

Clause 1: Post-duty point dilution of wine or made-wine

Summary

1. This clause amends the Alcoholic Liquor Duties Act 1979 (ALDA) to introduce sanctions for post duty point dilution of wine or made-wine which, if carried out before the duty point, would have resulted in a higher amount of duty being payable. This change will come into force on 1st April 2020.

Details of the clause

2. Subsection (1) inserts a new section 55ZA into the Alcoholic Liquor Duties Act 1979 (ALDA). This section provides for penalty and forfeiture provisions to apply, when water or any other substance is mixed with or added to wine or made-wine after the excise duty point, where the amount of excise duty payable would have been greater if the addition had taken place before the duty point.
3. Subsection (2) provides for the change to be introduced with effect from 1 April 2020.

Background note

4. Budget 2018 announced that the government would legislate in Finance Bill 2019-20 to prevent the practice of diluting wine and made-wine products after the excise duty point, i.e. when the excise duty due has been calculated.
5. Wine and made-wine are taxed in broad strength bands. Calculating the duty and then increasing volume and reducing strength by dilution after the duty point, means that the amount of duty payable on the undiluted wine or made-wine can be less than that which would be calculated on the larger volume of the diluted final product.
6. There is currently no legislation to prevent the practice. Introducing new sanctions for anyone carrying out post duty point dilution will have a prohibitive effect. These will come into force from 1 April 2020.
7. If you have any questions about this change, or comments on the legislation, please contact Chris Gibbons on 03000 588070 (email: chris.gibbons@hmrc.gov.uk).