Our policy position on alcohol taxation

Cheap alcohol carries a tremendous cost, damaging not only people’s health, but also the economy and wider society. Tasked by the Government to review the evidence on the burden of alcohol, Public Health England (PHE) recently found that 167,000 years of working life were lost to alcohol in 2015, more than the ten most frequent types of cancer combined. This comes at a social cost that has been estimated between £21 billion and £52 billion. More directly, the Treasury’s own calculations show that tax cuts given to the alcohol industry over the past four Budgets will cost the public purse £790 million in 2017/18 and a total of £2.9 billion over five years. This in addition to over a million hospital admissions and 23,000 deaths related to alcohol in England each year, meaning that alcohol accounts for 10% of the UK burden of disease and death, and is one of the three biggest lifestyle risk factors for disease and death in the UK.

The persistent availability of cheap alcohol perpetuates deprivation and health inequalities. Men from lower socio-economic groups are 3.5 times and women 5.7 times more likely to die of an alcohol-related ailment. Evidence indicates that raising the price of the cheapest alcohol will benefit poorest communities the most, with 90% of lives saved from minimum unit pricing coming from the lowest income groups.

In a time of such tight public finances - with services coming under increasing pressure - combined with persistent deprivation and inequality, delaying action on cheap alcohol is unsustainable.

We are calling on the Government to:

1. **Increase duty on high strength cider.** Due to anomalies in the excise system, high strength 7.5% ABV ciders are available for the lowest price per unit of any drink: as low as 16p per unit. As a result, they are overwhelmingly favoured by dependent, street and young drinkers. Restructuring cider duty so that these products can be targeted with higher tax rates would substantially reduce the harms associated with them. 66% public support higher taxes on white cider.

2. **Reinstate the duty escalator.** Alcohol is 60% more affordable today than it was in 1980. The duty escalator temporarily reversed this trend by raising alcohol taxes above inflation, with predictable benefits to public health. We know that affordability drives consumption, so increases in duty are necessary to address the growing issue of cheap alcohol, and the worrying signs that progress on alcohol harm is stalling.

3. **Implement a minimum unit price for all alcoholic products.** MUP is needed to deal with the particular problem of the cheapest strongest drinks favoured by the heaviest drinkers and is complementary to reforming the alcohol duty structure for other products.

4. **In forthcoming trade agreements, ensure the government can protect public health through measures like scaled volumetric taxation.** As the Government renegotiates the UK’s trading relationship with the European Union and the other countries, it should ensure that trade regulations do not excessively constrain its ability to protect public health. In particular, it should seek no longer to be bound by European directives in a way that means it is not possible to tax wine or cider in proportion to their alcohol content, so that it can introduce scaled volumetric taxation and ensure stronger drinks are always more expensive.
Our recommendations

1. Increase duty on high strength cider

High strength ‘white’ cider is a product that causes disproportionate levels of harm. It is closely associated with dependent, street and underage drinking. This product has largely developed because of anomalies in the tax system which mean that high-strength cider has the lowest cost per unit of alcohol of any product. Recent opinion polls show that two-thirds (66%) of the public are in favour of raising taxes on white cider. The Government should rationalise the duty structure to tackle the harms caused by high strength white cider.

The Alcohol Health Alliance recommends:

- Cider duty should be split into four bands, with higher strength bands subject to higher rates of duty
- High strength ciders should attract similar rates of duty to high strength beers
- The Government should consider introducing duty relief for small cider producers

In recent years, doctors, alcohol treatment services and homelessness charities have expressed increasing concern about high strength cider. These are typically - but not always - ‘white’ (i.e. colourless), sold in large plastic bottles at relatively low prices. For example, a recent survey found 3 litre bottles of white cider, containing the equivalent amount of alcohol of 22 shots of vodka (22 units), on sale for just £3.49, equivalent to just 16p per unit. To put these 22 units of alcohol in perspective, the UK’s Chief Medical Officers advise that, to keep the risks of harm to a minimum, adults should drink no more than 14 units a week, spread out across 4-5 days in the week.

According to Thames Reach, which works with rough sleepers in London, “Super-strength drinks have become one of the biggest causes of premature death of homeless people in the UK, and our figures indicate that super-strength drinks are doing more damage than both heroin and crack cocaine”. 78% of the deaths in Thames Reach hostels are attributed to high strength alcohol. 25% of alcohol treatment services patients in Glasgow and Edinburgh drink white cider, and 45% of white cider drinkers drink it exclusively. Moreover, these products have often been targeted at young people: Frosty Jack’s, the leading high-strength cider brand, has consistently been among the top five most consumed brands by underage drinkers in treatment.

The prominence of high-strength cider amongst these groups is primarily due to its cheapness. Studies of white cider drinkers have indicated 75-85% favour it for its low price. Speaking to consumers of high strength cider, Alcohol Concern found that though “It is often argued that raising prices would not change the drinking habits of this group. It was very apparent during interviews that most of them have a very detailed knowledge of price variations”. High strength cider has a particularly damaging position relative to other drinks, with evidence it is seen as a ‘buffer drink’, aiding harmful drinkers in maintaining their consumption even when their financial circumstances decline.
It is the idiosyncrasies of the duty system that allow white cider to be sold so cheaply. The chart below demonstrates that cider of 7.5% ABV attracts the lowest level of duty of any alcohol product at any strength. For example, a 500ml can of cider at this strength generates 19p of duty, less than a third of the duty on a can of beer of equivalent size and strength (69p). It is no surprise, then, that a number of ciders are produced at exactly this ABV to fully exploit the duty structure.

**Figure 1: Duty per unit of alcohol by product type**

There are two fundamental reasons for this anomaly. Firstly, cider is taxed at a lower level than other drinks categories. Secondly, cider is taxed by volume, rather than alcohol content, meaning that stronger drinks within the same duty band are taxed exactly the same.

This system is widely seen as irrational, with the Institute for Fiscal Studies among those calling for reform to address “the very low levels of duty charged on strong cider”. The AHA suggests that the introduction of a new band of duty on high-strength cider is an appropriate solution. Such a move would have popular support, with 66% of the public agreeing that taxes should be increased on high strength ciders.

At present, duty rates for cider are split into two bands: 1.2% to 7.5% ABV, and 7.5% to 8.5% ABV. The lower band is extremely wide, particularly in light of the fact that there is no variation in duty within bands (as cider is taxed on the basis of volume, not strength) – with the effect that the weakest ciders on the market (around 2.5-3%) attract the exact same duty as 7.5% white ciders, for comparable containers (£38.87 per hectolitre).

While in the short term duty cannot be made directly proportionate to strength (due to European regulation, see recommendation 4), the Government can restructure the duty system so that tax better corresponds to strength. The AHA proposes four bands for cider duty, as suggested below:
| Band | Strength (ABV %) | Current Rate (per Hectolitre) | Suggested change | Suggested Rate $xxii$
<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1.2 - 2.8</td>
<td>£38.87</td>
<td>2% reduction</td>
<td>£38.09</td>
</tr>
<tr>
<td>B</td>
<td>2.9 - 5.5</td>
<td>£38.87</td>
<td>In line with duty escalator</td>
<td>£40.62</td>
</tr>
<tr>
<td>C</td>
<td>5.6 – 7.5</td>
<td>£38.87</td>
<td>20% increase</td>
<td>£46.64</td>
</tr>
<tr>
<td>D</td>
<td>&gt;7.5</td>
<td>£58.75</td>
<td>In line with duty escalator</td>
<td>£61.39</td>
</tr>
</tbody>
</table>

In particular, we would urge a significant increase in the duty rate associated with band C, which would raise the price of the cheapest alcohol, and represent a significant step towards addressing the social harms linked to products of this strength. At the same time, we recommend a new band A for lower-strength cider, and a reduction of duty for drinks within this band, to incentivise producers to develop and market lower-strength ciders. For bands B and D, we recommend that duty should increase in line with a revised duty escalator, at 2% above inflation.

This revised duty structure would represent targeted and proportionate action on the products that cause the most harm, by rationalising cider duty to reduce perverse incentives. The chart below shows a selection of the leading cider brands, and the duty bands they would fall into. The first point to make is that the vast majority of household cider brands would fall into band B, and so would not see a substantial increase in duty. Market research data indicates that around 80% of the total cider market falls into this band.$xii$ The second point is that while certain products that would not be considered ‘white’ ciders – such as Scrumpy Jack and Thatchers - might be captured in band C, and suffer duty increases, these are typically on the boundary of the duty category at around 6% ABV and so should be able to evade the duty increase by reformulating to lower strength. Such moves would bring additional public health benefits. The third point is that there are very few low-alcohol cider products, in contrast to the large number of low-strength beers in the market. Introducing a low duty band A, as currently exists for beer, would incentivise the development of such products.

*Figure 2: ABV of major cider brands*
The remaining products at the upper end of band C are almost exclusively white ciders. These are overwhelmingly the preserve of dependent and harmful drinkers: a recent analysis found that the level of high strength cider in these groups accounts for almost the whole market in Scotland (and there is little reason to suspect the rest of the country is much different). xxiv

There is compelling evidence that altering duty bands can influence manufacturer and consumer behaviour. The introduction of the current top band for ciders over 7.5% ABV is credited with shrinking the market for ciders above this strength from 20% in 1996 to less than 2% today. xxv Similarly, the market for super-strength beer and lager in England and Wales declined by 23% in the two years following the introduction of a new, higher duty band for such products in 2011. xxvi At the other end of the spectrum, within a year of the announcement of a tax break for lower strength beers in 2011, sales of the products grew by 40% nationwide. xxvii

An equivalent to Small Breweries Relief, whereby reduced duty of up to 50% is applied to brewers producing less than 60,000 hectolitres, is not presently available to cider producers. This seems unfair: to illustrate, duty payable by a small brewer per hectolitre on the first 5,000 hl for a 2.8% ABV will be £11.34, but a small cider maker producing the equivalent amount at the same strength will pay £38.87 (after the first 70hl) – over three times more. The cider market in the UK is much smaller than beer, so the definition of a small cider producer should be adjusted accordingly. Nevertheless, having reached a suitable definition, the Government should consider finding a mechanism to offer similar relief to small cider producers, boosting the traditional cider industry and mitigating adverse effects of the proposals above on such producers.

2. **Reinstate the alcohol duty escalator**

Scraping the alcohol duty escalator has allowed cheap alcohol to become more affordable to heavy drinkers while at the same time unfairly increasing the burden on the public purse, with an estimated cost to the taxpayer of over £2.9 billion over five years. The need for duty on alcohol to compensate for the burden of alcohol related harm to societies has been accepted in the UK and elsewhere for centuries – the duty escalator was appropriate and fair.

The Alcohol Health Alliance recommends:

- The duty escalator should be reinstated at 2% above inflation

Alcohol is 60% more affordable today than it was in 1980. xxviii We know that affordability is one of the key drivers of consumption and harm: cheaper alcohol invariably leads to higher rates of death and disease. xxix
This growing affordability has been driven by ever-cheaper supermarket alcohol. As figure 4 shows, the price of beer in supermarkets has been falling steadily since the early 1990s, with only the duty escalator stalling this decline in recent years.

The affordability of alcohol is closely related to the level of tax on alcohol. As a result, alcohol taxes are widely acknowledged to be among the most effective ways to reduce the harmful consumption of alcohol. The World Health Organization classes increasing alcohol taxes as one of the most cost-effective measures for achieving its target of a 10% reduction in harmful alcohol consumption. Alcohol tax has also been endorsed by the
Organisation for Economic Co-operation and Development (OECD) among a suite of measures to reduce negative health effects of drinking. Conversely, making alcohol more affordable by reducing taxes can have terrible effects. A dramatic illustration is the case of Finland, where tax on spirits was reduced by 44% and tax on beer by 32% in 2004. As a result, overall consumption rose by 10% and there was a 29% increase in deaths from liver disease.

The 25 years leading up to 2008 saw a similar process, albeit far more gradual, play out in the UK as inflation eroded the value of alcohol taxes. Figure 4 shows that beer duty peaked in value in 1985-6, while wine and spirits duty followed a long-term downward trend throughout the 1980s, 1990s and most of the 2000s. Combined with growth in incomes, this led to the dramatic increases in affordability shown in figure 3. Predictably, this led to rising death and illness. Deaths from liver disease have increased four-fold since 1980. The age standardized alcohol-related death rate rose by 74% between 1994 and 2008.

**Figure 5: Real UK alcohol duty by product, 1978-2021**

The Alcohol Duty Escalator went some way to reversing these trends. Introduced in 2008, it saw duty on alcohol rise 2% above inflation each year, until it was scrapped for beer in the 2013 Budget and remaining products in 2014, following an intense lobbying campaign from the alcohol industry. As figures 3 and 4 show, under the duty escalator, affordability began to fall for the first time in years, and was 5% lower in 2013 than 2008. As figure 6 shows, alcohol-related deaths peaked in 2008 and began to fall thereafter.
In part, this was a consequence of the recession, but close analysis of HSCIC’s data shows that changes in price had a larger effect on affordability over the period than changes in income: while the relative price of alcohol rose by 4% between 2008 and 2013, per capita disposable income fell by just 1%.xxxviii

Budget decisions since 2013 risk undermining all of this progress. Since the duty escalator was scrapped, there have been a succession of cuts and freezes to alcohol duty, with the net result that, in real terms:

- Beer duty is now 14% lower than in 2012
- Cider and spirits duty are now 6% lower than in 2012
- Wine duty is no higher than in 2012xl

This has fed through to consumption: having been in decline for years, UK per capita alcohol consumption rose in both 2014 and 2015.xli This, in turn, appears to be affecting rates of alcohol harm: alcohol-related deaths rates rose by 2% in 2014 (see figure 5).xlii It is difficult to precisely identify how much of this health harm is attributable to duty cuts, but modelling from Sheffield University suggests that the 2015 Budget alone caused annual hospital admissions to rise by 6,500.xliii

Reintroducing the duty escalator would save hundreds of lives. The most recent analysis from the Sheffield Alcohol Policy Model shows that raising alcohol duty above inflation for five successive years would reduce alcohol related deaths by 5% and hospitalisations by 4%, averting over 600 fatalities a year.xliv

The scrapping of the duty escalator has been bad not only for health, but also for the public finances. The Treasury’s own analysis shows that the past four years of consecutive cuts and freezes to duty will cost the Government £790 million in 2017/18, and has a cumulative cost of £2.9 billion over five years.xlv At a time of increasing pressure on public services like the NHS and social care, this reflects a questionable prioritisation of resources.
3. Implement a minimum unit price for all alcoholic products

Minimum unit pricing and the alcohol duty escalator are complementary policies, that work together to reduce levels of alcohol related harm in the UK.

The Alcohol Health Alliance recommends:

- A minimum price of 50p per unit of alcohol should be implemented nationally

While alcohol taxes have an important role to play in addressing the full range of harmful alcohol consumption, minimum unit pricing (MUP) is a highly effective, targeted measure to address the cheapest, strongest alcohol favoured by younger and more harmful drinkers. MUP has been the top policy priority for directors of public health across the UK for two years running\textsuperscript{xlvi}, and the policy is set to be introduced in Scotland, having been legislated for in 2012. Whilst the alcohol industry has sought to challenge MUP in the courts, the Scottish courts have now twice ruled that MUP is legal. A final judgement is due in 2017, which should clear the way for MUP in Scotland.

MUP ensures that no product is sold for less than a ‘floor price’ per unit of alcohol – recommended by the Alcohol Health Alliance to be 50p. This would end the sale of irresponsibly discounted white ciders and spirits in the off-trade, and offer some protection to local pubs (the vast majority of which would be unaffected by rules preventing the sale of a pint of beer for less than £1).

Such a policy would discourage consumption among those drinking at harmful levels, while having minimal effect on the majority of drinkers, since heavier drinkers are far more likely to purchase alcohol priced at less than 50p per unit. Modelling by the Sheffield Alcohol Research Group demonstrates the scale of the potential benefits of a 50p MUP in England, which they estimate would:\textsuperscript{xlvii}
• Save 525 lives a year
• Reduce hospital admissions by 22,000
• Cut the cost of alcohol to society by £3.7 billion over 20 years

At the same time, moderate drinkers from the poorest households would be no worse off financially, and would experience little change in their drinking habits – consuming 7 fewer units (the equivalent of three pints of beer) a year.

A variant of minimum pricing has been demonstrated to effectively reduce alcohol-related harm in parts of Canada. For example, analysis of the effects of the policy in British Columbia found that on average a 10% increase in the minimum price for alcohol s associated with a 3% reduction in consumption⁸⁶, a 32% reduction in alcohol attributable deaths⁸¹ and a 9% reduction in alcohol attributable hospital admissions.⁹¹

Minimum unit pricing should therefore be introduced as a complement to taxation measures, to reduce alcohol affordability and the associated harm.

4. In forthcoming trade agreements, ensure the government can protect public health through measures like scaled volumetric taxation.

The structure of UK alcohol taxes is currently governed by European Directives that mean it is not possible to tax wine or cider proportionate to their strength (although introducing new duty bands, as outlined under recommendation 2, is possible). This means that currently there is no tax incentive for wine and cider manufacturers to produce lower strength products within the relatively wide existing tax bands. As Britain renegotiates its trading relationship with the rest of the world, the Government should seek to ensure that it has greater freedom over the structure of alcohol taxes, and in particular reform cider and wine duties so as to disincentivise the production of strong products. At the same time, it should recognize the dangers of cheap, strong alcohol and so ensure that stronger product types are taxed at higher rates.

The Alcohol Health Alliance recommends:
• As the Government renegotiates its trading relationship with other countries, it should ensure it retains the freedom to implement measures to protect public health
• In particular, it should ensure that wine and cider duties are set proportional to alcohol content rather than volume, to ensure stronger drinks attract higher tax
• The Government should also ensure that stronger product types are taxed at higher rates, by introducing a raised duty escalator for spirits, rising 4% above inflation

As the UK renegotiates its trade relationship with the European Union and other countries, it is imperative to ensure that the Government’s capacity to make policies which reduce alcohol harm is not impeded. In a number of prominent cases, such as minimum unit pricing for alcohol and tobacco plain packaging, public health measures have been delayed and obstructed by corporate interests, at great cost to the taxpayer. Securing robust exemptions in future trade agreements, which allow governments to prioritise human health over trade liberalisation, is critical.
Rationalising duty on wine and cider is a particular priority. At present, duty on wine between 8.5% and 15% ABV (and ciders between 1.2% and 7.5%) is charged at a flat rate, based on volume alone. As a result, stronger wines actually attract a lower duty per unit (see figure 1). Moreover, no products can be marketed as ‘wine’ in the EU if they are below 8.5% ABV (with the exception of wine of Protected Designation of Origin). Furthermore, current EU rules prohibit the use of technology to reduce the strength of wine by more than 2% ABV. As described above, this creates a perverse set of incentives, favouring stronger products. This is a large part of the reason that the Institute for Fiscal Studies has condemned the structure of alcohol duty as “a mess”. \[iii\]

The Government has acknowledged the limitations of the current system and expressed a desire for reform: in June, Lord Prior stated that “The UK Government believes alcohol duties should be directly proportional to alcohol, as is the case with beer”. \[liii\]

The AHA believes it is important that the Government takes action to secure this objective. First it should negotiate to protect the freedom for the UK to set its own structure of alcohol duties in whatever arrangement succeeds the EU. Second, it should use this power to reform wine and cider duties, so that they are levied proportionately to alcohol content. Care must be taken however when making changes to the duty system to avoid incentivising the production of low strength wines in addition to higher strength products, creating a broader market and possibly encouraging more drinking occasions for consumers. The AHA strongly recommends that where tax reductions are offered for lower strength wines, these are matched by tax increases for higher strength wines.

While the AHA believes that all alcohol duty should be proportional to alcohol content, we also believe that stronger drinks should face higher rates of duty per unit. We favour scaled volumetric taxation over a single rate of duty per unit harmonised across all products. The current structure of beer duty, where tax is levied on alcohol content rather than volume but with a higher rate band of duty for stronger beers, is a good model for what we have in mind.

In particular, we believe it is important that a unit of spirits is taxed at a higher rate than a unit of wine or beer, for a number of reasons. Firstly, the fact that spirits have much lower production and distribution costs than other drinks\[liii\] means that charging them the same rate of tax would result in the retail price per unit of spirits being much cheaper than other products, with negative consequences for public health.

Second, spirits are more prone to be consumed in excessive quantities. This is partly because they are strong, and drinkers need to consume a smaller volume of liquid to ingest the same quantity of alcohol. It is also because ‘over-pouring’ (i.e. mistakenly exceeding standard single measures when drinking at home) is especially common for spirits. \[iv\] As a result, fatal alcohol poisonings and aggressive behaviour are more strongly associated with spirits than with other types of alcoholic drinks. \[lv\]

As figure 4 shows, duty on spirits has fallen dramatically over the past 40 years relative to duty on other drinks. In recognition of the specific risks of harm posed by spirits consumption, we recommend that the Government take steps to reverse this and increase duty on spirits 4% above inflation in the short to medium term.
These policies are a complementary package, which would work together to reduce the burden of alcohol harm

These policies are not, for the most part, alternatives. While each in isolation would go some way to addressing the most acute alcohol-harms, together they form a holistic package to save lives, reduce the burden to society and support the public finances.

MUP and raising duty are complementary measures. MUP is closely targeted at the most harmful alcohol consumption, and as a result taxes would have rise dramatically to match the benefits of a minimum unit price. Recent analysis from the University of Sheffield showed that alcohol taxes would have to rise by 28% to achieve comparable reductions in alcohol-related mortality to a 50p MUP in Scotland, with a greater impact on people drinking consuming within guideline levels.\textsuperscript{lvii} Moreover, while changes to alcohol duty are sometimes absorbed by retailers and not always passed through to consumers in their entirety\textsuperscript{lviii}, MUP would directly regulate the price paid for alcohol, and so be more certain of influencing consumption.

At the same time, minimum unit pricing is not a substitute for tax measures. Its precise focus means that it only addresses the cheapest drinks, and while these are typically favoured by high risk and harmful drinkers, they are not the only products they consume. Taxes therefore have a role to play in influencing the affordability of drinks above the MUP threshold, which can still cause significant harm.

Evidence collected by Public Health England suggests that MUP and higher alcohol taxes work best together. They find that over 20 years, a 60p MUP would save 1,166 lives a year, but a 60p MUP alongside a duty escalator for five years would save 1,722 lives.\textsuperscript{lix}

About the Alcohol Health Alliance

The AHA UK brings together over forty organisations who share an interest in reducing the damage caused to health by alcohol misuse.

Members include medical bodies, charities and alcohol health campaigners. We work together to highlight the rising levels of alcohol-related health harm, propose evidence-based solutions to reduce this harm and influence decision makers to take positive action to address the damage caused by alcohol misuse.

Members of the AHA:

- Academy of Medical Royal Colleges
- Action on Addiction
- alcoHELP
- Alcohol Action Ireland
- Alcohol Concern
- Alcohol Concern Cymru
- Alcohol Focus Scotland
- Association of Directors of Public Health
- Balance North East
Beating Bowel Cancer
British Association for the Study of the Liver
British Liver Trust
British Medical Association
British Society of Gastroenterology
Cancer Research UK
Centre for Mental Health
Faculty of Dental Surgery
Faculty of Occupational Medicine
Faculty of Public Health
The FASD Trust
Healthier Futures
Institute of Alcohol Studies
Medical Council on Alcohol
National Addiction Centre
National Organisation for Fetal Alcohol Syndrome UK
Public Health Action
Royal College of Anaesthetists
Royal College of Emergency Medicine
Royal College of General Practitioners
Royal College of Nursing
Royal College of Physicians of Ireland
Royal College of Physicians London
Royal College of Physicians and Surgeons, Glasgow
Royal College of Psychiatrists
Royal College of Surgeons of Edinburgh
Royal College of Surgeons of England
Royal Pharmaceutical Society
Royal Society for Public Health
Scottish Families Affected by Alcohol and Drugs
Scottish Health Action on Alcohol Problems (SHAAP)
Scottish Intercollegiate Group on Alcohol
Society for the study of addiction
Spinal Injuries Association
Turning Point
UK Centre for Alcohol and Tobacco Studies
UK Health Forum
Violence and Society Research Group
World Cancer Research Fund


7 HM Government (2012), The Government’s


10 AHA Opinion Polling 2016


12 AHA Opinion Polling 2016


14 Thames Reach statement.


18 Goodall (2011) op. cit.


21 AHA Opinion Polling 2016


31 ONS (2016), Consumer Price Inflation time series dataset.


38 ONS (2016), op. cit.


42 ONS (2016), op. cit.


Ibid.


Sheffield: School of Health and Related Research, University of Sheffield
