THE IMPACT OF BEER DUTY

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Introduction

There are health risks to people from excessive consumption of alcohol. Furthermore, excessive consumption can place a burden on society due to the cost of paying for healthcare and the criminal justice system . As a result, the government levies a duty on beer which is designed to discourage its consumption and to also compensate for the burden placed on society generated by drinking large quantities of beer.

Key findings

- Beer duty in the UK is 14 times higher than in Germany.

- The government makes drinking beer more expensive for consumers by imposing a duty upon it. For example, alcohol duty means that a pint of beer is 52 pence more expensive.

- The average household spends 1 per cent of their disposable income on alcohol duty, which is equivalent to £263 each year

- The bottom 40 per cent of earners are significantly less likely to drink than those on a higher income

- However, despite the rich consuming more alcohol than the lowest earners, alcohol duties and VAT levied on the duty accounts for 2 per cent of the disposable income of the bottom quintile, but only 0.8 per cent of the income of the top quintile

- When one considers alcohol duty as a percentage of disposable income, the data reveals the following:

  - The average household spends 1.0 per cent.
  - The bottom quintile spends 1.4 per cent.
  - The second quintile 1.1 per cent.
  - The third quintile 1.1 per cent.
  - The fourth 1.0 per cent.
  - The top quintile 0.8 per cent.

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Chart 1: Alcohol duty as a share of disposable income, by quintile
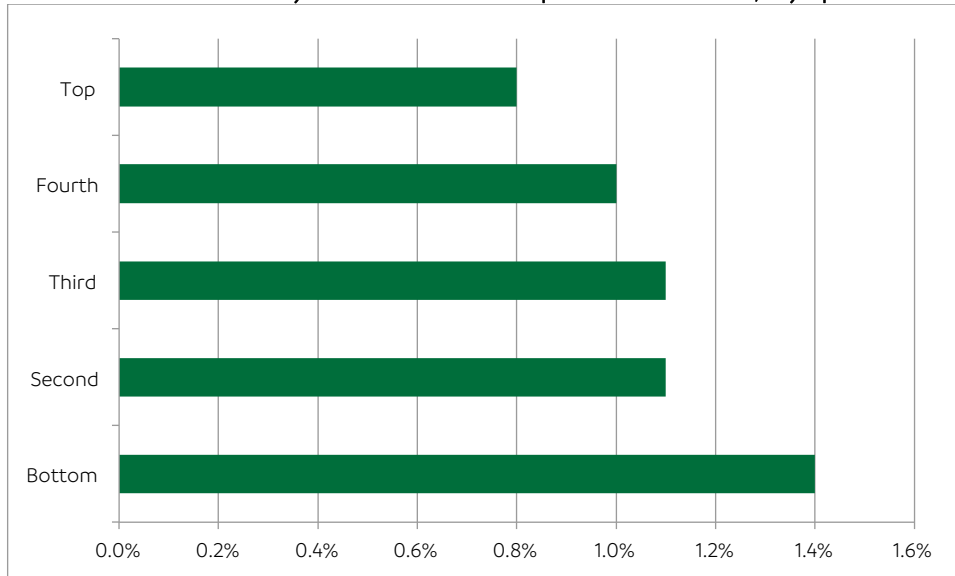
Source: ONS

However, the official statistics may not reveal the whole picture. Brewer & O'Dea found that approximately 50 per cent of all recorded alcohol sales show up in expenditure surveys. Furthermore, average figures mask the fact that many people do not consume alcohol.

Research by Snowdon has attempted to calculate the true impact on the poorest households of taxes on alcohol. He found that:

The average drinker in the low quintile, if self-reporting was correct, would spend an average of 2.5 per cent of their income on alcohol taxes, rising to 3.7 per cent if drinkers underestimate by 50 per cent.

Therefore, the research would appear to suggest that beer duty is having a significant impact on household budgets. Moreover, this impact could be far greater than what the official figures would appear to suggest.

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Conclusion

Excessive beer consumption can be detrimental to people's health. Moreover, excessive consumption can also result in costs to the health service, the police, and the courts and prisons. Therefore, it is fair that there is some level of taxation on beer.

However, the current level of taxation on beer far exceeds the damage caused by its consumption. Beer duty is excessive and has a disproportionate impact on those with the lowest incomes.

The government places taxes on the consumption of alcohol, in part to discourage excessive use of it, and also in order to raise revenue for HM Treasury. As discussed above, although a proportion of the duties go towards offsetting the potential damage caused to the individual and society by excessive use of alcohol, the amount of money raised by HM Treasury far exceeds the cost resulting from excessive use.

Furthermore, the evidence reveals that duties on alcohol have a detrimental impact upon household budgets and this is felt most keenly among poorer households. Moreover, it is highly probable that this impact on household budgets is even greater than the official statistics would appear to suggest.

Sources

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