



Alcohol duty rates

Who is likely to be affected?

Businesses and individuals responsible for accounting for excise duty prior to consumption, for example, manufacturers, importers and warehouse keepers. Also, retailers and consumers of alcohol.

General description of the measure

This measure changes the pre-announced rises in the duty rates on alcohol manufactured in, or imported into, the UK.

Policy objective

The Government is committed to supporting pubs, which are important community assets that encourage responsible alcohol consumption. The Government is also committed to supporting the domestic market for the thriving Scotch whisky industry.

Background to the measure

Budget 2008 announced that all alcohol duty rates would rise by two per cent above the Retail Prices Index (RPI) inflation each year between 2009-10 and 2012-13 inclusive. The March 2010 Budget announced these two per cent above RPI rises would continue for a further two years until 2014-15. Budget 2013 announced that beer duty rates would be cut in 2013-14 and that beer duties would then rise by RPI only in 2014-15.

At Budget 2014 the Chancellor announced that from 24 March 2014:

- tax on a typical pint of low, average and high strength beer will fall by one penny a pint;
- duties on spirits and other drinks exceeding 22 per cent alcohol by volume (abv), and most cider duties will be frozen in cash terms; and
- the duty escalator for wine, made wine and high strength sparkling cider will end.

Detailed proposal

Operative date

The new alcohol duty rates will have effect from 24 March 2014.

Current law

Alcohol duty rates are set out in the Alcohol Liquor Duties Act 1979. The duty rate(s) for:

- spirits is set out in section 5;
- beer are set out in section 36(1AA) and 37(4);
- cider are set out in section 62(1A); and
- wine are set out in Schedule 1.

Proposed revisions

Legislation will be introduced in Finance Bill 2014 to revise the alcohol duty rates. Sections 36(1AA), 37(4), 62(1A) and Schedule 1 of the Alcohol Liquor Duties Act 1979 will be amended to provide for the relevant alcohol duty rates. The revised rates are:

- duty on beer exceeding 1.2 per cent but not exceeding 2.8 per cent abv: £8.62 per hectolitre for each per cent of alcohol;
- general beer duty on beer exceeding 2.8 per cent abv and not produced by small breweries: £18.74 per hectolitre for each per cent of alcohol;
- duty on beer exceeding 7.5 per cent abv (and in addition to general beer duty): £5.25 per hectolitre for each per cent of alcohol;
- duty on sparkling cider and perry exceeding 5.5 per cent but not exceeding 8.5 per cent abv: £264.61 per hectolitre of product;
- duty on wine and made-wine exceeding 1.2 per cent but not exceeding 4 per cent abv: £84.21 per hectolitre of product;
- duty on wine and made-wine exceeding 4 per cent but not exceeding 5.5 per cent abv: £115.80 per hectolitre of product;
- duty on still wine and made-wine exceeding 5.5 per cent but not exceeding 15 per cent abv: £273.31 per hectolitre of product;
- duty on wine and made-wine exceeding 15 per cent but not exceeding 22 per cent abv: £364.37 per hectolitre of product;
- duty on sparkling wine and made-wine exceeding 5.5 per cent but not exceeding 8.5 per cent abv: £264.61 per hectolitre of product; and
- duty on sparkling wine and made-wine exceeding 8.5 per cent but not exceeding 15 per cent abv: £350.07 per hectolitre of product.

Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	-290	-295	-305	-315	-325
	These figures are set out in Table 2.1 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the public costings document published alongside the Budget.				
Economic impact	If passed on to consumers, the lower increase in alcohol duty rates will lead to slightly lower inflation.				
Impact on individuals and households	<p>There will be a positive financial impact for individuals who consume alcohol. At the current VAT rate, and assuming 100 per cent pass through wherever alcohol is purchased, from 24 March 2014 the tax on a typical:</p> <ul style="list-style-type: none"> • pint of beer will be one penny lower in cash terms and 8 pence lower compared to the previous government's duty plans; • bottle of Scotch whisky will be unchanged in cash terms and 42 pence lower compared to the previous government's duty plans; • pint of cider will be unchanged in cash terms and 3 pence lower compared to the previous government's duty plans; and • bottle of wine will be 6 pence higher in cash terms and 5 pence lower compared to the previous government's duty plans. 				

Equalities impacts	Due to differences in alcohol consumption, any change to alcohol duties will have an equalities impact. Men are more likely to drink beer and women are more likely to drink wine. Younger people are more likely to drink spirits.
Impact on business including civil society organisations	<p>There will be an increase in alcohol consumption compared to the previous policy. Alcohol manufacturers and importers will see lower duties from 24 March 2014 than expected. The Government expects the benefit will be passed onto consumers. As such, this measure will also support pubs and other retailers of alcohol.</p> <p>The changes in alcohol duty rates will impose a negligible administrative burden to businesses.</p>
Operational impact (£m) (HMRC or other)	HM Revenue & Customs will incur a negligible one-off cost for changing alcohol duties.
Other impacts	<p><u>Small and micro business assessment:</u> the change to duty rates will affect all sizes of business and poses a negligible administrative burden. Small brewers, those producing less than 60,000 hectolitres, pay reduced rates of general beer duty. Small cider makers, those producing less than 70 hectolitres, do not pay any cider duty.</p> <p><u>Health impact assessment:</u> a cut in beer duty, freezing the duty on spirits and most ciders, and a lower rise in the other alcohol duties is likely to lead to a minor increase in overall alcohol consumption in the UK. The duty on higher strength beer will increase more in relative terms than on lower strength beer, helping to encourage the production and consumption of lower strength beer.</p> <p>Other impacts have been considered and none have been identified.</p>

Monitoring and evaluation

The measure will be monitored through information collected from tax receipts.

Further advice

If you have any questions about this change, please contact the Excise and Customs Helpline on 0300 200 3766.