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Alcohol Fraud Consultation

Thank you for extending the deadline for us to respond until the 16th July 2012.

CAMRA, the Campaign for Real Ale, is an independent consumer organisation which campaigns for real ale, community pubs and consumer rights. Membership is open to all individuals and our membership stands at over 140,000.

We welcome the acknowledgement that duty fraud is principally a problem within the off trade and that fraud involving draught beer and pubs is negligible. Furthermore, the problems of beer duty fraud relate almost exclusively to global lager brands produced by multinational brewing companies. Any attempt to tackle alcohol fraud must be proportionate and targeted at these multinational brewing companies.

CAMRA are opposed to proposals for duty stamps and supply chain legislation as these would adversely impact on non global brewers who make such a large contribution to the quality and diversity of beers available within the UK. Non global brewers are critical to the sustainable future of the pub and the diversity and competitiveness of the UK beer market. It would also impact on the sustainability of pubs by increasing the cost of beer which has already seen an increase in duty of 42% since 2008.

Notwithstanding these points, CAMRA believes the problem of beer duty fraud needs to be urgently addressed. HMRC's upper estimate that 14% of beer sold in the UK is sold duty unpaid, whilst likely a gross overstatement, illustrates the potential size of the subsidy that duty fraud is providing to the off trade at the expense of pubs.

CAMRA believe that both HMRC and the multinational brewing companies need to step up their efforts to tackle duty fraud by investing additional resources and using existing powers and processes only recently introduced:

- The Excise Goods (Holding, Movement and Duty Point) Regulations 2010
- Excise Movement Control System (EMCS) introduced in 2011
- Regulation for Registered Consignees introduced in 2011

Duty Stamps

CAMRA is opposed to the introduction of duty stamps on beer. However, should the introduction of duty stamps occur we believe the proposed exemptions are absolutely essential:

- all draught beers, limiting potential impacts of fiscal marks on the on-trade;
- all beer at 2.8 per cent abv or below;
- small brewery beer, potentially defined by the maximum qualifying levels for duty relief allowable in EU law, which is 200,000 hectolitres per annum

The proposed 3cm x 1cm rectangle label duty stamp specification will themselves be vulnerable to counterfeiting. Continual advances in technology means that duty stamps can easily be replicated and attached by determined criminals.

Duty stamps will only be effective if there is robust enforcement and we question whether resources are in place to check the products on sale in every off license.

Duty stamps would provide a particular problem for smaller brewers. If they are required to apply duty stamps this may result in some brewers deciding to withdraw from the export market as they will struggle to split production between export and non export stock. If small brewers are given an exemption from the duty stamps requirement this could turn into a disadvantage if some smaller retailers refuse to stock any beer without a duty stamp.

Duty stamps will also harm the free movement of goods within the EU and beyond. It is highly unlikely that foreign suppliers of specialist bottled beers will be willing to add duty stamps when only small beer quantities are ordered. The introduction of duty stamps threatens to exclude specialist beers from UK beer market as smaller brewers from abroad face new barriers to trading with the UK. This will lessen consumer choice and restrict competition in the premium bottled beer market.

Supply Chain legislation

As the problem of beer duty fraud is principally restricted to the multinational brewing companies it is inappropriate to impose draconian supply chain legislation on all UK brewers.

We note that HMRC are not consulting on detailed proposals but do suggest that a track and trace system is introduced for all beer cans and bottles. The costs of such a scheme could well impose a huge burden on the beer and pub sector and should only be given further consideration as a last resort. HMRC have furthermore provided no estimates as to the potential cost of supply chain legislation to the industry.

In the absence of any details on how supply chain legislation might work or any estimate of costs, CAMRA is strongly opposed to these proposals. A preferable solution would be an agreement between the multinational brewing companies and

HMRC to increase co-operation, agree best practice and to work together on investigations into suspected criminal activity.

Registration of Wholesalers

CAMRA believes that wholesaler registration would be a reasonable and proportionate step forward. It is an anomaly that wholesalers are the only part of the beer supply chain where registration is not required.

As the link between the illicit market and the legitimate market, wholesalers must be more tightly regulated.

Conclusion

CAMRA welcomes efforts to tackle alcohol duty fraud in the United Kingdom but believe the impact of any new initiatives must be limited to the multinational brewing companies whose products are at greatest risk of duty fraud. Any new initiatives to tackle fraud must be proportionate, as over regulation risks hampering an industry that provides almost a million jobs for the UK economy and is already facing high levels of beer duty.

Yours sincerely

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