



HM Revenue
& Customs

Simplifying the administration of Alcohol Duty

Summary of Responses
November 2017

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1. Introduction

Background

- 1.1 The government announced its intention to consult on alcohol duty simplification in Budget 2016 as part of its Alcohol strategy¹.
- 1.2 The consultation document² was published on 16 February 2017, on proposals to simplify the administration of alcohol duty. The consultation closed on 26 April 2017. This document summarises the responses received and sets out how the government plans to proceed.
- 1.3 The government received a total of 18 responses, though 3 respondents did not answer the consultation questions on simplifying the system.
- 1.4 Of the 3 responses that did not answer the questions directly, one was from a brewery, one from a software developer and one from an accountancy firm.
- 1.5 One suggested that we consider more widely changes to the way beer duty is applied.
- 1.6 The remaining 15 responses were from trade associations (with combined membership numbers in excess of 1,000 businesses) and individual businesses. The latter ranged from small independent operations with no other employees to large companies with turnover in excess of £100 million.
- 1.7 Chapter 2 of this document contains the responses to the consultation and the government's response. The responses have been very helpful in informing our thinking and starting work on more detailed proposals.
- 1.8 Chapter 3 sets out next steps including further, more detailed consultation in 2018.

¹

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/510235/HMRC_Alcohol_Strategy.pdf

² <https://www.gov.uk/government/consultations/simplifying-the-administration-of-alcohol-duty>

2. Responses

2.1 The consultation document sought comments on the questions identified below.

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?

- 2.2 We received 14 responses to this question. The overwhelming majority of respondents, from both trade associations and from smaller businesses, were supportive of a change to a single registration process.
- 2.3 One response went further, saying *“a single registration process should be one part of a broader programme to deliver a simplified system of authorisation and approvals...traders should hold a single authorisation under which various other related approvals could sit”*.
- 2.4 Other comments received covered the possible impacts on existing businesses if there was a need to re-register, having the facility to make amendments without needing to submit a new registration, and on the format of the registration form.
- 2.5 Where respondents raised concerns, these were about the potential length of a single registration form, and the possibility of losing links to targeted guidance currently included with individual forms.
- 2.6 One respondent said they would prefer that rather than focusing on registration (a process most people undertake once), more time should be spent changing processes that are carried out more than once.

Government response

2.7 The government notes the support for a simplified procedure and the concerns raised. The government will consider options and consult further on a move towards a single registration process for all producers of alcohol. This will be distinct from the excise warehousing population. Where possible, all existing registrations, licences and approvals for alcohol producers will be included in a migration exercise at the appropriate time, meaning businesses will not be required to ‘re-register’.

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

- 2.8 Of the 14 responses to this questions, nearly all felt that ‘fit and proper’ criteria did not pose a barrier to registration.
- 2.9 A number of these responses mentioned the need for clarification on some of the language used in the ‘fit and proper’ criteria, and suggested that the use of examples would be useful.

- 2.10 Where responses were neutral or felt that there could be a barrier, comments mentioned “*subjective decisions in admittedly grey areas*” and “*different approaches and evidential demands depending on the individual officer assigned*”
- 2.11 Another point made was that where a company is already approved under the Alcohol Wholesaler Registration Scheme (AWRS), they should not have to go through the ‘fit and proper’ assessment again for another alcohol regime (i.e. they should be already considered ‘fit and proper’).

Government response

- 2.12 The government notes the points raised and will consider options and consult further on the proposal to include the ‘fit and proper’ criteria as part of future registration.

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?

- 2.13 The majority of respondents are unaffected by the plant and process requirements.
- 2.14 Of those who are affected, 3 respondents did not feel that there was an impact on business in asking for this information.
- 2.15 Where impacts were identified, comments such as “*excessive paper exercise*”, “*regarded as time consuming*” and “*the continual updating of this information...can be a burden*”.
- 2.16 Respondents were unclear about what the information is used for, and questioned that if a business meets the ‘fit and proper’ criteria, whether there is a need for such exact particulars.

Government response

- 2.17 The government will consider options and consult further on the requirement to seek additional approval of processes for spirits producers and more generally when a plan of the premises is required.

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

- 2.18 A common suggestion from both businesses and trade bodies to this question was to have an electronic version of the registration form, with the ability to make amendments online.

2.19 Improvements in the time taken to action notification of changes was a further common comment, along with wanting a common approach across the different alcohol types.

2.20 A number of respondents felt that the requirement to notify changes was unnecessary, and that there should be clarification of what constitutes a 'significant change'.

Government response

2.21 There are a number of existing projects to improve the digital experience for customers, and moving toward an online system is the government's intention. We will set out what 'significant change' means as part of our follow-up consultation.

2.22 In addition to comments on the question, a number of respondents made reference to concerns over section 2.28 of the consultation, which says "*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.*"

Government response

2.23 HMRC's ability to impose conditions already exists for holders of beer and excise warehouses. The government intends to pursue harmonisation across all alcohol regimes to ensure all alcohol businesses are required to exercise due diligence as an anti-fraud measure. We will include this point when we consult on further detail, to allow specific comments.

Declarations and payment

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

2.24 Over half of the responses identified no issues with payment methods.

2.25 Where methods were identified, these were usually related to the size of the business involved. For example, one respondent mentioned restrictions made by banks, where payments in excess of £20m may only be made by CHAPS.

2.26 Some respondents indicated they were unable to use payment methods including cash, cheque, debit and credit cards, while some were not able to use BACS (because of their business circumstances).

2.27 Most respondents expressed a general preference for online banking, with support also for direct debit payments, and retaining a variety of payment methods to suit circumstances.

Government response

2.28 The information provided for this question is helpful in informing our understanding of current payment methods. HMRC's preference is for direct debit payment.

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

2.29 There were 8 direct replies to this question, all agreeing that these additional forms should be included in any review that would follow the first consultation, with the preference to discontinue them as they don't reflect current practice, are outdated and are inconsistent across the alcohol types.

2.30 Other general comments were given about the need to update forms and to improve the online experience through pre-population of data and streamlining returns so 'nil' data does not need to be keyed on each return.

Government response

2.31 The government notes the comments made on these requirements. HMRC intends to remove the requirement to submit the W21 return (Distillery Production Return).

2.32 Work to improve the current online forms is ongoing and will take place alongside our further consultation.

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

2.33 Impacts identified in responses include potential loss in flexibility, returns growing in size due to multi-site filing and financial costs of updating existing computer systems.

2.34 Some respondents felt the option of a single payment for multiple sites would be of benefit, although retaining the ability to do site by site returns if needed would also be helpful.

2.35 Other responses pointed to the need for agreement on transitional arrangements in advance of any changes, due to the impact on cash flow.

2.36 Nearly all trade bodies supported the idea of a move to a single alcohol duty payment return, describing it as a "*very positive step forward*" and "*reducing duplication of administrative effort*".

Government Response

2.37 The government's aspiration is that payment procedures for the alcohol production areas are standardised to a single duty payment return.

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?

2.38 There was a wide variety of responses to this question, reflecting the different practices and challenges faced by different types of business. For example, one comment was that a single duty payment return for larger business could quickly exceed the payment limits for some methods of payment. Another respondent suggested the use of a drop down menu so that only the fields required for the specific products would be shown.

Government Response

2.39 The comments provided for this question have aided our thinking of the potential problems of this approach. They will be considered in developing proposals for a single alcohol duty payment return.

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

2.40 Of the 5 options given, positive responses to each were as follows:

Option A – return and payment due by same (15 th) date of following month	2
Option B – return and payment due by same (HMRC specified) date of following month	0
Option C - return and payment due by same (business specified) date of following month	0
Option D – return and payment due by different dates (set by HMRC)	4
Option E – return and payment due by different dates (HMRC set return date, customer set payment dates)	5

2.41 In general, comments supported flexibility and opposed any change that brought forward the date for payment of duty due from the current dates, due to the impact on cash flow.

2.42 One response summarised that *“of all the areas of simplification and modernisation set out, this one is likely to be seen as the most beneficial for many companies. It goes without saying that any shortening of current payment timetables would be strongly opposed”*.

2.43 A further response pointed out impracticalities with having a return and payment dates on the same day, and the implications that this would have on direct debits.

Government Response

2.44 The government intends to standardise the accounting period for all alcohol production duty returns in line with Option D. This will be considered further as part of the more detailed consultation. We have noted the support for Option E, but have identified problems with the feasibility of delivering this through future digital platforms.

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?

- 2.45 There were a number of varied comments to this question, with some saying that the current system works well and others suggesting extension of the Excise Payment Security System (EPSS) approach to minimise the need for deferment guarantees, and make it fairer for new or smaller businesses.
- 2.46 Some responses suggested aligning deferment periods for all regimes would make things simpler. Some businesses highlighted the financial cost of providing a guarantee that goes with a duty deferment account as a barrier.

Government Response

- 2.47 The comments provided on this question are helpful in informing our understanding of current practices, and will be considered as part of our further consultation.
- 2.48 The government does not plan to make changes to the excise duty deferment system as part of this work.

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.

- 2.49 The responses to questions 11 and 12 are similar in nature, and are covered together here.
- 2.50 All respondents provided details of the costs faced in providing guarantees. These costs rise as the size of the business, and its duty liability, increases.
- 2.51 Some comments pointed to the administrative burden guarantees place on business.
- 2.52 Responses indicate that for new businesses in particular, the costs of guarantees are “*a major concern*”. Where businesses are not currently required to provide a guarantee, responses are unanimous that this additional cost would be unwelcome. One trade body response stated that they “*firmly believe that for existing businesses with a strong compliance history there should be no such requirement, or certainly any fee discounted to zero*”.
- 2.53 Some form of risk-based approach to guarantees was referred to in some responses.

Government Response

- 2.54 The government intends to review all guarantee requirements further.

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.**

2.55 Questions 13 – 17 all relate to the Assessment of Impacts table published in the Consultation document.

2.56 The information provided to this question relates to each respondent, and as such isn't considered applicable for a full summary of each here.

Government Response

2.57 The information provided is useful, and will help the government to understand the position of existing businesses and will inform proposals.

3. Next steps

3.1 The government is grateful to all those who took the time to respond to this consultation which provided many helpful, informative and constructive responses, as well as increasing our understanding of existing business practices.

Further detailed consultation

3.2 HMRC will prepare more detailed plans for its simplification programme. These will be set out in a second consultation document for publication in 2018.

3.3 Upon publication of this second consultation, we will notify all respondents to the first consultation, and invite comments on the government's proposals.

Annex A: List of stakeholders consulted

- Aston Manor Cider Co Ltd
- The Bonded Warehousekeepers Association
- BBPA (British Beer & Pub Association)
- British Distillers Alliance
- Direct Wines
- Eastcott Vineyard.
- London City Bond Ltd
- Moor Beer Company
- Peerless Brewing Ltd
- Scotch Whisky Association
- SIBA (Society of Independent Brewers)
- St Austell Brewery
- United Kingdom Warehousing Association
- WM Morrison Supermarket
- WSTA (The Wine and Spirit Trade Association)