

Alcohol duty and alcohol harm

Key points

- On Monday 17 October the Chancellor announced plans to allow alcohol duty to rise in line with inflation, at a benefit to the public purse of £600 million annually.
- The World Health Organization has identified alcohol duty as being one of the most effective ways of tackling alcohol-related harm.
- In Scotland, there was an increase from 1,020 alcohol-specific deaths in 2020 to 1,245 in 2021 (alcohol harm is increasing at an alarming rate: in 2020, deaths from alcohol increased by 19% across the UK).
- During the cost-of-living crisis, alcohol duty helps raise much needed funds while also helping to reduce alcohol harm and protect public health.
- Alcohol duty cuts and freezes disproportionately benefit the off trade, rather than the hospitality sector.
- The decision to increase alcohol duty rates would result in the avoidance of a significant further increase in alcohol-related harms and, by reducing these harms, would alleviate pressures on our over-stretched health service.

Alcohol harm in Scotland

Alcohol harm has enormous health, social and economic costs and is one of Scotland's most pervasive public health issues – as evidenced by the latest alcohol death figures from the National Records for Scotland (NRS). The figures show an increase from 1,020 alcohol-specific deaths in 2020 to 1,245 in 2021, with death rates 5.6 times higher among those living in the most deprived areas of Scotland, compared to the least.¹ In 2020/21, there were 35,124 alcohol-related hospital stays in Scotland (at a rate of 641 per 100,000).²

Currently, the overall UK revenue from alcohol duty (£10.5-12.1 billion) is less than half of the costs of alcohol to society (£27 billion).^{3,4}

Alcohol affordability and the economy

The level of alcohol harm is directly linked to its affordability: the cheaper alcohol is, the more is consumed, and therefore the more harm caused. Alcohol duty has been cut or frozen in most years since 2013. As a result, alcohol has become 14% more affordable since 2010.⁵

Cuts to alcohol duty since 2012 have cost a total of £8.6bn.⁶ Following the Autumn 2021 Budget, it was estimated that beer duty would be 28% lower, and cider and spirit duty 21% lower in real terms compared to 2012/13. Scotch whisky faced the lowest real-term tax rate since 1918.⁶

Evidence indicates that previous freezes have increased the affordability of alcohol and have resulted in increased alcohol-related harms. The University of Sheffield has estimated that cuts and freezes to alcohol duty from 2012-2019 have led to over 250 additional deaths and 4,500 hospital admissions in Scotland (and almost 2,000 additional deaths and over 61,000 hospital admissions in England).⁷

Increasing alcohol duty has been highlighted by the World Health Organization as one of the most cost-effective measures to tackle alcohol harm, reduce alcohol-attributed cancers, and death rates, as well as providing other public health benefits such as reducing obesity.^{8,9}

The Treasury has estimated that reversing the freeze on alcohol duty will gain the public purse £600 million annually.¹⁰

With the cost of most goods rising, it is crucial that alcohol – a harmful and non-essential product that has enjoyed real-term tax reductions for a decade – pays for the damage it causes and contributes crucial funds to the public purse.

Alcohol duty, hospitality and jobs

It is often believed – and the alcohol industry has argued – that reversing the planned freeze on alcohol duty will harm the hospitality industry. However, in reality, duty cuts are mainly helping supermarkets maintain the low prices that continue to undermine pubs and restaurants.

There had been a shift from drinking in pubs to drinking at home in Scotland and the rest of the UK, already prior to the pandemic.¹¹ This shift has at least partly been driven by the widening price differential between the on-trade (pubs and restaurants) and the off-trade (shops and supermarkets). Alcohol duty represents just 12% of the on-trade retail price of beer, compared to 36% of the off-trade price.¹²

There is evidence that the on-trade does not benefit from duty cuts like the off-trade does: between 2012-2019, beer duty was cut in real terms, yet beer sales in pubs fell by 17% while supermarket sales increased by 11%.¹³ Similarly, the net decline in the number of pubs was around the same rate in both periods of duty increases (2008-2013) as well as duty freezes (2013-2017).¹⁴

Arguments around income, employment and trade are regularly used by the alcohol industry to resist measures which target alcohol consumption and harm. However, a report from the Institute of Alcohol Studies found that there are only seven local authorities in Scotland where the alcohol producers account for more than 1% of jobs.¹⁵ The report found “no systematic relationship between an area’s prosperity and its dependence on alcohol industry employment”.¹⁵ Even in Moray, where alcohol producers account for 3.3% of all jobs, and distilleries a total of 1,000 jobs (2.9%), this is far from the dominant industry - as schools in Moray employ 2,500 people (7.1%), hospitals 2,000 (6.0%) and grocery stores 1,900 people (5.5%).¹⁵

There are better alternative measures to support pubs and the hospitality sector, such as reducing business rates or reducing VAT on food in pubs. The new alcohol duty system will also introduce a new draught relief with a reduced rate for draught beer, cider and made-wines, which will benefit the sector.

SHAAP urges MSPs to support the UK Government in doing the right thing for public health and public finances. We urge MSPs to write to the Chancellor of the Exchequer in recognition of the role of alcohol duty in reducing alcohol-related harms – which are disproportionately high in Scotland.

References

¹ National Records of Scotland. Alcohol Specific Deaths 2021 [Internet]. NRS. 2022. Available from: <https://www.nrscotland.gov.uk/files//statistics/alcohol-deaths/2021/alcohol-specific-deaths-21-report.pdf>

² Public Health Scotland. Alcohol related hospital statistics - Scotland financial year 2020 to 2021 [Internet]. PHS. 2022. Available from: <https://publichealthscotland.scot/publications/alcohol-related-hospital-statistics/alcohol-related-hospital-statistics-scotland-financial-year-2020-to-2021/>

³ HM Revenue and Customs (2020). [UK alcohol duty statistics](#).

⁴ Burton R, Henn C, Lavoie D, O’Connor R, Perkins C, Sweeney K, et al. A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective. *The Lancet*. 2017 Apr;389(10078):1558–80.

⁵ NHS. Statistics on Alcohol, England 2021 [Internet]. NHS Digital. 2022. Available from: <https://digital.nhs.uk/data-and-information/publications/statistical/statistics-on-alcohol/2021>

⁶ Institute of Alcohol Studies (2021). [October 2021 Budget Analysis](#).

- ⁷ University of Sheffield report: Angus, C. & Henney, M. (2019). [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield and IAS.
- ⁸ Kilian C, Rovira P, Neufeld M, Ferreira-Borges C, Rumgay H, Soerjomataram I, et al. Modelling the impact of increased alcohol taxation on alcohol-attributable cancers in the WHO European Region. *The Lancet Regional Health - Europe*. 2021 Sep;100225.
- ⁹ Ananthapavan J, Sacks G, Brown V, Moodie M, Nguyen P, Veerman L, et al. Priority-setting for obesity prevention—The Assessing Cost-Effectiveness of obesity prevention policies in Australia (ACE-Obesity Policy) study. Lhachimi SK, editor. *PLOS ONE*. 2020 Jun 19;15(6):e0234804.
- ¹⁰ UK Government. Chancellor brings forward further Medium-Term Fiscal Plan measures [Internet]. GOV.UK. 2022 [Accessed 2022]. Available from: <https://www.gov.uk/government/news/chancellor-brings-forward-further-medium-term-fiscal-plan-measures#:~:text=Cutting%20dividends%20tax%20by%201.25>
- ¹¹ Institute of Alcohol Studies (Accessed 2021). [Consumption](#)
- ¹² Ponce Hardy V, Giles L. Monitoring and Evaluating Scotland's Alcohol Strategy: Monitoring Report 2022. Edinburgh: Public Health Scotland; 2022.
- ¹³ Angus C. Why the Chancellor's freeze on alcohol duties is bad news for pubs [Internet]. Alcohol Change UK. 2021. Available from: <https://alcoholchange.org.uk/blog/2021/why-the-chancellors-freeze-on-alcohol-duties-is-bad-news-for-pubs#:~:text=This%20is%20because%20cutting%20duties>
- ¹⁴ British Beer and Pub Association (2018). Statistical Handbook 2018.
- ¹⁵ Institute of Alcohol Studies report: IAS (2017). [Splitting the Bill – Alcohol's Impact on the Economy](#). Institute of Alcohol Studies.