

Autumn budget: a submission on alcohol duty

Key points

- Alcohol harm is growing and is a cost to society and the economy.
- The World Health Organization has identified alcohol duty as being one of the most effective ways to reduce alcohol-related harm.
- Yet alcohol duty has been cut/frozen for the ten years preceding 2023, costing lives, and costing the Treasury in lost duty receipts.
- Alcohol duty cuts/freezes disproportionately benefit the off trade, rather than the hospitality sector.
- The increase in alcohol duty rates in August 2023 led to a slight increase in duty receipts to the Treasury.
- A decision to increase alcohol duty rates in the Autumn Budget 2024 would result in the avoidance of a significant further increase in alcohol-related harms and, by reducing these harms, will alleviate pressures on our over-stretched health service.
- When the alcohol duty escalator was introduced, alcohol-related deaths fell in Scotland.
- The Treasury should not only uprate duty in line with inflation, it should now consider a duty escalator as this would be in line with the Government Missions to drive economic growth and reduce pressures on the NHS to help it become fit for the future.

Alcohol harm in Scotland

Alcohol harm has enormous health, social and economic costs and is one of Scotland's most pervasive public health issues. In 2023, the number of people who died an alcohol-specific death stood at 1,277, the highest level in fifteen years, with death rates 4.5 times higher among those living in the most deprived areas of Scotland, compared to the least.¹ These deaths, however devastating, make up only one piece of the jigsaw with alcohol problems causing huge health, social and economic harms – such as lost productivity – to people and communities across Scotland.

Currently, the overall UK revenue from alcohol duty (£12.7 billion in 2023-24) is less than half of the costs of alcohol to society (roughly £27 billion).^{2,3}

Using alcohol duty as one measure to address these harms would align with two of the government missions, to drive economic growth, and to reduce pressure on the NHS as action is taken to make it fit for the future.

Alcohol duty – the last ten years

Instead of being uprated in line with inflation, alcohol duty has been cut or frozen (real terms cuts) in most years since 2013. As a result, alcohol has become more affordable (in direct contradiction to the World Health Organization's recommendation to use taxation to reduce alcohol consumption and harms⁴), and duty revenues have been lost. The Treasury estimated that the freezing of duty rates in February 2023 alone would result in lost duty revenues of £600 million per year⁵.

It has been estimated that cuts and freezes to alcohol duty from 2012-2019 led to over 250 additional deaths and 4,500 hospital admissions in Scotland (and almost 2,000 additional deaths and over 61,000 hospital admissions in England).⁶

With the cost of most goods rising, it is crucial that alcohol – a harmful and non-essential product that has enjoyed real-term tax reductions for a decade – pays for at least some of the damage it causes and contributes crucial funds to the public purse.

Alcohol industry arguments

- 1) The alcohol industry regularly argues that reversing freezes on alcohol duty will harm the hospitality industry. However, in reality, duty cuts are mainly helping supermarkets maintain

the low prices that continue to undermine the pubs and restaurants that make up the hospitality sector.

There had been a shift from drinking in pubs to consuming shop-bought alcoholic drinks at home in Scotland and the rest of the UK.⁷ This shift has at least partly been driven by the widening price differential between the on-trade (pubs and restaurants) and the off-trade (shops and supermarkets). Alcohol duty represents just 12% of the on-trade retail price of beer, compared to 36% of the off-trade price.⁸

There is evidence that the on-trade does not benefit from duty cuts like the off-trade does: between 2012-2019, beer duty was cut in real terms, yet beer sales in pubs fell by 17% while supermarket sales increased by 11%.⁹ Similarly, the net decline in the number of pubs was around the same rate in both periods of duty increases (2008-2013) as well as duty freezes (2013-2017).¹⁰

There are better measures to support pubs and the hospitality sector, such as reducing business rates or reducing VAT on food in pubs. The reformed alcohol duty system also introduced a new draught relief with a reduced rate for draught beer, cider and made-wines, which will benefit the sector, and this could be extended further.

- 2) Arguments around income, employment and trade are regularly used by the alcohol industry to resist measures which target alcohol consumption and harm. However, a report from the Institute of Alcohol Studies found that there are only seven local authorities in Scotland where the alcohol producers account for more than 1% of jobs.¹¹ The report found “no systematic relationship between an area’s prosperity and its dependence on alcohol industry employment”.¹¹ Even in Moray, where alcohol producers account for 3.3% of all jobs, and distilleries a total of 1,000 jobs (2.9%), this is far from the dominant industry - as schools in Moray employ 2,500 people (7.1%), hospitals 2,000 (6.0%) and grocery stores 1,900 people (5.5%).¹¹
- 3) The Scotch Whisky Association has put forward the argument that the increase in duty in August 2023 led to decreased revenues to the Treasury¹². This is only when comparing selected months which were skewed due to the industry engaging in “forestalling” ahead of the increase. When comparing 2023-24 to 2022-23, alcohol duty receipts increased by 2% to £12.67billion and specifically, spirits duty receipts increased by 1%¹³. The spikes and dips in duty receipts would be avoided if the increases were implemented straight after the Budget as has been the case under previous Chancellors, instead of giving the industry time to forestall.

Alcohol duty escalator

Under the late Chancellor, the Rt Hon Alastair Darling, when the duty escalator (inflation plus 2%) was introduced, alcohol-related death rates began to fall, and when it was scrapped by his successor, the Rt Hon George Osborne, deaths started to increase again¹⁴. The period in which the escalator was in operation (2008-13) coincided with a number of policy measures to reduce alcohol harms in Scotland being brought forward where the fall in death rates was higher.

This demonstrates that alcohol duty rates can be used to the benefit of public health, and given duty receipts to the Treasury increased slightly with the last duty increase, a duty escalator seems a sensible approach to take.

Conclusion

The number of people who are suffering from harms caused by alcohol is increasing at an alarming rate and a key way to reduce this suffering is to use taxation to reduce consumption of

alcohol. The decision to freeze and cut alcohol duty over most of the last decade has been extremely disappointing but a new government provides an opportunity to look at the approach afresh, in line with the missions, in particular.

Alcohol harms are directly related to the affordability of alcohol: the cheaper alcohol is, the more we consume, and the higher the levels of harm. This in turn impacts our economy via lower productivity as well as putting pressure on health services – impacting two of the UK government missions.

SHAAP is calling not only for an end to alcohol duty freezes but for the Treasury to consider introducing a duty escalator which would contribute to reducing alcohol harms as well as increasing duty receipts.

References

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