manson on 0161 827 0357 (email: paul.manson@hmrc.gsi.gov.uk).

1 Black beer

- (1) ALDA 1979 is amended as follows.
- (2) In section 1 (alcoholic liquors dutiable under ALDA 1979) –
 - (a) in subsection (3), omit from “, but” to the end of the subsection, and
 - (b) in subsection (5), omit “black beer,”.
- (3) In section 4(1) (interpretation), omit the definition of “black beer”.
- (4) In section 55(5)(b) (made-wine: exception to requirement for excise licence), omit “or black beer”.
- (5) The amendments made by subsections (2) and (3) come into force on 1 April 2013.
- (6) The amendment made by subsection (4) has effect in relation to the use on or after 1 April 2013 of ingredients that include black beer.

EXPLANATORY NOTE

BLACK BEER

SUMMARY

1. This clause provides for the repeal of the excise duty exemption covering black beer with effect from 1 April 2013. It also makes consequential amendments to the Alcoholic Liquor Duties Act 1979 (ALDA).

DETAILS OF THE CLAUSE

2. Subsection (2)(a) amends the definition of beer in section 1(3) of ALDA to include black beer, making it liable to excise duty.
3. Subsections (2)(b) to(4) make consequential amendments to ALDA.

BACKGROUND NOTE

4. The excise duty exemption for black beer was introduced in 1931 to help its continued production at a time of substantial beer duty increases.
5. The Office of Tax Simplification was commissioned by the Chancellor to undertake a review of the reliefs and allowances available in the tax system. Following their review, the Government announced at Budget 2011 that it would repeal seven reliefs immediately and abolish a further 36 reliefs, subject to a period of consultation over the summer. The Government response to the consultation, published on 6 December 2011, confirmed the abolition of this relief.
6. If you have any questions about this change, or comments on the legislation, please contact Paul Manson on 0161 827 0357 (email: paul.manson@hmrc.gsi.gov.uk).