



HOUSE OF COMMONS

LONDON SW1A 0AA

The Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
The Correspondence & Enquiry unit
1 Horse Guards Road
London
SW1A 2HQ

Our Ref: SO30306

14 February 2022

Dear Rishi,

Re: Impact of alcohol duty reforms on small domestic producers

We are writing to you to highlight the implications of the alcohol duty reforms, as announced in the Autumn Budget, which could pose a threat to domestic craft breweries and artisanal spirit makers.

The Liberal Democrats are supportive of reforms to alcohol duty which remove complexity and support public health aims. We are, however, concerned with some aspects of the Government's proposals, as detailed below.

Firstly, many small independent breweries will not benefit from the Government's proposed reduction to beer duty, the so-called "draught relief". This proposed tax cut will only apply to barrels over 40 litres, which will benefit many Real Ale producers. However, many smaller independent brewers, especially those producing craft beer, exclusively supply their beer in 30 litre barrels. Such producers would face considerable costs to scrap their existing barrels and replace them with larger ones in order to benefit from the "draught relief". Furthermore, smaller barrels, such as small casks of real ale (36-pint pins), are widely used in local pubs and other small community venues such as sports clubs.

Independent drinks manufacturers provide large benefit to UK economy, producing quality products and also employing their local communities across the nation. According to the Society of Independent Brewers (SIBA), there is a small brewery in almost every constituency in the UK – who contribute a combined sum of £270 million a year to GDP. Such independent businesses represent the creativity of British industry, yet many are not set to receive the same benefit from the proposed reductions to alcohol duty as global craft giants and macro breweries.

Secondly, the Treasury's reforms do very little to support domestic spirit producers. Under the current system, Scotch Whisky and other spirits are more highly taxed per unit of alcohol than other categories. The new reforms change very little for Scotch Whisky and make some elements worse. The Treasury has given a 25% tax cut per unit of alcohol to English sparkling wine, not to mention imported prosecco, cava and champagne - which makes up the vast majority of the UK sparkling wine market - whilst domestic spirit producers have been largely ignored.

The Liberals Democrats are therefore calling for:

- The “draught relief” threshold to be lowered to twenty litres which would ensure all independent brewers benefit from the new duty relief on draught beer.
- A reduction of beer duty in line with cider rates.
- Measures implemented to support domestic wine makers, craft brewers, distillers and artisanal spirit makers.

It is a well known fact that small independent businesses were among those hardest hit by the pandemic, particularly those in the hospitality industry. During lockdown small brewers have seen beer sales drop by 80% on average, and just as they are beginning to edge towards recovery, they are hit by a further barrier to allowing them to compete with dominant brands in the market.

We urge the Treasury to consider our proposals, and to ensure that small domestic producers and artisanal spirit makers are given fair consideration in reforms to alcohol duty.

Yours sincerely,



Sarah Olney
Member of Parliament for Richmond Park

Sir Ed Davey MP
Wendy Chamberlain MP
Daisy Cooper MP
Helen Morgan MP
Sarah Green MP
Wera Hobhouse MP
Christine Jardine MP
Layla Moran MP
Tim Farron MP
Munira Wilson MP
Jamie Stone MP
Alistair Carmichael MP