



RESPONSE TO UK GOVERNMENT CONSULTATION ON THE NEW ALCOHOL DUTY SYSTEM

Alcohol Focus Scotland (AFS) is the national charity working to prevent and reduce alcohol harm. We aim to reduce the impact of alcohol in Scotland through the implementation of effective alcohol control policies and legislation. AFS welcomes the opportunity to respond to the UK Government's consultation on the new alcohol duty system.

Summary

AFS is supportive of the principles of the new system set out in the consultation document. However, we believe that the Government must go further to protect public health. This is because the proposals, as set out, will have minimal impact on public health. By increasing the proposed duty rates, equalising cider and beer duties, and establishing a mechanism to automatically link alcohol duty to inflation, the Government could improve the potential of the proposed changes to protect public health and reduce the harm caused by alcohol.

Q1: What are your views on the proposed new structures of alcohol duty?

Alcohol Focus Scotland (AFS) is supportive of the principles of the new system set out in the consultation document, however we believe that the Government must go further to protect public health.

The proposals as set out will have minimal impact on public health, but by increasing the proposed duty rates, equalising cider and beer duties and establishing a mechanism to automatically link alcohol duty to inflation the Government could improve the potential of the proposed changes to protect public health and reduce the harm caused by alcohol.

Action to reduce alcohol harm is needed now more than ever as we witness the emerging effects of the COVID-19 pandemic on the health and wellbeing of our society. A survey conducted during June and July 2020 for AFS found that during the first national lockdown, one in five people in Scotland were drinking more than they normally would¹. Evidence from across the UK suggests an increase in high-risk and harmful drinking during the pandemic,^{2,3} which has been observed most for those who were already drinking more heavily^{4,5} and those with lower socio-economic status⁶. Anecdotal evidence from frontline organisations in Scotland suggests significant increases in demand for support both from those worried about their own drinking as well as those concerned about a family member or friend's drinking.^{7,8,9,10}

Across the UK, there was an 18.6% increase in alcohol-specific deaths in 2020 with Scotland experiencing a 17% increase.¹¹ There were 1,190 alcohol-specific deaths in Scotland, the highest number since 2008.¹² This followed 10% reduction in alcohol deaths in the previous year,¹³ suggesting a severe and immediate impact of the COVID-19 pandemic on drinking behaviours and corresponding alcohol harm.

These deaths are all preventable. There is a strong international evidence base that increasing the price of alcohol alongside reducing its availability and controlling how it is marketed can prevent alcohol harm. Cheap alcohol carries a tremendous cost, damaging not only people's health, but also the economy and wider society. There is clear evidence that cheaper alcohol leads to higher consumption, and increased consumption leads to an increase in alcohol-related harms.

Increasing duty on alcoholic drinks is one of the World Health Organization's 'best buys' for alcohol policy, meaning that it is an intervention that is not only highly cost-effective, but also cheap, feasible and culturally acceptable to implement.^{14, 15} Public Health England also supports duty as an effective and cost-effective policy for reducing alcohol-related harm.¹⁶ University of Sheffield research found that increasing alcohol duty by 2% above inflation from 2020-2032 would save 420 lives and prevent 8,700 hospital admissions in Scotland alone.¹⁷

We welcome the proposal to move to a scaled and consistent alcohol duty system where all alcohol will be taxed according to its strength. Scotland has already acted in this regard with the introduction of legislation in 2018 setting a Minimum Unit Price (MUP) for alcohol of fifty pence per unit. Evidence has shown that, in the first full two years after its implementation, MUP had the intended effect of reducing consumption. In the first full year after the policy's implementation, we also saw encouraging early signs that this reduction was beginning to translate into health benefits. Amongst the benefits of MUP identified by Public Health Scotland and others in evaluation studies so far are:

- A 3.5% reduction in off-trade sales per adult in the first year of MUP.¹⁸
- Reductions in household alcohol expenditure, particularly in households that bought the most alcohol before MUP.^{19, 20}
- The volume of pure alcohol sold per adult in Scotland in 2020 was 9.4 litres; the lowest level in 26 years.²¹
- A 10% reduction in alcohol-specific deaths in the first full year after the introduction of MUP; the lowest level since 2013.²²
- A small reduction in hospital admissions from liver disease in each of the first two years of MUP.²³
- Reduction in consumption of cheap, high-strength products related to harmful drinking.^{24, 25}
- High levels of compliance with MUP by retailers²⁶ and no significant negative impacts on alcohol producers or sellers.²⁷

Evidence on the impact of the pandemic on alcohol sales, consumption and drinking behaviour is still being collated and analysed, but indications are that though overall total alcohol sales reduced during the earlier stages of the pandemic, solitary drinking may have increased and heavier drinkers may have increased their consumption. The pandemic may also have accelerated the long-standing trend towards home drinking for some groups, which involves additional potential risks. This context makes the need for the duty system to underpin and support strength-based pricing all the more important now.

We believe that the proposed system misses out on several opportunities to go further for public health:

- The new alcohol duty rates are set too low to make a significant difference to public health.
- Cider continues to be treated preferentially, with a rate of less than half that of beer between 3.5 and 8.4% ABV.

Duty rates will continue to be set annually at the Budget, rather than automatically increasing with inflation.

Q2: Do you think the proposed duty rates are appropriate?

The overall level of the proposed duty rates is too low and needs to be increased to have a significant impact on protecting and improving public health.

The new system should be proportionate, in that the overall level of tax should cover the cost of alcohol to society. Alcohol costs UK society at least £27 billion every year,²⁸ whereas the yearly revenue raised from alcohol duty is just £10.5-12.1 billion annually.²⁹ The proposed duty changes create a net cut in duties. The consultation document estimates that the new system will cost the Government £115 million in revenue.

As outlined above, the overall tax rate in the UK is too low, with alcohol duty recouping less than half of the societal cost of alcohol.^{30, 31} The proposed new rates do not increase the cost of most alcohol enough to significantly impact its affordability.

While some drinks, such as white ciders or stronger wines, will incur more tax under the new system, other products see no change or will be taxed less.³²

- An 11% Sauvignon Blanc or 9.4% Vinho Verde would be taxed 12p and 47p less respectively (75cl bottle).
- A 75cl bottle of 11% prosecco will incur 87p less tax, while a bottle of 7.5% Martini Asti would be taxed £1.07 less.
- A 70cl bottle of Malibu, Tia Maria or Bailey's would be taxed 50p, 48p or 41p less, respectively.
- 440ml cans of Strongbow or Magners cider will be taxed 0.5p less in shops and 2p less per pint in a pub, while Kopparberg fruit ciders will be taxed 1p less in the shop (500ml bottle) and 13 p less in the pub (pint).
- Pints of Guinness, Stella Artois and Fosters will be taxed 3p less in the pub, while there are no changes when sold in shops.

We would also like to note that the bands are very wide. As discussed at the Budget, the bands will create an incentive for producers to reformulate. There is a possibility that more bands could mean a stronger incentive for crowding downwards. The Government should review the bands and make appropriate changes if they are found to help reformulation further.

For example, the current duty system considers beer from 7.5% as high-strength. The new system, however, could potentially create an incentive to create more high-strength beers between 7.5-8.4% as 8.5% is the new limit of the band.

We remain concerned that cider is being treated differently to other products within the proposed new system. In supporting the principle of strength-based pricing, it is vital that all alcoholic drinks of the same strength should be taxed at the same levels, and that the exceptionalism for cider needs to be ended.

Ciders, which have the lowest per unit rate of duty, are disproportionately consumed by harmful drinkers, and a common choice of those with alcohol-related problems.^{33, 34, 35} Before the introduction of MUP in Scotland, a quarter of patients in alcohol treatment services in Glasgow and Edinburgh drank white cider, and of these 45% drank it exclusively. A further study found that patients attending or admitted to NHS alcohol services in Glasgow and Edinburgh consumed, on average, 59 units of strong cider per week. An academic analysis found that in Scotland "most, if not

all, customers of the cheap strong cider industry are dependent, and possibly ill, drinkers". Ciders have also been listed among the top five preferred drinks of children in treatment services.

Cider duty in the 3.5-8.4% bracket will remain much cheaper compared to other alcoholic products. To reduce alcohol harm, it should be put at the same level as beer. Under the proposed rate, a 440ml can of 4.5% cider would be charged 8.78p/unit, thus being taxed 17.38p for the can (1.98 units). A 440ml can of 4.5% beer, however, would be charged 19.08p/unit, making the tax per can 37.78p, more than double that of cider.

While we recognise that the Government wants to protect the cider industry, cider production directly employs only 2,000 workers in Britain, compared to the 16,000 employed by the manufacture of beer.³⁶ We would also like to note that there are other mechanisms, such as business rates, employment laws and corporation tax, that can support jobs in this sector.

Q3: Are there any other changes that you think should be included in the new structures?

We would like to see three further changes included in the new structures to optimise the alcohol duty system's contribution to reducing the harm caused by alcohol:

- Alcohol duty should increase automatically with inflation with the overall rate of duty being reviewed every 5-10 years by an independent commission.
- A health impact assessment of the new duty system, or any modelling of the impacts on health of the new system should be published.
- An evaluation mechanism should be developed and implemented to enable analysis of the impact of the change in the duty system.

Link alcohol duty to inflation

The consultation outlines that the Government will continue to base its forecasts on the assumption that alcohol duties will rise in line with inflation, and we welcome this commitment. However, we would like to call for a firmer commitment to this by taking the decision about the duty rates out of the annual Budget statements. Budget decisions are likely to be subject to political pressures to introduce cuts and freezes. Instead, duty rates should automatically increase in line with inflation every year, with the overall rate being reviewed regularly.

Precedent has shown that alcohol duty has been cut or frozen in 9 out of 10 years since 2012/13.³⁷ This is estimated to cost the Treasury £1.9 billion in 2021/22. Cumulatively, the alcohol duty cuts since 2012 will cost the Government £16.2 billion by 2026/27.³⁸

To avoid this from happening in the future, the system should be changed so that alcohol duty is more closely indexed to inflation. Taxes should be used to raise the real price of alcohol products, so that their affordability declines or at least stays constant over time. Thus, alcohol duty should automatically be increased with inflation every year. The overall rate of alcohol duty could be reviewed every 5-10 years by an independent commission, which would consider alcohol's societal cost. This could follow a similar model to the Low Pay Commission, which advises the government on National Living Wage and the National Minimum Wage.

Health impact assessment

As mentioned above, tax changes can have significant public health impacts: the University of Sheffield estimated that the cuts and freezes in alcohol duty from 2012-2019 led to almost 250 additional deaths and over 4,500 hospital admissions in Scotland alone.³⁹ These changes also impact health inequalities.⁴⁰

While the Government says that the system has been designed to improve public health, it is difficult to assess the impact the new system will have, because no health impact assessment has been published. We therefore call on the Government to publish any modelling on impacts of the new system on public health.

System evaluation

There is no explicit reference in the consultation document as to how the new duty system will be evaluated. An evaluation mechanism is important in order to understand the impacts of the new duty system, especially as the duty system seeks to impact public health and business.

The impacts of the new duty system should be comprehensively evaluated by an independent body. The evaluation should include an analysis of how the new system impacts public health measure, such as consumption rates, harm rates and the social impacts (e.g. impact on violence, crime and levelling up).

Such an evaluation could also analyse the impact the new duty system has on business, for example whether producers have reformulated products and whether the draught rate and Small Producer Reliefs are aiding businesses.

The evaluation could follow a similar model as the evaluation of minimum unit pricing (MUP) in Scotland:

The Scottish Government tasked the Monitoring and Evaluating Scotland's Alcohol Strategy (MESAS) programme with evaluating the impact of MUP in Scotland. Their work is focused on whether MUP has contributed to reducing alcohol-related health and social harms and whether some people and businesses are more affected than others. There are currently 12 studies in the works, which will create a comprehensive understanding of the impact of MUP.⁴¹

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