

Angostura Bitters: Repeal of Relief

Who is likely to be affected?

The sole manufacturer in Trinidad & Tobago, importers and consumers of the aromatic bitters (i.e. a type of flavouring) known as Angostura Bitters.

General description of the measure

The relief exempts from excise duty the importation of Angostura Bitters into the UK. Angostura Bitters are a type of flavouring made in Trinidad & Tobago by Angostura Limited. Production is relatively limited (around 240,000 bottles per year for the UK) and it is used as a low volume ingredient in the preparation of both food and drink, particularly cocktails. Angostura Bitters were granted the excise duty exemption in 1970, in order to support Trinidad's economy at that time. There is no evidence to suggest that this support continues to be required. The exemption is distortive because it applies to only one brand of bitters rather than all similar products, and is now being repealed.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The excise duty exemption will be withdrawn from 1 April 2013.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

The exemption from excise duty on importation for Angostura Bitters is contained in subsection 1(7) of the Alcoholic Liquor Duties Act 1979 (ALDA) and in Commissioners' directions made using a power in section 6 of ALDA. The exemption is provided for in Article 28 of Council Directive 92/83.

Proposed revisions

Legislation will be introduced in Finance Bill 2012 to repeal sections 1(7) and 6 of ALDA to take effect on and after 1 April 2013. Angostura Bitters 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	There will be a small negative impact on individuals and households who consume Angostura Bitters. If changes to the duty treatment of Angostura Bitters were passed on in the price of the product, then a 200ml bottle may increase in price by between £2-£3, although the product is typically consumed as a 'dash' (a few drops only) at a time.				
Equalities impacts	Potential impacts have been considered and no different impact has been identified on people with protected characteristics.				
Impact on business including civil society organisations	<p>There will be a negative impact on the single producer of Angostura Bitters in Trinidad & Tobago. There may also be an impact on businesses importing, distributing and supplying Angostura Bitters in the UK, but this is likely to be minimal, as only relatively small quantities of the product are imported each year.</p> <p>The removal of the duty exemption will render Angostura Bitters liable to excise duty, making it more expensive.</p> <p>Unless the product is duty paid at importation, it will have to be consigned to an excise warehouse, which could impose additional storage costs on importers.</p>				
Operational impact (£m) (HMRC or other)	There will be a negligible operational impact for HMRC.				
Other impacts	<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. The measure is pro-competitive, as it removes a duty exemption that applies to a single producer of aromatic bitters to distortive effect.				

Monitoring and evaluation

This change does not require monitoring or evaluation. It removes a distortive duty exemption. 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 Angostura bitters

- (1) In ALDA 1979, omit—
 - (a) section 1(7) (angostura bitters deemed not to be spirits), and
 - (b) section 6 (power to exempt angostura bitters from duty).
- (2) In Schedule 5 to FA 1994 (decisions subject to review and appeal), omit paragraph 3(1)(a).
- (3) The amendments made by this section come into force on 1 April 2013.

EXPLANATORY NOTE

ANGOSTURA BITTERS

SUMMARY

1. This clause provides for the repeal of the excise duty exemption covering the flavouring essence known as angostura bitters with effect from 1 April 2013. It also makes consequential amendments to the Finance Act 1994.

DETAILS OF THE CLAUSE

2. Paragraph (1) repeals sections 1(7) and section 6 of the Alcoholic Liquor Duties Act 1979 (ALDA). The former deems angostura bitters not to be spirits for certain duty purposes, while the latter provides power for the Commissioners of HM Revenue and Customs to direct that angostura bitters are to be treated on importation as not being spirits.
3. Paragraph (2) of the clause repeals the provision in Schedule 5 to the Finance Act 1994. Schedule 5 makes decisions relating to whether or not to give a direction under section 6 of the ALDA appealable at Tribunal.

BACKGROUND NOTE

4. The excise duty exemption covering angostura bitters was introduced in 1970 to support Trinidad's economy at the time.
5. Angostura bitters will remain eligible for Alcoholic Ingredients Relief, subject to compliance with the conditions set out in section 4 of the Finance Act 1995.
6. 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.
7. 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)