



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Abena Oppong-Asare MP
House of Commons
London
SW1A 0AA

12 June 2023

Dear Abena,

Thank you for your question raised during the Public Bill Committee debate on 16 May 2023 about the merger provisions for the new alcohol small producer relief (SPR). In particular you asked for the background as to why clause 63(3), which sets out that clause 58(c) does not apply in a merger transition year, exists.

SPR eligibility is based on the previous year's alcohol production amount and an estimate of the current year's alcohol production amount made at the beginning of the current year. It is possible that some small producers may exceed the small producer limit during a current year even though they made a genuine estimation at the beginning of the year that they would not. In these cases, clause 58(c) provides that from the point that the small producer limit is exceeded the full rate of duty rather than the SPR reduced rate of duty must be paid.

The merger provisions for SPR provide that when two or more small producers merge, an adjusted post-merger amount is used to test eligibility to SPR and calculate the SPR rate. This is less than the merged producers actual combined alcohol production amount. Under the merger provisions it is possible for newly merged producers to have an actual alcohol production amount in the current year in excess of the small producer limit but still qualify for SPR rates. It is therefore necessary to ensure that clause 58(c) does not apply during a merger transition year.

I hope this explains the background and the need for clause 63(3). I am copying this letter to the Chairs and other members of the Public Bill Committee and a copy of this letter will be deposited in the Libraries of the House.

Yours sincerely,

A handwritten signature in cursive script, reading 'Gareth Davies'.

Gareth Davies MP
EXCHEQUER SECRETARY TO THE TREASURY