

Duty on High and Low 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) and at or below 2.8 per cent abv.

General description of the measures

Legislation will be introduced in Finance Bill 2011 providing for a new duty on beers exceeding 7.5 per cent abv that are produced in or imported into the UK. The new duty is to be levied in addition to the existing general duty on beer.

The legislation will also change the taxation of low strength beers by introducing a reduced rate of general beer duty at or below 2.8 per cent abv.

Small Brewery Beer relief will still be available on general beer duty payable on beers above 7.5 per cent abv. Small Brewery Beer relief will not apply to the new high strength beer duty. The relief will also not apply to beers at or below 2.8 per cent abv qualifying for the new reduced rate.

Beer brewed for home consumption will continue to be exempt from both general beer duty and the new high strength beer duty.

Policy objective

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

The new high strength beer duty is intended to impact on those "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 this measure

- The June 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 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 low strength beer in a written ministerial statement
- Further discussion with industry will take place on the draft clauses ahead of their introduction in Finance Bill 2011.

Detailed proposal

Operative date

The introduction of high strength beer duty, the reduction of duty on low strength beers, and the changes to the eligibility to Small Brewery Beer relief are intended to take effect in

autumn 2011. The exact date of implementation and applicable rates of duty will be announced following further discussions with the industry.

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.

Proposed revisions

Finance Bill 2011 will amend ALDA, providing for a new duty charge on high strength beer. It will also amend ALDA, providing for a separate rate of duty on beer at or below 2.8 per cent abv. Secondary legislation will follow to make consequential amendments to regulate the administration and collection of the new duty.

Summary of impacts

Exchequer impact (£m)	The exchequer impact of this measure will be confirmed at Budget. This measure is expected to have a small or negligible impact on receipts.
Economic impact	The measure is not expected to have significant economic impacts.
Impact on individuals and households	Consumption of products over 7.5 per cent abv is dominated by males over 35 and in lower socio-economic groups. 84 per cent of consumption is by males; 75 per cent by over 35s (male and female); and around half by individuals in the lowest socio-economic groups.
Equalities impacts	It is considered that these proposals have no different impacts on any equality group.
Impact on business including third sector	The measures will impose a negligible additional administrative burden and one-off cost to business. It is envisaged that current procedures for declaring and paying general beer duty will apply to the new high strength beer duty.
Impact on public sector	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	The reduction in consumption of high strength beer resulting from these measures is likely to have a health benefit. 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.

Monitoring and evaluation

The effectiveness of the measures will be assessed 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 to low strength beers.

Further advice

If you have any questions about this measure, 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).

1 High strength beer duty

- (1) Schedule 1 contains provision for and in connection with a duty of excise on high strength beer.
- (2) The Commissioners for Her Majesty's Revenue and Customs are responsible for the collection and management of that duty.

SCHEDULE 1

Section 1

HIGH STRENGTH BEER DUTY

High strength beer duty

1 In Part 3 of ALDA 1979 (beer), after section 36H insert –

“Charge of excise duty: high strength beer

37 High strength beer: charge of excise duty

- (1) A duty of excise is charged on high strength beer –
 - (a) imported into the United Kingdom, or
 - (b) produced in the United Kingdom,
 on or after [].
- (2) “High strength beer” means beer which is of a strength exceeding 7.5 per cent.
- (3) The duty charged by subsection (1) is referred to in this Act as “high strength beer duty”.
- (4) High strength beer duty is charged at £[] per hectolitre per cent of alcohol in the beer.
- (5) Subject to the provisions of this Act –
 - (a) the high strength beer duty on beer produced in, or imported into, the United Kingdom is to be charged and paid, and
 - (b) the amount chargeable in respect of any such duty is to be determined and becomes due,
 in accordance with regulations under section 49 below and with any regulations under section 1 of the Finance (No 2) Act 1992.”

Consequential amendments in ALDA 1979

- 2 ALDA 1979 is amended as follows.
- 3 In section 4 (interpretation), in subsection (1) insert at the appropriate places –

““general beer duty” has the meaning given by section 36(1ZA) below;”, and

““high strength beer duty” has the meaning given by section 37(3);”.
- 4 (1) Section 36 (beer: charge of excise duty) is amended as follows.
 - (2) After subsection (1) insert –

“(1ZA) The duty charged by subsection (1) is referred to in this Act as “general beer duty”.”

- (3) In subsection (1A), after “No” insert “general beer”.
 - (4) In subsection (1AA), for “the duty” substitute “general beer duty”.
 - (5) In subsection (2)(a), for “the duty” substitute “general beer duty”.
 - (6) For the heading substitute “**General beer duty**”.
 - (7) For the italic heading immediately preceding the section substitute “*General beer duty*”.
- 5 In section 36B (interpretation of provisions relating to small brewery beer), in subsection (5), after “rate of” insert “general beer”.
- 6 (1) Section 36D (rate of duty for small brewery beer from singleton breweries) is amended as follows.
- (2) In subsection (2) after “rate of” insert “general beer”.
 - (3) In the heading after “**Rate of**” insert “**general beer**”.
- 7 (1) Section 36F (rate of duty for small brewery beer from co-operated breweries) is amended as follows.
- (2) In subsection (2) after “rate of” insert “general beer”.
 - (3) In the heading after “**Rate of**” insert “**general beer**”.
- 8 (1) Section 36G (assessments where incorrectly low rate of duty applied) is amended as follows.
- (2) In subsection (1)(a) for “duty is charged by section 36 above” substitute “general beer duty is charged”.
 - (3) In subsection (2)(a) for “duty is charged by section 36 above” substitute “general beer duty is charged”.
 - (4) In subsection (3)(a) for “duty charged on the beer by section 36 above” (in both places) substitute “general beer duty charged on the beer”.
 - (5) In subsection (4) –
 - (a) for “duty charged” substitute “general beer duty charged”, and
 - (b) in paragraph (a), for “the duty” substitute “that duty”.
- 9 In section 36H (power to vary reduced rate provisions), in subsection (1) for “excise duty” substitute “general beer duty”.
- 10 In section 41 (exemption from duty of beer produced for private consumption) for “The duty on beer produced in the United Kingdom shall not be” substitute “Neither general beer duty on beer produced in the United Kingdom, nor high strength beer duty on beer so produced, is”.
- 11 In section 49 (beer regulations), in subsection (1) –
 - (a) for “the duty” (in the first place it occurs) substitute “general beer duty or high strength beer duty”, and
 - (b) for “the duty” (in the second place it occurs) substitute “any duty”.
- 12 In section 49A (drawback allowable to registered brewer), in subsection (2) for “the excise” substitute “any excise”.

DRAFT EXPLANATORY NOTE

HIGH STRENGTH BEER DUTY

SUMMARY

1. This clause and Schedule provide for a new charge of excise duty on high strength beers. This is payable in addition to general beer duty, and HM Revenue & Customs (HMRC) are responsible for collecting this duty. The Schedule also makes consequential amendments to the Alcoholic Liquor Duties Act 1979 (ALDA).

DETAILS OF THE SCHEDULE

2. Paragraph 1 inserts new section 37 into ALDA, which provides for a new charge to excise duty on high strength beer. That section sets out the circumstances in which the duty is chargeable, the date from which it will apply and the duty rate applicable. The new duty is charged on beer of a strength exceeding 7.5 per cent alcohol by volume (abv).
3. New section 37(5) provides for existing powers for HMRC to make regulations in respect of general beer duty to be extended to include high strength beer duty.
4. Paragraphs 2 to 12 make consequential amendments to ALDA, including renaming the excise duty on beer charged by section 36(1) of ALDA “general beer duty”.

BACKGROUND NOTE

5. High strength beer duty has been introduced as part of the Government’s review of alcohol taxation to tackle problem drinking.
6. The purpose of the measure is to encourage industry to produce, and drinkers to consume, lower strength beers.
7. The measure is being introduced in parallel to changes to the taxation of low strength beers that sees a reduced rate of duty brought in for beers at or below 2.8 per cent abv with effect from a date to be announced.
8. If you have any questions about this change or comments on the legislation, 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).

1 General beer duty: reduced rate for lower strength beer

- (1) Part 3 of ALDA 1979 (beer) is amended as follows.
- (2) In section 36 (general beer duty) –
 - (a) in subsection (1AA) (rates of duty), before paragraph (a) insert –
 - “(za) in the case of beer that is of a strength which exceeds 1.2 per cent but does not exceed 2.8 per cent, £[] per hectolitre per cent of alcohol in the beer;”,
 - (b) in paragraph (a) of that subsection after “that” insert “is of a strength which exceeds 2.8 per cent and”,
 - (c) in paragraph (b), after “small brewery beer” insert “that is of a strength which exceeds 2.8 per cent and is”, and
 - (d) in paragraph (c), after “small brewery beer” insert “that is of a strength which exceeds 2.8 per cent and is”.
- (3) For the italic heading immediately preceding section 36A substitute “*Beer from small breweries*”.
- (4) In section 36D (rate of general beer duty for small brewery beer from singleton breweries) –
 - (a) in subsection (2), after “section” insert “, unless the beer is within section 36(1AA)(za) (rate for lower strength beer)”, and
 - (b) in the heading after “**beer**” insert “(**other than lower strength beer**)”.
- (5) In section 36F (rate of general beer duty for small brewery beer from co-operated breweries) –
 - (a) in subsection (2), after “section” insert “, unless the beer is within section 36(1AA)(za) (rate for lower strength beer)”, and
 - (b) in the heading after “**beer**” insert “(**other than lower strength beer**)”.
- (6) Immediately above section 36H (power to vary reduced rate provisions) insert as an italic heading “*Power to vary rates*”.
- (7) The amendments made by this section come into force on [].

DRAFT EXPLANATORY NOTE

REDUCED RATE OF GENERAL BEER DUTY FOR LOWER STRENGTH BEER

SUMMARY

1. This clause provides for a reduced rate of general beer duty on lower strength beers. It also takes lower strength beer out of the scope of reduced rates for small breweries.

DETAILS OF THE CLAUSE

2. Subsection (2) provides for a new reduced rate of general beer duty for lower strength beer in new section 36(1AA)(za) of the Alcoholic Liquor Duties Act 1979 (ALDA). The reduced rate applies to beer of a strength exceeding 1.2 per cent alcohol by volume (abv) but not exceeding 2.8 per cent abv.
3. Subsections (3) to (5) amend ALDA so that the reduced rates applicable to small brewery beer do not apply to lower strength beer.

BACKGROUND NOTE

4. The reduced rate of general beer duty has been introduced as part of the Government's review of alcohol taxation to tackle problem drinking.
5. The purpose of the measure is to encourage industry to produce and drinkers to consume, lower strength beers.
6. The measure is being introduced in parallel to the introduction of a new charge of excise duty on high strength beers (i.e. exceeding 7.5 per cent abv) with effect from a date to be announced.
7. Small brewery beer in the lower strength range will be charged with duty at the lower strength rate and not at the reduced rates associated with small brewery relief. This is in part to minimise the complexity of the duty regime that could result if these reduced rates overlapped, and in part to comply with Article 4 of Directive 92/83/EEC (OJ No.L136, 31.10.1992, p21) on the harmonization of the structures of excise duties on alcohol and alcoholic beverages, which fixes the extent by which the small brewery beer rates can be set below the standard national rates of duty.