



## Alcohol duty rates

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### 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 – as well as retailers and consumers of alcohol.

### General description of the measure

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

### Policy objective

The government is committed to helping pubs, which are important community assets that encourage responsible alcohol consumption.

### Background to the measure

Budget 2013 announced the end of the beer duty escalator. Budget 2014 announced the end of the wine, cider and spirits duty escalators. The public finances assume that all alcohol duties rise by RPI inflation each year.

At Budget 2015 the Chancellor of the Exchequer announced that from 23 March 2015 the:

- tax on a typical pint of low, average and high strength beer will be cut by one penny
- duty rate on lower strength cider will be cut by 2% with an equivalent benefit in cash terms for high strength still cider
- duty rate on spirits and other drinks exceeding 22% alcohol by volume (abv) will be cut by 2%
- duty rates on wine, made-wine and high strength sparkling cider will be frozen in cash terms

### Detailed proposal

#### Operative date

The new alcohol duty rates will have effect from 23 March 2015.

#### 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)
- wine and made-wine are set out in Schedule 1

## Proposed revisions

Legislation will be introduced in Finance Bill 2015 to revise the alcohol duty rates. Sections 5, 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 spirits and all other drinks exceeding 22% abv: £27.66 per litre of pure alcohol
- duty on beer exceeding 1.2% but not exceeding 2.8% abv: £8.10 per hectolitre for each per cent of alcohol
- general beer duty on beer exceeding 2.8% abv and not produced by small breweries: £18.37 per hectolitre for each per cent of alcohol
- duty on beer exceeding 7.5% abv (and in addition to general beer duty): £5.48 per hectolitre for each per cent of alcohol
- duty on still cider and perry exceeding 1.2% but not exceeding 7.5% abv: £38.67 per hectolitre of product
- duty on still cider and perry exceeding 7.5% but not exceeding 8.5% abv: £58.75 per hectolitre of product
- duty on sparkling cider and perry exceeding 1.2% but not exceeding 5.5% abv: £38.87 per hectolitre of product

## Summary of impacts

Exchequer impact (£m)	2015-16	2016-17	2017-18	2018-19	2019-20
	-185	-175	-185	-185	-190
	These figures represent the combined Exchequer impact of all the alcohol duty changes at Budget 2015. The figures for these measures are set out in Table 2.1 of Budget 2015 and have been certified by the Office for Budget Responsibility. More details can be found in the policy costings document published alongside Budget 2015.				
<b>Economic impact</b>	The changes to alcohol duty rates are expected to lead to slightly lower inflation.				
<b>Impact on individuals, households and families</b>	<p>There will be a positive financial impact for individuals who consume alcohol. At the current VAT rate, and assuming 100% pass through wherever alcohol is purchased, from 23 March 2015 the tax on a typical:</p> <ul style="list-style-type: none"> <li>• pint of beer will be one penny lower in cash terms and 9 pence lower compared to the previous government's duty plans</li> <li>• bottle of Scotch whisky will be 19 pence lower in cash terms and 70 pence lower compared to the previous government's duty plans</li> <li>• litre of cider will be one penny lower in cash terms and 7 pence lower compared to the previous government's duty plans and</li> <li>• bottle of wine will be unchanged in cash terms and 7 pence lower compared to the previous government's duty plans.</li> </ul> <p>The measure is not expected to impact on family formation, stability or breakdown.</p>				

<b>Equalities impacts</b>	Due to differences in alcohol consumption, any change to alcohol duties will have an equalities impact that reflects consumption trends across the adult population.
<b>Impact on business including civil society organisations</b>	<p>The changes in alcohol duty rates will impose a negligible administrative burden on businesses.</p> <p>Alcohol manufacturers and importers will benefit from lower duty rates than expected. The government expects the benefit will be passed onto consumers.</p> <p>This measure will also help pubs and other retailers of alcohol.</p>
<b>Operational impact (£m) (HMRC or other)</b>	HM Revenue and Customs will incur a negligible one-off cost for changing alcohol duties.
<b>Other impacts</b>	<p><u>Small and micro business assessment</u>: the change to duty rates will impact on businesses irrespective of their size 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 10 hectolitres, do not pay any cider duty.</p> <p><u>Health impact assessment</u>: cutting the duty rate on beer, most ciders and spirits, and freezing the duty rate on wine likely to lead to a minor increase in overall alcohol consumption in the UK. The duty on higher strength beer and wine will increase more in relative terms than on lower strength beer and cider, helping to encourage the production and consumption of lower strength products.</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 03000 200 3700.