



## **Alcohol duty: registration of alcohol wholesalers**

---

### **Who is likely to be affected?**

Businesses buying and selling alcoholic drinks for wholesale.

### **General description of the measure**

This measure will introduce a requirement for wholesalers of alcohol, at or after the duty point, to be registered with HM Revenue & Customs (HMRC). Existing and new businesses trading wholesale in alcohol will be required to submit an application for registration. They must demonstrate to HMRC that they fulfil certain 'fit and proper' criteria, as well as complying with new record keeping obligations and operating due diligence when making purchases, to prevent exposure to the illicit alcohol market. Additionally, wholesalers and retailers of alcohol will be obliged to purchase alcohol only from registered wholesalers.

### **Policy objective**

This measure is intended to reduce the prevalence of alcohol fraud in the wholesale and retail sectors. Creating a register of approved alcohol wholesalers will restrict the involvement of criminals and businesses willing to risk trading in illicit goods in this sector, consequently reducing the volumes of illicit (untaxed) alcohol entering retail supply chains. This will reduce unfair competition from illicit trading across the wholesale and retail sectors.

### **Background to the measure**

This measure was announced at Autumn Statement 2013 following public consultation in 2012-13.

## **Detailed proposal**

### **Operative date**

The law will be enacted on and after the date of Royal Assent to Finance Bill 2015.

This measure will take effect from 1 October 2015 when a three month application window will open for wholesalers. HMRC will undertake a fifteen month programme of assurance activity from 1 January 2016 to assess whether all these businesses meet the 'fit and proper' criteria. Any new business which wishes to start trading and which has not applied to register before 1 January 2016 must apply to HMRC at least 45 working days before they intend to operate as HMRC will assess their 'fit and proper' status prior to their commencement. On and after 1 April 2017, the obligations for those who purchase alcohol from wholesalers will come into effect. This will include retailers of alcohol as well as wholesalers purchasing alcohol from other wholesalers.

In addition, new penalties will be introduced to encourage compliance but also deal with serious offenders. On and after 1 January 2016, wholesalers who are found to be either trading without having applied for registration before 1 January 2016, or trading beyond the conditions of their fit and proper approval, will be liable to a possible penalty. From 1 April 2017, new offences will also apply for those who buy from an unapproved wholesaler.

## Current law

This measure introduces a new scheme. No current legislation applies to registration of wholesalers and no legislation applies to purchases of alcohol from a wholesaler.

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to amend the Alcoholic Liquor Duties Act 1979 (ALDA 1979).

Secondary legislation will come into force on and after 1 October 2015.

## Summary of impacts

Exchequer impact (£m)	2014-15	2015-16	2016-17	2017-18	2018-19
	nil	-5	+15	+235	+215
	These figures are set out in Table 2.2 of Budget 2014 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Autumn Statement 2013.				
<b>Economic impact</b>	The measure is not expected to have any significant economic impacts.				
<b>Impact on individuals households and families</b>	This measure is unlikely to have a direct impact on individuals and households as it is intended to reduce tax evasion, benefitting genuine alcohol wholesaler businesses and the Exchequer. This measure is not expected to have significant impacts on family formation, stability or breakdown.				
<b>Equalities impacts</b>	The change is not expected to have a disproportionate impact on any protected equality groups.				
<b>Impact on business including civil society organisations</b>	<p>There are approximately 21,000 businesses which will be expected to apply for registration for this scheme. HMRC expect that not all of these will be successful. As well as businesses which will be expected to register, also affected by this scheme will be alcohol retailers who will be expected to comply with due diligence requirements.</p> <p>There will be some additional burdens for businesses which include familiarisation with the legislation and the requirement to include the unique reference number on invoices. There is also an anticipated one-off burden on businesses who will be required to check HMRC's online lookup system to ensure all the suppliers they are currently dealing with are registered.</p> <p>The anticipated ongoing burden arises from the need to maintain record keeping on-site accessible to HMRC and the periodic online lookup to verify suppliers remain registered. There is an additional ongoing burden in the form of new businesses entering the market.</p> <p>In total, HMRC anticipates one-off costs across businesses of £9 million, and an additional annual burden of £3 million.</p>				

	Cost	Time Period (yrs)
<b>Compliance Costs</b>		
One-off Costs	£9.2m	N/A
Average Annual Costs	£2.6m	5
Total Costs (PV)	£21.2m	N/A
<b>Compliance Benefits</b>		
One-off Benefits	N/A	N/A
Average Annual Benefit	N/A	N/A
Total Benefit (PV)	N/A	N/A
Net Benefit (NPV)	-£21.2m	N/A
<b>Impact on Administrative Burden (included in Net Benefit)</b>		
Increase	Decrease	Net Impact
£2m	£0m	£2m
<p>The impact on administrative burden (£2 million included in net benefit) represents the expected costs and benefits for the first year only. The £2.6 million included in compliance costs represent the average annual amount over the five years.</p>		
<b>Operational impact (£m) (HMRC or other)</b>	<p>This measure will cost HMRC approximately £6.2 million in one off IT costs and approximately £47 million in staffing and other resource costs for the 5 year period from 2014-15 to 2018-19.</p> <p>Early indications are that there could be a significant impact on the Tax Tribunal System and HMRC are working with the Ministry of Justice to better understand what that is and what the associated costs would be.</p>	
<b>Other impacts</b>	<p><u>Carbon assessment:</u> the measure is not anticipated to have any significant impact on carbon emissions.</p> <p><u>Small and micro business assessment:</u> The requirements of the scheme do not differ depending on size of business. The scheme should result in a reduction in the undercutting of legitimate businesses by competition using illicit supplies of alcohol which can disproportionately hit smaller businesses. The anticipated one-off cost to small and micro sized businesses is estimated to be negligible, whereas the ongoing burden is estimated to be approximately £1 million per year.</p> <p><u>Justice impact test:</u> this has been discussed with Ministry of Justice and awaits further work.</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 and tax gaps and the results of enforcement and compliance activity.

### Further advice

If you have any questions about this change, please contact John Waller on 03000 588063 (email:john.c.waller@hmrc.gsi.gov.uk).