

Duty on High and Lower Strength Beers

Who is likely to be affected?

Manufacturers, importers, distributors and consumers of beer with a strength exceeding 7.5 per cent alcohol by volume (abv) or a strength between 1.2 per cent abv and 2.8 per cent abv.

General description of the measure

Legislation will be introduced in Finance Bill 2011 to provide for a new duty on beer exceeding 7.5 per cent abv that is produced in or imported into the UK. This new duty will be known as High Strength Beer Duty (HSBD) and is to be levied in addition to the existing general beer duty. The rate of duty for HSBD will be 25 per cent of the general beer duty rate at the time of introduction. The impact of this change on retail prices is equivalent to 25 pence on a 500ml can of beer at 9 per cent abv.

The legislation will also change the taxation of lower strength beer by introducing a reduced rate of general beer duty for lower strength beer, that is beer exceeding 1.2 per cent abv and not exceeding 2.8 per cent abv. The new reduced rate of general beer duty for lower strength beer will be equivalent to 50 per cent of the general beer duty rate at the time of introduction. The impact of this change on retail prices is equivalent to a reduction of 18 pence on a pint of beer at 2.8 per cent abv.

Small Brewery Beer relief will still be available on general beer duty payable on beer above 7.5 per cent abv. However, Small Brewery Beer relief will not apply to HSBD and no further relief will be applied to the reduced rate for lower strength beers.

Beer brewed for home consumption will continue to be exempt from general beer duty and HSBD.

Policy objective

The purpose of this measure is to tackle problem drinking by encouraging industry to produce, and drinkers to consume, lower strength beer.

The new high strength beer duty is intended to reduce the availability and affordability of “super strength” lagers associated with problem drinking. The reduced rate for lower strength beer will help to give responsible drinkers a wider choice of products.

Background to the measure

- The June 2010 Budget announced that the Government would review alcohol taxation to tackle problem drinking without unfairly penalising responsible drinkers, pubs or local industry.
- The findings of this review were announced on 30 November 2010 as part of a Government-wide package of measures to help tackle problem drinking. The Economic Secretary to the Treasury announced the changes to the duty on high and lower strength beer in a Written Ministerial Statement.
- Draft Finance Bill clauses for this measure were published for consultation on 9 December 2010. A Tax Information and Impact Note was published alongside the draft legislation.

- This Tax Information and Impact Note updates the Note published on 9 December to give the date of implementation and the applicable rates of duty.

Detailed proposal

Operative date

Both HSBD and the reduced rate for lower strength beers will have effect on and after 1 October 2011.

Current law

The charge to excise duty on beer is contained in section 36(1) of the Alcoholic Liquor Duties Act 1979 (ALDA). Beer duty is charged according to alcoholic strength, in particular by the number of hectolitres/degrees of alcoholic strength by volume. No duty is charged on beer of a strength of 1.2 per cent or less. Sections 36D and 36F of ALDA provide for reduced rates for small brewery beer.

Proposed revisions

Finance Bill 2011 will amend ALDA, providing for a new duty charge on high strength beer. It will also amend ALDA, to create a reduced rate of the existing duty for beer of a strength exceeding 1.2 per cent abv and not exceeding 2.8 per cent abv. Secondary legislation will follow to make consequential amendments to existing excise regulations in respect of the administration and collection of the new duty.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	negligible	negligible	negligible	negligible	negligible
Increased revenues from the new high-strength beer duty roughly offsets the costs of the new reduced rate on lower strength beers.					
Economic impact	This measure is likely to result in a move to produce and consume lower strength beers. No other significant economic impacts are expected.				
Impact on individuals and households	Those individuals and households who consume beer products over 7.5 per cent abv will be adversely affected while those who consume beer products with a strength between 1.2 and 2.8 per cent abv should pay less in duty.				
Equalities impacts	It is considered that these proposals have no significant impacts on protected groups.				
Impact on business including third sector	The measures will impose a negligible additional administrative burden and one-off cost to business. The current procedures for declaring and paying general beer duty will apply to the new high strength beer duty.				
Operational impact (£m) (HMRC or other)	HM Revenue & Customs (HMRC) will incur costs for this measure of approximately £300,000 to pay for necessary system changes to account for the new tax.				

Other impacts	<p>The reduction in consumption of high strength beer resulting from these measures is likely to have a health benefit.</p> <p>Small breweries will not be significantly impacted upon, as beers over 7.5 per cent abv represent only 2 per cent of their total production.</p> <p>There is no adverse impact on competition as all producers and importers of beer with a strength exceeding 7.5 per cent abv are liable to the new duty for high strength beers.</p>
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Monitoring and evaluation

The effectiveness of the measures will be evaluated by monitoring the price and range of products available to consumers at a strength of over 7.5 per cent abv and at or below 2.8 per cent abv. Revenue receipts from beer products will also be monitored to show any move from the consumption of high strength beers.

Further advice

If you have any questions about this change, please contact Ian Bebbington on 0161 827 0803 (email: ian.bebbington@hmrc.gsi.gov.uk) or Paul Manson on 0161 827 0357 (email: paul.manson@hmrc.gsi.gov.uk).