

## Briefing: General debate on the Government's alcohol taxation considerations and alcohol duty review

07 July PM, House of Commons Chamber

### Key points

- Evidence shows that managing the price of alcohol is an effective way to reduce avoidable alcohol harm.
- Alcohol duty contributes around £12 billion per year to the public purse - less than half the £27 billion estimated annual cost of alcohol harm.
- Some MPs have been led to believe that duty cuts help pubs. In reality, freezing duty actually harms the hospitality trade, by further increasing the price gap with the supermarkets that undercut them.
- We welcome the move to a simplified system where duty increases with the alcoholic strength of a product.
- While the move to a strength-based system is welcomed, the rates are too low overall to make a significant difference to public health
- We are calling for the new duty system to have four key changes: alcohol duty to at least cover the costs of alcohol to society, the bands to be adjusted to encourage downwards reformulation, duty to be consistent across drink types, and duty to automatically increase in line with inflation or earnings

## Background

The Government published a proposed new alcohol duty system at the 2021 Autumn Budget, based on the evidence submitted in 2020. The consultation closed on 30 January 2022.

This debate has been called to provide MPs an opportunity to discuss the new duty system and alcohol taxation in general.

### Alcohol duty and alcohol harm

- Evidence shows that managing the price of alcohol is an effective way to reduce avoidable alcohol harm.
- Consumption is linked to harm. When an individual drinks more alcohol, they are more likely to suffer alcohol-related diseases, injuries and death. The impacts of alcohol are wider than the individual drinker.
- The impact of the pandemic has only worsened alcohol harm, with around a 20% increase in alcohol-specific deaths in the UK in 2020.<sup>i</sup>
- Substantial research evidence shows that the consumption of alcohol is sensitive to changes in affordability. The relationship between price and consumption is complex and subject to a range of varying 'elasticities' and switching behaviours.<sup>ii</sup> However, in broad terms, when alcohol is more affordable, more is consumed; when alcohol becomes less affordable, less is consumed.<sup>iii</sup>
- Historically, UK alcohol taxation (usually referred to as 'duty') has been used to adjust the price of alcohol. As well as reducing alcohol harm, duty is also a useful way for the government to generate revenue which could be spent on vital public services.

- Alcohol duty contributes around £12 billion per year to the public purse - less than half the £27 billion estimated annual cost of alcohol harm.
- The World Health Organization recommends raising the price of alcohol as one of its three ‘best buy’ policies: the most cost-effective, well-evidenced solutions to alcohol harm.<sup>iv</sup>
- Raising the price consumers pay for alcohol will, on average across the population, reduce consumption and therefore reduce harm. Evidence shows that a 10% increase in the price of alcohol would lead to a 5% decrease in consumption.<sup>v</sup>
- Heavy drinkers are more price sensitive than moderate drinkers, especially when the price of cheap alcohol in the off-trade increases.<sup>vi</sup> This means they are more likely to reduce their consumption when prices increase. Heavy drinkers account for 32% of alcohol-related revenue in the off-trade and 17% in the on-trade.<sup>vii</sup>

## Recent duty freezes

- In nine out of the past ten years we have seen of alcohol duty freezes and cuts,<sup>viii</sup> reducing the duty paid and increasing public health harms.
- In 2022/23, in real terms, the duty for beer will be 28% lower, the duty for cider and spirits will be 21% lower, and the duty for wine will be 13% lower, in comparison to ten years previously.<sup>ix</sup>
- These freezes and cuts have led to an additional 2,250 deaths and 65,500 hospital admissions due to alcohol in Scotland and England between 2012 and 2019.<sup>x</sup>
- Some MPs have been led to believe that duty cuts help pubs. In reality, freezing duty in the next Budget (a real terms cut) could actually harm the hospitality trade, by further increasing the price gap with the supermarkets that undercut them. It would also make cheap alcohol even more affordable, when deaths caused by alcohol rose by 20% in 2020. 89% of publicans in the North East said that duty cuts have had no positive impact on their business, while 48% say cheap supermarket alcohol is the main cause of pub closures.<sup>xi</sup> Savings have instead largely been retained by brewers. In a letter to the Chancellor in 2016, pub owners said that “brewers impose increases every January onto the retailers”, meaning that any benefits of duty cuts or freezes are not felt by the pubs themselves and that brewers’ call for duty cuts on beer “are not saving a single pub”.<sup>xii</sup>

## The new duty system

We welcome the move to a simplified system where duty increases with the alcoholic strength of a product. This is because a system where duty is linked to strength will have a positive public health impact. As alcohol has become 74% more affordable since 1987<sup>xiii</sup>, cheap, strong alcohol is frequently a factor in alcohol-specific hospital admissions and deaths. Heavy drinkers favour cheaper and stronger products when compared with lighter drinkers.<sup>xiv</sup>

- Alcohol duty is a very valuable measure as it can both impact on the price of alcohol and also generate income.
- While the move to a strength-based system is welcomed, the rates are too low overall to make a significant difference to public health, especially when incomplete “pass through” is considered – manufacturers and retailers not passing on duty increases to customers.<sup>xv</sup>
- The public welcomes increasing alcohol duty: 40% want an increase compared to just 14% who want a cut.<sup>xvi</sup> 56% support an increase if the revenue is used to fund the NHS and police.<sup>xvii</sup>

We are calling for the new duty system to have four key changes:

- **Alcohol duty to at least cover the costs of alcohol to society**  
Alcohol must be taxed in proportion with the harm it causes. Alcohol duty currently contributes around £12bn a year in revenue,<sup>xviii</sup> while alcohol harm is estimated to cost between £27bn and £52bn a year – more than double, and possibly up to four times as much.<sup>xix</sup>
- **The bands should be adjusted to encourage downwards reformulation**  
The proposed bands are too wide. The threshold between the third and fourth bands should be 6.5% rather than 8.5%, since 6% is widely considered to be a strong beer or cider.<sup>xx</sup> To encourage reformulation of higher strength beers and ciders, a 6.5% upper limit should apply to this band.
- **Alcohol duty to be consistent across drink types**  
The current system creates a market for cheap, high-strength products, which do most damage to health. The system should be consistent across drink types, rather than giving preferential tax rates to some and not others. For example, while the wine, spirits and beer categories are largely in line with each other, there is still a huge exception for cider in the 3.5-8.4% band, which is being taxed at a far lower rate.
- **Alcohol duty to automatically increase in line with inflation or earnings**  
To ensure it always performs a harm reduction role, duty can't be indefinitely frozen or allowed to stagnate. This would make sure progress is made towards reducing harm and improving health, year-on-year.

You can read our full submission to the consultation [here](#).

#### **Suggested questions to the minister**

- What steps are the Government taking to analyse the impact of the new duty system on alcohol harm?
- What steps are the Government taking to ensure the new duty system makes duty consistent across drink types?
- What steps are the Government taking to ensure alcohol duty automatically increases in line with inflation?
- What analysis has the Government done to assess the impact of the new duty system on harmful, heavy and risky drinkers?
- What engagement will the department undertake with charities representing people impacted by alcohol harm on the new duty system?
- Will the minister meet with the APPG on Alcohol Harm to discuss the impact of the new duty system on alcohol harm further?
- What assessment has the Government made on the duty system being used to provide additional resources to departments heavily impacted by alcohol harm, such as the NHS and the police?
- What assessment have the Government made on the impact of “cider exceptionalism” in the duty system on alcohol harm and how will the new system address this?

#### **About Alcohol Change UK**

Alcohol Change UK works for a world free from alcohol harm. We fund, commission and share research; work to ensure more and better support and treatment; encourage better policy and regulation; shift drinking cultures through our campaigns; and work to change drinking behaviours by providing advice and information.

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- <sup>i</sup> Office of National Statistics (2021). Alcohol-specific deaths in the UK: registered in 2020.
- <sup>ii</sup> See, for example, Gallet, C.A.: The demand for alcohol: a meta-analysis of elasticities. *Aust. J. Agric. Resour. Econ.* 51(2), 121–135 (2007) doi 10.1111/j.1467-8489.2007.00365.x and Wagenaar, A.C., Salois, M.J., Komro, K.A.: Effect of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. *Addiction* 104(2), 179–190 (2009) doi 10.1111/j.1360-0443.2008.02438.x
- <sup>iii</sup> Public Health England (2016) [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#)
- <sup>iv</sup> NHS Digital (2020) [Statistics on Alcohol, England 2020, Part 7: Expenditure and affordability](#)
- <sup>v</sup> See, for example, Gallet C. The demand for alcohol: a meta-analysis of elasticities. *Aust J Agric Resour Econ.* 2007;51(2):121–35., Wagenaar A, Salois M, Komro K. Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. *Addiction.* 2009;104(2):179–90, and Dhalwani N. A Review of Alcohol Pricing and its Effects on Alcohol Consumption and Alcohol-Related Harm. *JPMS* [Internet]. 2011 [cited 2016 Feb 18];1(1). Available from: <http://www.jpmsonline.com/jpms-vol1-issue1-pages23-27-ra.html>
- <sup>vi</sup> Meier PS, Purshouse R, Brennan A. Policy options for alcohol price regulation: the importance of modelling population heterogeneity. *Addiction.* 2010;105(3):383–93.
- <sup>vii</sup> Bhattacharya et al (2018) [How dependent is the alcohol industry on heavy drinking in England?](#) *Addiction*
- <sup>viii</sup> Institute of Alcohol Studies (2021). October Budget analysis.
- <sup>ix</sup> Institute of Alcohol Studies (2021). October Budget analysis.
- <sup>x</sup> Angus, C. & Henney, M. (2019). Modelling the impact of alcohol duty policies since 2012 in England and Scotland. The University of Sheffield.
- <sup>xi</sup> Balance North East (2018), Views from behind the bar, North East Landlord Survey 2018
- <sup>xii</sup> Sutherland, E. (2016), Leading operators slam 'flawed' BBPA beer duty campaign, *Publican's Morning Advertiser.*
- <sup>xiii</sup> 1 NHS Digital (2019). Statistics on Alcohol, England, 2020. Part 7: Expenditure and affordability
- <sup>xiv</sup> Griffith, O'Connell and Smith (2017). Tax design in the alcohol market.
- <sup>xv</sup> Ally, A.K., Meng, Y., Chakraborty, R., Dobson, P.W., Seaton, J.S., Holmes, J., Angus, C., Guo, Y., Hill-McManus, D., Brennan, A. and Meier, P.S. (2014), Alcohol tax pass-through across the product and price range. *Addiction*, 109: 1994-2002. <https://doi.org/10.1111/add.12590>
- <sup>xvi</sup> YouGov (2020). [Budget 2020: what tax changes would be popular?](#)
- <sup>xvii</sup> Alcohol Health Alliance (2020). [Small change: alcohol at pocket money prices](#)
- <sup>xviii</sup> HM Revenue and Customs and HM Treasury (2020) [Alcohol duty review: call for evidence.](#)
- <sup>xix</sup> Burton, R. et al. (2016). A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective. *The Lancet* VOLUME 389, ISSUE 10078, P1558-1580, APRIL 15, 2017 [DOI 10.1016/S0140-6736\(16\)32420-5](#)
- <sup>xx</sup> Chick, J., Gill, J., Black H. and O'May, F. (2016). [Strong cider sold in Scotland appears to be almost exclusively for dependent drinkers.](#) *Clinical Medicine*, 16:4. p. 398.
- Beerwulf (2021). [Strong beer. Where to buy them and answers to all your questions.](#)