MC2018/13060

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Sir Mark Hendrick MP
House of Commons
London
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10 AUG 2018

Sir Mark,

Thank you for your email of 24 July to the Chancellor of the Exchequer on behalf of a number of your constituents, about beer duty. I am replying as the Minister responsible for this policy area.

I can assure you that the Government fully recognises the important contribution the beer and pub industry makes to British culture, through providing both employment and a place to socialise within communities.

At Autumn Budget 2017, the Government announced a freeze on all alcohol duties - including beer duty. This has meant that a pint of beer is 1p cheaper than if the price had increased in-line with inflation. The actions taken have cost this Government around £4 billion since 2013. The 1p-per-pint tax cuts at Budget 2013, 2014 and 2015 - followed by a further duty freeze in 2016 and a freeze at Autumn Budget 2017 - mean that the average tax charged in 2018 on a typical pint of beer is estimated to be 12p lower than it otherwise would have been since ending the beer duty escalator in 2013.

The measures we have taken in recent Budgets - in addition to abolishing the duty escalator - have made a real difference and been highly valued by pubs, customers and communities. However, these measures have come at a significant cost to the Exchequer in lost revenues - around £1 billion this current year alone - which would otherwise have been put towards funding our vital public services. While I am aware there are suggestions that cutting alcohol duty brings in greater tax revenue to the Government, I am not aware of any robust evidence that supports this position.

More generally, the Government has taken a cross-departmental approach to tackle harmful drinking; cuts to alcohol duty do not reduce this type of drinking, nor the costs associated with harmful drinking.

The Government continues to recognise the important contribution that the pub industry makes to local communities. To provide support to pubs, at Autumn Budget 2017 the Government announced that it would be continuing the £1,000 business rate discount for small and medium pubs in 2018/19. In addition, pubs are benefiting from wider reforms and reductions to business rates, which are estimated to provide over £10 billion in support by 2023.

These reforms and reductions include switching the annual indexation of business rates from RPI to CPI from 2018 - worth £4.1 billion by 2023. This represents a rate cut every year for pubs, with this benefit growing significantly over time. This also includes increasing the frequency of property revaluations so that bills are fairer and more closely reflect properties' current rental values by bringing forward the next revaluation by one year to 2021, and moving to three-year revaluations after that.

In addition, the Government has taken action to make the 100% small business rate relief permanent and increase the threshold of the relief from April 2017, taking 600,000 of the smallest businesses out of business rates. This will support smaller pubs, and reduce their costs. Moreover, the Government increased the threshold for the standard multiplier to £51,000 from April 2017 taking 250,000 properties out of the higher rate of business rates.

Finally, the Government has implemented a £435 million package to support ratepayers facing the steepest rises in bills following the 2017 revaluation, including those who lost small business rate relief or rural rate relief. This is on top of the £3.6 billion transitional relief scheme.

These reforms will aid pubs in staying afloat by providing significant relief to the tax pressures mentioned. Industry data suggests that over 90% of pubs are independently managed or owned, meaning many pubs will benefit from business rates cuts targeted at small businesses.

The Government keeps all taxes and duties under constant review and will continue to do so as we approach Budget 2018. Please pass on my thanks to your constituents for taking the trouble to make us aware of these concerns and please be assured of my continuing support for the sector.

Yours,

Robert.

ROBERT JENRICK