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Caroline Lucas MP  
House of Commons  
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Your ref: ML.C0107.CM.13.9.18

Dear Caroline,

24 SEP 2018

Thank you for your email of 13 September to The Chancellor of the Exchequer 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 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 have not seen 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.

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.

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. Thank you 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