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17 June 2020

Dear Alison, Wes, and Stephen,

FINANCE BILL – CLAUSE 79 (POST DUTY POINT DILUTION OF WINE/MADE-WINE)

Following on from the Finance Bill Public Bill Committee session on 16 June, I wanted to write to provide further detail around some of the points you and other members of the Committee raised relating to post duty point dilution, and alcohol duty more broadly.

As I mentioned in the Committee session, the Government undertook an assessment of the public health implications of the changes made by Clause 79. This was published on the GOV.UK website in July 2019, when the draft clause was published for public scrutiny. For reference, the tax information and impact note containing this information can be found at:

<https://www.gov.uk/government/publications/post-duty-point-dilution-for-wine-and-made-wine/post-duty-point-dilution-for-wine-and-made-wine>

When making any change to alcohol duties, the Government considers the public health implications. However, other factors have to be considered alongside this, including the effects on consumers, producers and revenues.

You asked specifically about minimum unit pricing. As I mentioned, the Government is monitoring the situation following the introduction of this measure in Scotland and more recently Wales. We look forward to understanding the impacts on consumers and public health of this measure.

The Government has also acted to address public health concerns. In 2014, the Government banned the practice of shops selling alcohol for less than its duty plus VAT as a 'loss-leader', and in 2019 the Government introduced a higher strength duty rate to tackle so-called 'white ciders' that have been linked to abusive consumption. This has been effective, and this category of high-strength, low-price alcohol continues to shrink.

The Government recognises that the current alcohol duty system is complex, and so has committed to undertake a wider review of alcohol taxation. The Chancellor announced at the Budget that this would start with a call for evidence this summer.

Although several members of the Committee pointed out issues with the current design of the UK's alcohol duty regime, I would remind them that the current design is derived from the EU's Alcohol Structures Directive (92/83/EEC) and other EU law principles. These constrain how Member States can structure such duties.

I am copying this letter to the Chairs and other members of the Public Bill Committee, and will deposit a copy of this letter in the Library of the House.

A handwritten signature in black ink, reading "Kemi Badenoch". The signature is written in a cursive, flowing style.

Kemi Badenoch
Exchequer Secretary to the Treasury