# Drinkaware response to the Alcohol Duty Call for Evidence November 2020

**Introduction**

The Drinkaware Trust is a registered charity with the mission to reduce alcohol harm and provide alcohol education.

Drinkaware’s response is anchored in its remit of reducing alcohol harm by encouraging positive changes in drinking behaviours. Drinkaware aims to achieve this through public education concerning the facts and health implications of alcohol. The following evidence draws extensively upon the charity’s insight and evidence of attitudes to alcohol and of drinking behaviours, with the objective of considering how the duty system might more effectively contribute to protecting public health.

**Answers to Questions**

**The overall duty system**

1. **Overall, how effectively does the current set of individual duties work in meeting the Government’s aims of raising revenue and protecting public health?**
2. **Do you have any general comments about the current system of alcohol duties, and how it could be improved? In particular, if you are a producer, we would welcome information on your experiences of the duty system.**
3. **Are there any structural changes you anticipate taking place in the alcohol industry that you believe the duty regime should reflect?**

Over the past five years, alcohol duty has raised £10.5-£12.1 billion annually (HMRC). Drinkaware believes in principle that considerations of alcohol duty, as well as the broader Government revenue generated by the alcohol industry, ought to be made in the context of the costs of alcohol harm to society.[[1]](#footnote-1)

An emerging trend that Drinkaware hopes might be encouraged in any future duty regime is the significant growth of the lower-alcohol beverage market. Sales of alcohol-free and lower-strength drinks in the on-trade (i.e. in pubs, bars and restaurants) rose by 48% in the 12 months from November 2018 to November 2019, according to data from market researcher CGA.[[2]](#footnote-2) September 2020 data from Nielsen[[3]](#footnote-3) continues this trend showing a 30% year-on-year increase in sales of low and no-alcohol drinks in the off-trade. However, such growth is starting from a relatively low base, as the no/low market is still in its infancy and represents less than 1% of the Beer, Wine and Spirits (BWS) market[[4]](#footnote-4).

Drinkaware believes that the opportunity to incentivise and support product innovation in lower ABV products, and the reformulation of products to reduce alcohol content by volume, could make a significant contribution to reducing alcohol harm, particularly amongst consumers who are willing to switch to lower ABV options. This change would contribute to the Government’s specified aim (Question 1) of protecting public health. Drinkaware also supports the continued absence of duty for sub 1.2% ABV products, incentivising the production of lower strength beverages and further supporting category growth.

Recognising the evidence of cross-price elasticity to alcohol consumption,[[5]](#footnote-5) it is reasonable to assume that where duty incentives are passed on in the form of lower retail prices, consumers would be further encouraged to switch to lower strength products.

The rationale for our position is that:

reducing the alcohol strength of different beverage categories is acknowledged by the WHO as a complementary intervention that can reduce the harm from alcohol intoxication and drinking, if existing within a broader strategy;[[6]](#footnote-6)

* there is evidence that low and no alcohol products can work as a substitution-based moderation technique[[7]](#footnote-7) and Drinkaware supports the reformulation of products as a sensible route to help reduce alcohol intake. By replacing standard alcoholic drinks with similar drinks of lower alcoholic strength, it is reasonable to assume that drinkers will reduce their risks of short and long-term alcohol-related harm, so long as there is no corresponding increase in volume;[[8]](#footnote-8)
* as yet, there is a paucity of non-laboratory-based research to conclusively demonstrate whether lower strength ABV is compensated for by larger volumes consumed.[[9]](#footnote-9) However, there is evidence demonstrating the potential of reformulated, and low/no, beer products as a means of reducing the alcohol by volume and number of grams of alcohol purchased by households;[[10]](#footnote-10)
* there is increasing consumer awareness of, and appetite for, low and no products. The Drinkaware Monitor Study 2020[[11]](#footnote-11) indicates that one-third (34%) of UK drinkers report drinking or having drunk a lower strength alcoholic beverage as a means to moderate their alcohol consumption, a significant increase from 2017 (25%). In addition, one-third of UK drinkers (33%) expressed an openness to trying lower strength drinks as a means to moderate their drinking—an increase from 2018 (30%);
* lower strength products can be a potential moderation technique for high-risk drinkers. According to the 2020 Drinkaware Monitor,[[12]](#footnote-12) high-risk drinkers (defined using the AUDIT-C screening tool,[[13]](#footnote-13) scores 8-12) may be open to considering lower strength drinks as a way to moderate their drinking with 31% of high-risk drinkers having tried this in the past, and 32% expressing a willingness to do so. Moreover, a substantially lower proportion of high-risk drinkers (37%) report not seeing themselves moderating with a lower strength drink compared to opting for a non-alcoholic drink (60%), suggesting lower strength drinks, rather than non-alcoholic drinks, may be a better suited moderation technique for this group.

**Comparisons between the duties**

1. **Overall, how well do the different duties work when combined together as a system?**
2. **Do the differences and inconsistencies highlighted cause real-world issues for producers and for public health, or are these more theoretical concerns? In particular, if you are a producer, have differences in the duties affected your business decisions?**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment in detail here, but more broadly would support a duty system that incentivises a reduction of alcohol content to lower strength products.

**Methods of taxation**

1. **Is there a case to move to a standard method of taxation?**
2. **In particular, should the UK replicate the example of other countries and move wine and cider duties to be taxed in proportion to the strength of the final product, i.e. converted to a specific basis?**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment in detail here, but more broadly would support a duty system that incentivises a reduction of alcohol content to lower strength products.

**Distinguishing products by the source of their alcohol**

1. **Is the current system of differentiating different alcoholic products on the source of their alcohol a fair approach?**
2. **Is there a case to remove, or add further, categories of products?**
3. **Is there a case to end the individual alcohol taxes and reconstitute them with a single, unified alcohol tax? If not, on what basis should individual alcohol taxes be retained?**
4. **Should taxation recognise the costs associated with producing different products?**
5. **What evidence is there of the differing harms associated with individual products?**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment in detail here, but more broadly would support a duty system that incentivises a reduction of alcohol content to lower strength products.

**Distinguishing products by strength**

**13. How well does the current system work in taxing products of different strengths?**

**14. Would you support a “strength escalator” system, i.e. one where products that are stronger consistently pay more duty per unit?**

**15.Can a product be more or less harmful for reasons other than the strength of the product?**

**16. How should the Government consider setting different rates of duty for higher and lower strength products?**

**17. Are there appropriate points at which products become more or less harmful, which could be used to set bands for different strength products?**

**18. What would be the effect of moving away from a banded system to a formula-based approach such as in Iceland?**

**19. Should the duty system be used to encourage producers to switch to lower strength products, or reformulate existing products?**

**20. If so, what would the best way of encouraging such practices?**

Although evidence suggests that it is the volume consumed and pattern of consumption that causes harm[[14]](#footnote-14) rather than the strength/ABV of drinks, there is some evidence from Drinkaware Monitor 2020 that lower strength products can be a potential moderation technique for high-risk drinkers.

According to our 2020 Drinkaware Monitor,[[15]](#footnote-15) high-risk drinkers (defined using the AUDIT-C screening tool, scores 8-12) are least likely to have tried (25%), or consider switching to (15%), low/no alcohol alternatives than drinkers generally (30% and 21% respectively). However, our data indicates that this group may be more open to considering lower strength drinks as a way to moderate their drinking, with 31% of high-risk drinkers having tried this in past, and 32% expressing a willingness to do so. This would suggest lower strength drinks, rather than non-alcoholic drinks, may be a better suited moderation technique for this group.

As such, Drinkaware believes that regardless of the duty structure adopted, opportunities to incentivise lower ABV production and reformulation of products to lower strength, could benefit harmful drinkers, and that where possible duty incentive should be passed on to the consumer in the form of lower retail prices to encourage switching to lower strength products.

**Distinguishing based on the place of retail**

**21. Is there a case to distinguish between different retail sources in the alcohol duty system? What would be the benefits and disadvantages of doing so?**

**22. If so, what would be your recommended method of doing so?**

**23. What would an appropriate level of a differential be?**

**24. What retailers should qualify for reliefs? For example, should all “on-trade” venues qualify for reliefs?**

In recent years, there has been a significant shift from on-premise sales to purchasing alcohol in the off-trade for consumption at home.[[16]](#footnote-16) Among off-trade sales, the rise of online alcohol purchases has increased substantially, with one fifth (21%) of UK consumers having brought alcohol online[[17]](#footnote-17).

Evidence suggests that higher risk drinkers tend to consume alcohol primarily in the off-trade (that is, drinking “at home” or “on the street”), rather than in the regulated environment of a pub, bar or restaurant.[[18]](#footnote-18),[[19]](#footnote-19),[[20]](#footnote-20)

Whilst there is some evidence to suggest that higher risk drinkers do not reduce consumption in response to tax increases, but rather choose cheaper products and trade down in quality instead,[[21]](#footnote-21),[[22]](#footnote-22) Drinkaware would welcome further research to ascertain whether distinguishing between different retail sources in the duty system might help address alcohol harm.

**Small producers**

**25. Is there a case to extend reduced rates for small producers to other categories?**

**26. Do you think exemptions or reduced rates are the best way to support producers?**

**27. Should relief thresholds be set in reference to only the market for that product, or in reference to the whole market for alcoholic beverages?**

**28. What evidence is there that small producer reliefs for other categories would be value for money? Would the value of the relief be simply competed away by new market entrants?**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment.

**Indexing rates for inflation**

**29. How well does the current system of indexing duties in line with inflation work?**

**30. Would a more consistent, systematic approach to indexing alcohol duties be of benefit?**

**31. Is there a more appropriate index to use for inflation-matching increases than RPI**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment.

**Approvals**

**32. What are your views on a standard framework for approval of alcohol production regimes? What would be the benefits or disadvantages?**

**33. What are your views on a single approval to produce any type of alcohol? What would be the benefits or disadvantages?**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment.

**Declarations and payments**

**34. What are your views on a single policy and process for duty payment across all the alcohol production regimes? Please include details of any benefits or disadvantages.**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment.

**Avoidance and evasion**

**35. How effective do you think the current systems of controls are at tackling avoidance and evasion?**

**36. What more could be done to reduce the alcohol tax gap?**

As an alcohol education charity, Drinkaware is not best placed or in possession of sufficient evidence to comment.

Response submitted by Drinkaware, 29 November 2020.

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3. Lyons, M. (2020, September 7). *Low and no sales on the rise.* Harpers.co.uk. https://harpers.co.uk/news/fullstory.php/aid/27712/Low\_and\_no\_sales\_on\_the\_rise.html [↑](#footnote-ref-3)
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