

Alcohol Change UK



Representation to the Duty Call for Evidence 2020

Introduction

Alcohol Change UK is a leading UK alcohol charity, formed from the merger of Alcohol Concern and Alcohol Research UK. With a vision of a society that is free from serious alcohol harm, we work towards five key changes: improved knowledge, better policies and regulation, shifted cultural norms, improved drinking behaviours, and more and better support and treatment. We are a research funder, we deliver the annual Dry January campaign and we provide training to client-facing professionals through our award-winning Blue Light programme.

We welcome the opportunity to make a submission to this Call for Evidence.

Answers to questions

The overall duty system

1. Overall, how effectively does the current set of individual duties work in meeting the Government's aims of raising revenue and protecting public health?

Alcohol duty, applied appropriately, can be an effective measure to raise revenue and protect public health (through decreasing consumption by increasing price).

Alcohol harm in the UK is a serious societal problem, affecting both individuals' health and the lives of family members and friends, communities and public services. A recent survey from Alcohol Change UK found that 61% of people in the UK have known a friend, family member, colleague or other acquaintance in their life with an alcohol problem.¹ Alcohol is a leading risk factor for death and disability among a majority of the working age population, contributing to a loss for the UK economy of £7 billion and 167,000 working years of life every year due to lost productivity.²

Public Health England and the World Health Organisation recommend duty as an effective, albeit not the only, policy to reduce alcohol harms.³ The cost of alcohol to the consumer is strongly influenced by the level of duty on the product. Price is a strong driver of behaviour and can greatly influence whether and how much a person drinks. A University of Sheffield report found that a 2% above inflation increase in alcohol duty from 2020 to

¹ Alcohol Change UK (2020). [Press release: Over half of UK drinkers have turned to alcohol for mental health reasons during pandemic](#)

² Public Health England (2016). [Health matters: harmful drinking and alcohol dependence](#)

³ World Health Organisation (2017). [Tackling NCDs: "best buys" and other recommended interventions for the prevention and control of noncommunicable diseases](#) and Public Health England (2016). [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies.](#)

2032 would save more than 4,700 lives and prevent over 160,000 hospital admissions in England.⁴ We recognise that duty is an imperfect mechanism due to incomplete tax pass-through but it is still a powerful lever to influence the price of alcohol, with the added benefit that it generates revenue. There is still significant pass-through of duty rates in the UK, even in large supermarkets which traditionally sell alcohol at a loss. A recent academic study funded by Alcohol Change UK found that on average £0.66 is passed through to the consumer for every £1.00 of duty.⁵

Despite taxation being a potentially effective measure for public health protection, the current duty system has failed to reach this potential, with duty cuts and freezes costing an additional 2,000 deaths and 61,000 hospital admissions in England since 2012.⁶ As duty is not fully linked to product strength across all categories, producers have been incentivised to produce very strong alcohol to be sold very cheaply. For example, a 2020 Alcohol Health Alliance survey of alcohol prices, found that a 2.5 litre bottle of 7.5% cider could be purchased for £3.59, equivalent to 19p per unit of alcohol.⁷ This bottle would only have been charged £1.27 in duty compared to £3.58 for the same volume of beer. This unfair system has allowed and, arguably, incentivised the production of cheap, super-strength products, which cause the most harm.

This is not only a concern for the most vulnerable, high-risk drinkers. By lowering overall consumption, an improved duty system could deliver improved health outcomes amongst increasing-risk drinkers and perform a preventative function, potentially reducing the numbers of low-risk and increasing-risk drinkers who go on to develop higher risk behaviours. This outcome can be achieved with minimal impact on people who drink moderately now and who continue to do so.

By reducing consumption across the board, a rationalised, strength-based system could also deliver a positive impact on wider alcohol harms (including those caused by low-risk and increasing-risk drinkers), such as alcohol-related crime and disorder, fires, accidents and drink-driving. These alcohol harms are experienced far beyond the individual drinker, and duty is an important tool for tackling them through overall decreases in consumption.

Furthermore, the current system is ineffective at raising revenue as it is vulnerable to repeated politically driven duty freezes, and because of the inherent imbalance in the amount of duty charged to different types of alcohol. Cuts and freezes have cost the Treasury £6.2 billion since 2013.⁸ Alcohol duty should be raised to account for the huge costs of alcohol to society, currently estimated at between £27 billion and £52 billion per year,⁹ compared to revenue from alcohol duty of just £12 billion annually.¹⁰

2. Do you have any general comments about the current system of alcohol duties, and how it could be improved? In particular, if you are a producer, we would welcome information on your experiences of the duty system.

Increasing duty is a widely accepted policy among the general public, found to be the second most popular tax after tobacco duty.¹¹ The current system could be improved by correcting the imbalance and connecting duty to strength, through a method of scaled volumetric taxation that takes into account the differing production costs

⁴ Angus, C. & Henney, M. (2019). [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield.

⁵ Panzone, L. and Albani, V. (2020). [Understanding the link between alcohol excises and the price of alcoholic drinks in UK supermarkets using scanner data](#). Alcohol Change UK.

⁶ Angus, C. & Henney, M. (2019). [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield and IAS.

⁷ Alcohol Health Alliance (2020). [Small change: Alcohol at pocket money prices](#).

⁸ UK Parliament (2020). Cider: Excise duties [Written Question 98264](#).

⁹ Burton, R. et al. (2016). A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective. The Lancet [https://doi.org/10.1016/S0140-6736\(16\)32420-5](https://doi.org/10.1016/S0140-6736(16)32420-5)

¹⁰ HM Revenue and Customs and HM Treasury (2020). [Alcohol duty review: call for evidence](#).

¹¹ YouGov (2020). [Budget 2020: what tax changes would be popular?](#)

of different types of alcohol and ensures that an equal and fair amount of duty will be passed through to the consumer. This system should be proportionate, meaning the level of tax should offset the cost of alcohol harm. It should be scaled, meaning products pay more tax per unit of alcohol with increasing strength. It should be consistent, meaning the same strength drinks should pay the same level of tax regardless of product category. It should be updated, meaning that it should increase in line with inflation or wages.

3. Are there any structural changes you anticipate taking place in the alcohol industry that you believe the duty regime should reflect?

N/a

Comparisons between the duties

4. Overall, how well do the different duties work when combined together as a system?

The different duties do not work well together and are unfair to producers because, for example, a cider producer is charged much less per unit of alcohol than a beer producer. The duty system in its current state (particularly where there are large strength bands, such as for wine) does not incentivise producers to reformulate their products to lower strength alcohol which would have a less harmful impact on drinkers, especially binge drinkers. Similarly, there is no price incentive for consumers to choose lower-strength drinks.

5. Do the differences and inconsistencies highlighted cause real-world issues for producers and for public health, or are these more theoretical concerns? In particular, if you are a producer, have differences in the duties affected your business decisions?

Yes, the inconsistencies do cause real-world issues for public health. Some types of cheap alcohol are favoured by the heaviest drinkers who cause the most harm to themselves and others. Our work on the [Blue Light Project](#) identifies a small group of people who place a large burden on public services because of their alcohol use: people who have a long-term pattern of problem drinking or are alcohol-dependent, have a pattern of not engaging with or benefitting from alcohol treatment and frequently use public services as a result, including health, social care, criminal justice, domestic violence, children's services, police, housing and homelessness services.¹² All these people combined are estimated to cost £2.4bn each year to health, criminal justice, social care, housing and emergency services.¹³

The inconsistent approach to duty rates on different drink types has directly contributed to the existence of extremely cheap high-strength ciders which are associated with significant health and social harm. Higher strength alcohol is inherently more dangerous than its lower strength counterpart because it is possible to ingest large amounts of pure alcohol very quickly. This has led to avoidable deaths among the most vulnerable in society. For example, the homelessness charity Thames Reach has found that 'super strength' drinks were directly responsible for 10 out of 16 deaths among their hostel residents.¹⁴ People with alcohol problems tend to have super-strength cider as their drink of choice, due to its combined strength and affordability.¹⁵

Furthermore, research has shown that the availability of cheap white ciders has provided a 'buffering' effect, allowing very high-risk, high-volume drinkers to maintain the volume of their alcohol intake even as they

¹² Alcohol Change UK (2020) The Blue Light Project webpage

¹³ Alcohol Change UK (2014) The Blue Light Project Manual: Working with change-resistant drinkers

¹⁴ Nicholas, M. (2017). [Murder in a can](#). Blog for the Institute of Alcohol Studies.

¹⁵ Black, H. et al. (2014). White cider consumption and heavy drinkers: a low cost option but an unknown price. Alcohol and Alcoholism. <https://doi.org/10.1093/alcalc/agu068>

became less able to afford other products (either as prices rise or their incomes are squeezed).¹⁶ Eliminating the preferential approach to these products would have a positive impact on this group.

Methods of taxation

6. Is there a case to move to a standard method of taxation?

Yes, a standard method of taxation would level the playing field between producers. Taxes should be specific across all product categories, with cider and wine moving to a system where they are taxed according to strength. The current banding system for some products, such as cider, combined with volumetric taxation means the tax per unit of alcohol is lower as products become stronger within their band. This does not incentivise producers to produce lower strength products and it also enables high strength products to be sold very cheaply. Even the newest mid-strength tax band for cider has only had a minimal impact on the retail price. An earlier Alcohol Health Alliance survey of alcohol prices in 2016 found that the cheapest cider was on the market for £3.49 for 3L, equivalent to 16p per unit.¹⁷ This is only marginally cheaper than the most recent survey which found that it could be purchased for the equivalent of 19p per unit.

7. In particular, should the UK replicate the example of other countries and move wine and cider duties to be taxed in proportion to the strength of the final product, i.e. converted to a specific basis?

Yes, wine and cider duties should be taxed in proportion to the strength of the final product.

Distinguishing products by the source of their alcohol

8. Is the current system of differentiating different alcoholic products on the source of their alcohol a fair approach?

The current system is unfair to producers and the public. There should be a unified system of duty where all producers are treated equally. The public are also bearing the cost of alcohol harm in an unfair way. Health inequalities means that alcohol harm is disproportionately experienced by more disadvantaged people, which has only been exacerbated by the past years' of duty freezes and cuts.¹⁸

9. Is there a case to remove, or add further, categories of products?

N/a

10. Is there a case to end the individual alcohol taxes and reconstitute them with a single, unified alcohol tax? If not, on what basis should individual alcohol taxes be retained?

Yes there is a case to end individual taxes and use a unified alcohol tax based on strength, as suggested by the Social Market Foundation.¹⁹ A duty strength escalator would ensure that stronger products which are cheaper

¹⁶ Chick, J. and Gill, J. (2015) Alcohol pricing and purchasing among heavy drinkers in Edinburgh and Glasgow <https://alcoholchange.org.uk/publication/alcohol-pricing-and-purchasing-among-heavy-drinkers-in-edinburgh-and-glasgow>

¹⁷ Alcohol Health Alliance (2016). [Cheap alcohol: the price we pay.](#)

¹⁸ Angus, C. & Henney, M. (2019). [Modelling the impact of alcohol duty policies since 2012 in England and Scotland.](#) The University of Sheffield and IAS.

¹⁹ Corfe, S. (2019). [Pour decisions? The case for reforming alcohol duty.](#) Social Market Foundation.

to make would not end up with a lower price when being sold and therefore the tax pass-through would remain high.

11. Should taxation recognise the costs associated with producing different products?

N/a

12. What evidence is there of the differing harms associated with individual products?

(Duplicated from Q5) Some types of cheap alcohol are favoured by the heaviest drinkers who cause the most harm to themselves and others. Our work on the [Blue Light Project](#) identifies a small group of people who place a large burden on public services because of their alcohol use: people who have a long-term pattern of problem drinking or are alcohol-dependent, have a pattern of not engaging with or benefitting from alcohol treatment and frequently use public services as a result, including health, social care, criminal justice, domestic violence, children's services, police, housing and homelessness services.²⁰ All these people combined are estimated to cost £2.4bn each year to health, criminal justice, social care, housing and emergency services.²¹

The inconsistent approach to duty rates on different drink types has directly contributed to the existence of extremely cheap high-strength ciders which are associated with significant health and social harm. Higher strength alcohol is inherently more dangerous than its lower strength counterpart because it is possible to ingest large amounts of pure alcohol very quickly. This has led to avoidable deaths among the most vulnerable in society. For example, the homelessness charity Thames Reach has found that 'super strength' drinks were directly responsible for 10 out of 16 deaths among their hostel residents.²² People with alcohol problems tend to have super-strength cider as their drink of choice, due to its combined strength and affordability.²³

Furthermore, research has shown that the availability of cheap white ciders has provided a 'buffering' effect, allowing very high-risk, high-volume drinkers to maintain the volume of their alcohol intake even as they became less able to afford other products (either as prices rise or their incomes are squeezed).²⁴ Eliminating the preferential approach to these products would have a positive impact on this group.

Distinguishing products by strength

13. How well does the current system work in taxing products of different strengths?

The current system is ineffective at taxing products of different strengths due to the differences in the way the alcohol categories are taxed, with some receiving volumetric taxation and some receiving taxation by strength within a banded system. Wine is a good example of where a large band exists (above 5.5% to 15% ABV) that had allowed strength to creep upwards without any financial check. Between 1990 and 2007 the average strength of wine increased by 12.5%, from 11.2% to 12.6% Alcohol by Volume (ABV).²⁵ Despite the UK Coalition Government's attempts to reduce the strength of drinks as part of the Public Health Responsibility Deal, between 2011 and 2013 the average strength of beer fell by just 0.28 percentage points, from 4.42% to 4.14%

²⁰ Alcohol Change UK (2020) The Blue Light Project webpage

²¹ Alcohol Change UK (2014) The Blue Light Project Manual: Working with change-resistant drinkers

²² Nicholas, M. (2017). [Murder in a can](#). Blog for the Institute of Alcohol Studies.

²³ Black, H. et al. (2014). White cider consumption and heavy drinkers: a low cost option but an unknown price. Alcohol and Alcoholism. <https://doi.org/10.1093/alcalc/agu068>

²⁴ Chick, J. and Gill, J. (2015) Alcohol pricing and purchasing among heavy drinkers in Edinburgh and Glasgow <https://alcoholchange.org.uk/publication/alcohol-pricing-and-purchasing-among-heavy-drinkers-in-edinburgh-and-glasgow>

²⁵ Stead M, Bauld L, Angus K, et al. (2013) [Scoping and Feasibility Study to Develop and Apply a Methodology for Retrospective Adjustment of Alcohol Consumption Data](#). London: Public Health Research Consortium.

ABV and the average strength of wine increased by 0.3%.²⁶ Improvements to the duty system would provide a more robust disincentive for creeping strength increases, and a price incentive for consumers to choose lower-strength products.

14. Would you support a “strength escalator” system, i.e. one where products that are stronger consistently pay more duty per unit?

We would strongly support a strength escalator system.

15. Can a product be more or less harmful for reasons other than the strength of the product?

There is evidence from studies on sweetened beverages as well as from expert experience within the alcohol treatment sector that larger container sizes can be more harmful as they encourage both the purchasing of large quantities of alcohol at once and also encourage the consumption of larger quantities of alcohol per sitting.^{27 28} Smaller container sizes increase the number of times a drinker must decide to open a new container and continue drinking.

A factor which greatly influences alcohol harm is the strength of the product, as more pure alcohol can be consumed over a shorter period of time than with lower strength products. This is especially dangerous, not just for heavy and dependent drinkers who favour these drinks,²⁹ but also binge drinkers and ultimately affects all drinkers to some degree.

Price per unit is by far the most important factor which influences alcohol harm. Cheaper, stronger products cause more harm at a population level than weaker, more expensive ones.

Furthermore, we welcome the Government’s attention to the calorie and sugar content of alcoholic drinks and recognise that products may pose risks other than those created by alcohol alone. We support changes to the requirements for alcohol labelling to expand the mandatory requirements for label content.

16. How should the Government consider setting different rates of duty for higher and lower strength products?

The Government should consider a formula-based approach which would see duty increase continually with strength.

17. Are there appropriate points at which products become more or less harmful, which could be used to set bands for different strength products?

There is no specific alcoholic strength at which a product becomes less harmful – even low amounts of alcohol can present health and other risks to certain groups of people. Having a step change in the form of a banding system would mean products were incentivised to become as strong as they can be within their band.

²⁶ Department of Health (2014) [Responsibility Deal: monitoring the number of units of alcohol sold](#)

²⁷ Mantzari, E., Hollands, G.J., Pechey, R. *et al.* Impact of bottle size on in-home consumption of sugar-sweetened beverages: a feasibility and acceptability study. *BMC Public Health* 17, 304 (2017). <https://doi.org/10.1186/s12889-017-4214-y>

²⁸ Ward, M. (2020). [Price matters... and so does size](#). Alcohol Change UK.

²⁹ The Institute for Fiscal Studies (2017). [Tax design in the alcohol market](#).

Furthermore, we would support a change to the descriptors and labelling requirements for alcohol-free and low-alcohol products, in particular the reclassification of ‘alcohol-free’ drinks to include all drinks under 0.5% ABV.³⁰

18. What would be the effect of moving away from a banded system to a formula-based approach such as in Iceland?

A banding approach is inferior to a formula-based approach which would see duty increase continually with strength because there is no specific point at which products become less harmful. Stronger products are more dangerous than weaker ones because they encourage the consumption of more alcohol at a faster rate.

19. Should the duty system be used to encourage producers to switch to lower strength products, or reformulate existing products?

It would be beneficial to public health if the duty system encouraged reformulation of products to lower-strength versions.

20. If so, what would the best way of encouraging such practices?

A formula-based approach would be the best way of encouraging reformulation as there wouldn't be the issue of having no incentive to produce lower strength products within a given band, as is the case with the current cider banding system which acts as an inverse duty strength escalator.

Distinguishing based on the place of retail

21. Is there a case to distinguish between different retail sources in the alcohol duty system? What would be the benefits and disadvantages of doing so?

While retail sources are usually categorised as ‘on-trade’ and ‘off-trade’ for the purposes of duty discussions, it is worth noting that both sectors contain significant variety: small independent shops and international supermarket chains; family run pubs, cabaret and live performance venues, music festivals, fine dining restaurants and massive nightclubs.

Preferential treatment through the duty system is not the best way to support pubs, or the on-trade more broadly. Duty cuts have little effect on hospitality businesses and pubs can be better supported through other mechanisms, such as adjustments to business rates. This is supported by evidence from publicans themselves. In a survey of North East pub landlords, 89% said that duty cuts did not help their business and only 4% thought that alcohol taxes were the main cause of pub closures. Instead, the majority (51%) thought that cheap alcohol in the off-trade was to blame, an issue which could be helped through increasing duty.³¹

Importantly when the hospitality sector opens back up, a drop in alcohol sales associated with a duty rise will not *necessarily* result in equivalent drop in revenue for all or even most of these businesses. At least some expenditure is likely to be offset by purchases of alternative products (e.g. non-alcoholic drinks, food and entertainment), especially if the sector diversifies its offer to include more alcohol-free products and/or extend their provision of food and entertainment offer.³² This would have the additional cultural benefit of normalising

³⁰ Social Market Foundation (2020) [Alcohol-free and low-strength drinks: Understanding their role in reducing alcohol-related harms](#)

³¹ Balance North East (2018). [Views from behind the bar](#).

³² Institute for Alcohol Studies (2018) [Factsheet: The alcohol industry](#)

lower consumption of alcohol and consumption of alcohol-free options – an ambition outlined in the government’s green paper *‘Advancing our health: prevention in the 2020s’*.³³

Evening out at-home and out-of-home consumption by increasing off-trade prices is not likely to have an adverse impact on crime and disorder. First, some crime and disorder linked to alcohol is not specific to out-of-home consumption, such as domestic abuse and ‘morning after’ drink-driving. Furthermore, addressing the significant price differential between on-trade and off-trade prices has the potential to address the problems associated with ‘pre-loading’ (alcohol consumed before visiting licensed venues), and other ‘loading behaviours’ (such as drinks smuggled into venues, or after parties)³⁴, which are linked to excessive consumption, intoxication and negative consequences.³⁵

22. If so, what would be your recommended method of doing so?

N/a

23. What would an appropriate level of a differential be?

N/a

24. What retailers should qualify for reliefs? For example, should all “on-trade” venues qualify for reliefs?

N/a

Small producers

N/a

Indexing rates for inflation

29. How well does the current system of indexing duties in line with inflation work?

The current system of indexing duties in line with inflation is not working because of successive years of real term duty cuts. This means that cuts and freezes have cost the government £6.2 billion since 2013.³⁶ With every additional year of duty freezes or cuts, the societal debt of the cost of alcohol is growing. We need an above inflation duty increase alongside a duty system restructure to go some way towards balancing the costs of alcohol harm on individuals, families and society.

30. Would a more consistent, systematic approach to indexing alcohol duties be of benefit?

³³ Cabinet Office and Department for Health and Social Care (2019) [Advancing our health: prevention in the 2020s](#)

³⁴ Sean O'Rourke, Jason Ferris, Madonna Devaney (2016), ‘Beyond pre-loading: Understanding the associations between pre-, side- and back-loading drinking behavior and risky drinking’ in *Addictive Behaviors*, Volume 53, 2016, Pages 146-154, DOI 10.1016/j.addbeh.2015.07.008.

³⁵ Foster, John & Ferguson, Colin. (2013). Alcohol 'Pre-loading': A Review of the Literature. *Alcohol and alcoholism* (Oxford, Oxfordshire). 49. 10.1093/alcalc/agt135.

³⁶ Exchequer Secretary (2020). [Response to written question number 98264](#).

Yes, a more consistent approach to indexing duties would benefit society and ensure that more government revenue is raised, which in turn could be spent on reducing alcohol harm. Alcohol's affordability has increased by 74% since 1987.³⁷ Duty should increase enough to ensure that alcohol does not become more affordable over time. Price is such an important driver in what people choose to consume that the government should be encouraging people to make healthy choices. Setting duty rates at the start of each Parliament would be a more sensible, less politicised time, instead of at each Budget.

31. Is there a more appropriate index to use for inflation-matching increases than RPI?

We support the suggestion of an appropriate method for inflation-matching, made in the Social Market Foundation report, *Pour decisions?*, whereby an independent panel of experts would make recommendations on the level at which duty should be set, taking into account the level of alcohol harm on society. The rate would be adjusted automatically for inflation and reviewed on a regular basis.³⁸

Approvals

N/a

Declarations and payments

N/a

Avoidance and evasion

N/a

Alcohol Change UK
28 November 2020

www.alcoholchange.org.uk

³⁷ NHS Digital (2019). [Statistics on Alcohol, England, 2020. Part 7: Expenditure and affordability.](#)

³⁸ Corfe, S. (2019). [Pour decisions? The case for reforming alcohol duty.](#) Social Market Foundation.