

**European Commission  
EU Excise Duty  
Directive  
Consultation**



**CAMPAIGN  
FOR  
REAL ALE**

**A response from CAMRA,  
the Campaign for Real Ale  
November 2015**

## **1. Introduction**

1.1. CAMRA, the Campaign for Real Ale, is an independent consumer group with over 175,000 members and acts as the independent voice for real ale drinkers and pub goers across the UK.

1.2. As an organisation we are concerned with restrictions imposed by the current EU Directive on Excise Duty in terms of how Member States can support the drinks industry in their own country.

1.3. In particular, CAMRA would like to see:

1.3.1. Greater flexibility for Member States to apply a differential duty rate on draught real ale and cider.

1.3.2. An increase in the limit for applying reduced rates to brewers from 200,000 to 500,000 hectolitres.

1.3.3. A sliding scale of duty for small cider producers in addition to a duty exemption for cider makers producing less than 70 HL of cider a year.

1.3.4. For the current duty exemption for small cider producers in the UK making less than 70 HL a year to be written into the EU Directive.

1.3.5. Greater support for small brewers to produce low-strength real ales.

1.3.6. To increase the limit below which Member States may apply reduced rates for beer from 2.8% to 3.5%.

## **2. Methods of calculating excise duties**

2.1. CAMRA agrees that common definitions of alcohol and alcoholic beverages for excise duty should be set at EU level. The system prevents trade distortions in the Single Market, helps ensure fair competition between businesses and reduces administrative burdens.

2.2. CAMRA believes that both systems (hectolitres/degrees Plato and ABV) have their merits and that Member states should be able to continue with whichever system they have adopted over the years.

2.3. CAMRA recommends that tax bands should be available for Member States that use the ABV system for excise duty as well as for those that use Plato.

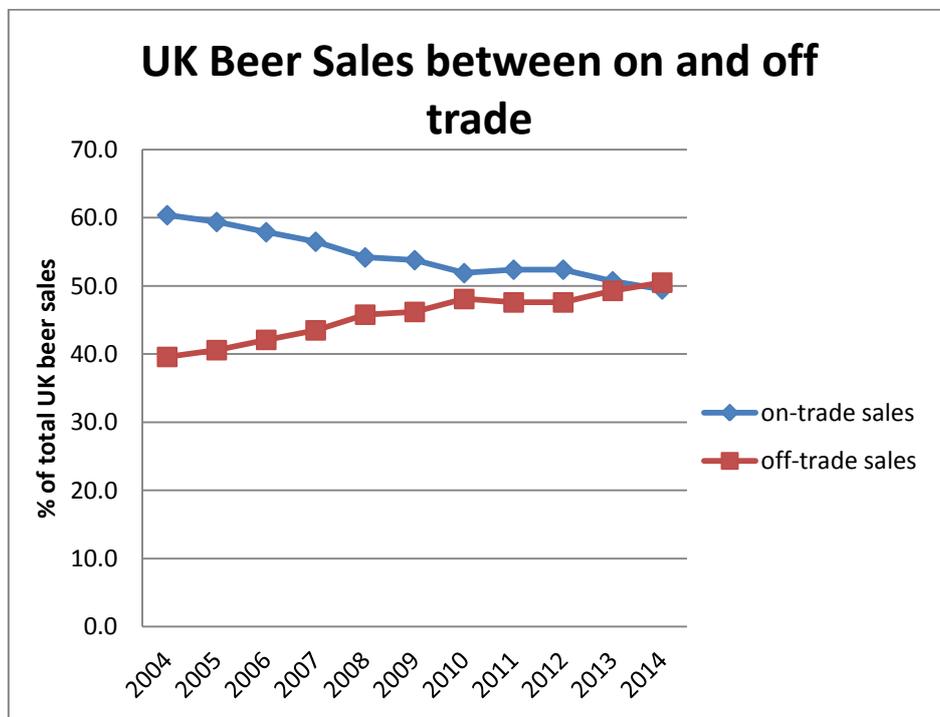
2.4. By providing Member States with greater flexibility to apply tax bands to both systems, Member States won't need to completely change from one system to the other, which would create significant disruption to the market.

### 3. Classification of alcohol and alcoholic beverages for excise purposes

3.1. CAMRA would like to see the classification of alcohol and alcoholic beverages for excise purposes to extend to packaging, final use or point of sale so that Member States can apply a differential duty rate on draught real ale and cider.

3.2. There is growing evidence that high duty rates for on-trade real ale is driving a shift in consumption from the responsible, supervised environment of the pub to buying alcohol in supermarkets for consumption at home. As a result, British pubs are in crisis with 29 still closing every week.<sup>1</sup>

3.3. Supermarkets can afford to absorb the cost of higher beer duty while pubs simply cannot, this has been demonstrated by the clear shift in beer sales from the on-trade to the off-trade and is shown in the graph<sup>2</sup> below:



<sup>1</sup> CGA Strategy – June to Dec 2014

<sup>2</sup> BBPA Statistical Handbook, 2015

- 3.4. CAMRA believes that a preferential rate of duty for draught beer sold in pubs would enable the on-trade to compete with beer sold in bottles and cans in the off-trade.
- 3.5. Polling conducted by YouGov<sup>3</sup> shows that 35% of people say that “pubs are too expensive to visit” and 39% say “I have less disposable income to visit a pub”. This is supported by the trend of people drinking alcohol more often at home than in the pub, citing the high price of alcohol in pubs as the reason for this.
- 3.6. CAMRA maintains that an alcohol policy aimed at supporting local economies as well as public health and order should seek to promote the consumption of alcohol within well-run community pubs rather than in people’s homes, public streets and parks. Giving Member States the option to lower excise duty on draught beer would encourage a shift in consumption back to the on-trade, which would:
- 3.6.1. Encourage more people to consume alcohol in a socially-controlled environment where the landlord has a legal responsibility not to serve customers who are inebriated.
  - 3.6.2. Reverse the trend towards pre-loading on cheap alcohol at home prior to visiting the pub.
  - 3.6.3. Increase revenue from beer sold in pub, which allows landlords to increase investment in their pubs, improving standards and helping ensure that more pubs are well-run.
  - 3.6.4. Benefit the wider economy by reducing the number of pub closures from their current level of 29 per week and reducing the number of jobs lost.
- 3.7. The contribution of beer and pubs to our society is not just an economic one. They also have great social value, acting as the centre of their community. They help to both strengthen existing social networks and develop new networks, allowing people to interact with others from different backgrounds in a safe and social environment.

---

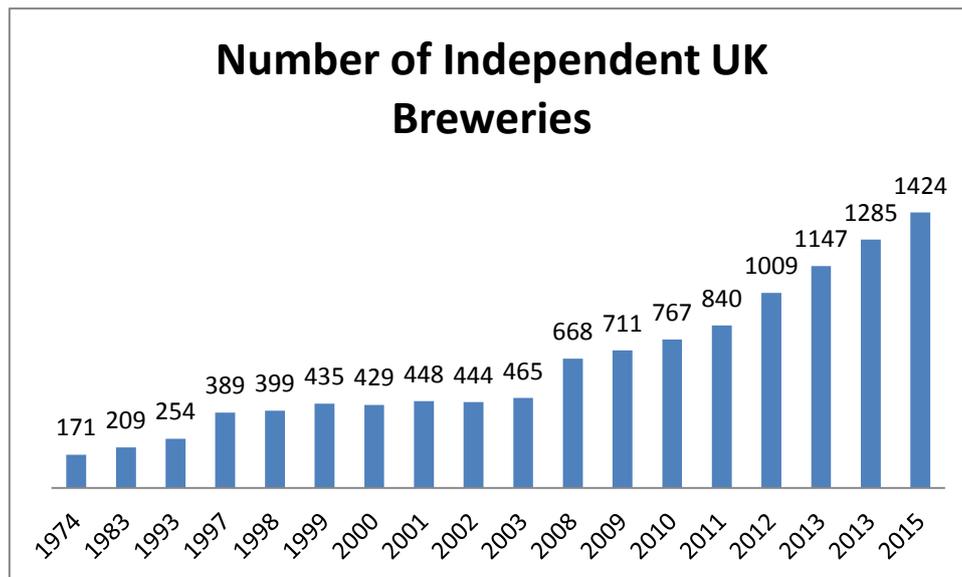
<sup>3</sup> YouGov – consumer tracking survey, July 2015

3.8. CAMRA would like to see the great British pub supported with more flexibility for Member States to apply a differential duty rate on draught beer and cider as opposed to bottled and canned beer purchased in the off-trade.

#### 4. Reduced rates for small brewers

4.1. CAMRA strongly supports the current system of reduced excise duty for small brewers. Small brewers lack the economies of scale, access to market and alternative revenue sources which larger brewers benefit from. Small Breweries' Relief partially redresses the disadvantages which small brewers face.

4.2. The introduction of Small Breweries' Relief has been vital to the burgeoning beer industry and is instrumental in supporting the growth of small brewers in the UK. Since its introduction, the number of independent breweries has more than trebled<sup>4</sup> from just 444 independent breweries in 2002 to 1,424 in 2015.



4.3. CAMRA believes that it is essential that Small Breweries' Relief is maintained at (at least) the current levels because it has delivered the following benefits to small brewers:

4.3.1. New small breweries, which rely on the relief for their survival, have underpinned the development of a hugely diverse range of innovative beers, improving consumer choice in a heavily concentrated market.

<sup>4</sup> Annual Good Beer Guide publication 2015

4.3.2. Small brewers are important to local communities providing employment, contributing to the economy and supplying pubs.

4.3.3. Small brewers lack the economies of scale, access to market and alternative revenue sources from which larger brewers benefit. Small Breweries' Relief partially redresses the balance of power between large and small brewers.

4.4. CAMRA would like to see the maximum limit for Small Breweries' Relief allowed under the EU Directive to increase to 500,000 hectolitres (HL). Small brewers without tied estates lack economic power and therefore make only a small profit as a percentage of their turnover.

4.5. Given the explosion in micro brewing over the last ten years, it is now an imperative to support those breweries that are caught between trying to grow their business while not having the economies of scale for production nor Small Brewer's Relief. This is highlighted by the recent acquisition between SABMiller and Anheuser-Busch Inbev, which will result in a significant reduction in competition, higher prices and fewer choices for consumers. Three out of ten of the beers sold worldwide will be produced by the new company and small and medium sized brewers will need even more support to compete.

4.6. CAMRA believes that the extension of Small Breweries' Relief to all small brewers up to 500,000 hectolitres will support medium-sized brewers who currently have neither duty relief nor economy of scale.

## **5. Reduced rates for small producers of other fermented beverages**

5.1. CAMRA believes that the current duty exemption for small cider producers in the UK making less than 70 HL each year (introduced when cider was first subject to excise duty in 1976) should be written into the EU Directive.

5.2. Levying excise duty on all small cider makers, irrespective of size, would lead to the closure of many small cider producers who source their apples from local farms, thus supporting local employment and sustainability.

5.3. Nearly 90% of all cider in the UK is produced at low cost by three large multinational drinks companies. CAMRA campaigns for real cider as well as real ale, and supports any measures to encourage diversity and the growth of small cider producers. The current exemption in place specifically supports small producers who make real, quality cider.

- 5.4. The 70 HL duty exemption supports very small cider producers such as hobbyists or farm-gate producers. It applies only to producers making less than 12,000 pints a year, or 33 pints a day. These small producers often generate under £10,000 a year in sales and would be landed with a bill of up to £2,700 a year. This amount has no capacity to influence EU trade to a significant degree.
- 5.5. If a duty were to be levied on these producers, it would make their operations uneconomic and lead to wide-spread closures, severely damaging one of the UK's most historic industries and reducing consumer choice for real cider and perries. Consumers would have much fewer choices of quality real cider and perry and that the tax would likely be passed on in terms of higher prices.
- 5.6. Many small producers across the UK have spoken out about how important this exemption is to maintaining their businesses. These examples include:
- 5.6.1. **Guy Smith, owner of Somerset Cider Company says:** *"Now that our vineyard is getting established we are looking more closely at cider as we are slowly restoring our orchard and the legal change would impact on it to the extent that I doubt it would be worthwhile continuing. Without the duty break we can't compete with the big players as we only want to make cider from apples, and not as a cheap imported concentrate with corn syrup and water mix. Without an end product, the expense of restoring the orchard is pointless."*
- 5.6.2. **Lewis Scott, owner of Cleeve Orchard in Ross-on-Wye says:** *"With the increase in cost and a raft of new paperwork cider makers will go out of business, traditional orchards will be left to rot and rare varieties of fruit will disappear."*
- 5.6.3. **Richard Smith, owner of Woughton Orchards in Milton Keynes says:** *"My cider was awarded Cider of the Festival at the MKCAMRA Concrete Pint Festival in October last year; it was great to receive this recognition. However, I am certain that if this tax were to be implemented, I would have to cease production as a small scale producer. It simply wouldn't be possible for me to continue doing so due to the cost. It would have a number of detrimental impacts not only for me but also the local area and the orchard I manage. The importance of incentivising small and medium enterprises should not be underestimated; it is the life blood of a thriving economy and has huge multiplier effects."*

**5.6.4. Allen Hogan, owner of Hogan’s Cider in Warwickshire says:** *“It’s very sad that small producers will have the tax imposed at just short of £0.40 per litre. This will mean small producers will struggle to be viable. The duty exemption makes it easy for small enterprises to start and benefit from a modest tax advantage in comparison with their larger competitors. This threatened tax exemption allowed many current producers, including ourselves to start modestly and then grow.”*

**5.6.5. Frank Wood from Woody’s Cider says:** *“I makes on average about 1,500 litres of cider a year, which is dependent on the number of apples I am able to collect. It is very time consuming as I mainly do everything by hand apart from the milling. I even use a homemade wooden press and a car jack for pressing. My earnings don’t even cover expenses – if I make a little money it goes to topping up my state pension. There is no way I would even consider all that work to pay even more in tax.”*

5.7. In addition, CAMRA would like to see the introduction of a sliding scale of duty relief similar to Progressive Beer Duty to support small and medium sized cider producers. This sliding scale should be in addition to rather than a replacement for the duty exemption below 70 HL annual production.

5.8. The success of Progressive Beer Duty for small brewers should be applied to small cider producers making over 70 HL, which would enable local cider producers to invest in their companies without a large effect on revenues. This should be in addition to the 70 HL duty exemption threshold.

5.9. Progressive Beer Duty is enabling small brewers to invest in their businesses, which is leading to greater consumer choice. A similar scheme should be introduced for small cider producers, which would enable local cider producers to invest in their companies without a large effect on revenues.

## **6. Common rules for small producers of alcoholic beverages**

6.1. CAMRA does not believe that common rules for reducing rates for small producers of alcohol should be set at EU level, and that Member States should be free to set the threshold for duty at whatever is appropriate to their national economy.

6.2. Small producers have a very limited impact on cross-Europe trade as they usually sell regionally or locally. Common rules set at the EU level restricts

opportunities for Member States to respond to the changing needs in their local economies as they change over time.

6.3. How the UK needs to support small brewers and cider producers will be very different to the needs across the EU, or indeed, across the drinks sector. For example, real ale is fundamentally a British product, and brewing is one of the few remaining British manufacturing industries. Beer and pubs support almost one million jobs in the UK, which are essential to the UK's growth and economic development. Investment in brewing is therefore absolutely vital. In the same way, real cider is part of the rural tradition and culture of the South West of England so special measures must be in place to preserve its production in a very competitive market. The ways of supporting these industries in the UK will be different to how they need to be supported across the rest of the EU.

## **7. Reduced rates for low-strength alcoholic beverages**

7.1. Low-strength real ales play an important role in promoting public health and encouraging responsible drinking so their production should be supported.

7.2. However, CAMRA is concerned that small brewers have been denied any benefit from the current reduction in duty on low-strength real ales. An anomaly of the current relief system is that small brewers producing between 5,000 and 60,000 HL actually pay more duty on beers at or below 2.8% ABV than a global brewer with huge economies of scale. This has created a serious disincentive for small brewers that consider producing low-strength real ales, which needs to be addressed to maximise innovation in this part of the real ale market.

7.3. CAMRA urges the European Commission to ensure that small brewers can also benefit from this duty reduction and produce low-strength real ales. CAMRA's preferred option would be to see duty on beers at or below 2.8% reduced to 0%, with all brewers regardless of size paying this 0% rate.

7.4. Applying a lower rate of duty to low-strength real ales would have a positive impact on the industry and encourage innovation as brewers would be incentivised to invest in low-strength options. As more low-strength real ales become available demand has grown to meet supply. In the last two years, 2 billion fewer units of alcohol were consumed as a result of the efforts by the alcohol industry to offer a greater choice of low-strength drinks, welcomed by health-conscious consumers.<sup>5</sup>

---

<sup>5</sup> Department of Health figures, March 2015

7.5. Furthermore, CAMRA takes the position that beer below 2 units per pint (2.6% - 3.5% ABV) should be subject to a lower rate of duty. We therefore believe that Member States should be able to raise the threshold under which a lower rate of duty is payable to 3.5%, which would encompass a wide variety of beers and real ales.

7.6. CAMRA supports a more sophisticated beer tax policy that uses duty reductions to incentivise the production, sale and consumption of low-strength beers. Whilst supporting a special duty rate for low-strength real ales, CAMRA is opposed to higher rates of duty on high-strength real ales due to the potential threat to speciality beers. High strength beers represent just 0.4% of the UK alcohol market, so any move to increase duty on these beers will have only a very limited impact on revenue.

## **8. Additional difficulties with the classification of products in to the categories of the Directive**

8.1. In the UK you need to pay a spirits duty instead of a beer duty if you mix beer with spirits, producing a recognisable increase in the alcoholic strength. This applies even if the majority of the final product is beer.

8.2. Fuller's brewery, for example, attempted to expand into the niche market of oak aged beers with Fuller's "Brewer's Reserve", a 7.7% beer that was matured for more than 500 days in casks previously used to store 30 year-old Scottish single malt whisky. However, shortly after creating the new Reserve, Fuller's was informed that if the beer's ABV was increased by just 0.1% during the brewing process the brewery would have to pay spirit duty on the beer.

8.3. CAMRA believes that Member States should be able to apply a beer duty rather than a spirits duty in instances where beer has been brewed with spirits to create a rich and unique flavour.

## **9. Conclusions**

9.1. CAMRA welcomed the opportunity to respond to the consultation into the EU Directive and recommends that it is reviewed so that Member States have greater flexibility over how excise duty is levied in their Country.

9.2. CAMRA is broadly supportive of common definitions of alcohol and alcoholic beverages for excise duty being set at EU level, but would like to see small

brewers and small producers exempt from common rules so that Member States can set the threshold for duty at whatever is appropriate to their national economy.

9.3. Of particular importance to the UK is applying differential duty rates for draught real ale and cider, increasing support for small brewers, particularly those that brew low-strength beer, and increasing support for small cider producers.

### **Need more information?**

Please contact:

|                  |   |                        |               |
|------------------|---|------------------------|---------------|
| Jonathan Mail    | – | Head of Public Affairs | 01727 798 448 |
| Katie McKelliget | – | Campaigns Manager      | 01727 798 452 |

CAMRA, the Campaign for Real Ale  
230 Hatfield Road  
St Albans  
Hertfordshire, AL1 4LW

Tel: 01727 867 201

E-mail: [katie.mckelliget@camra.org.uk](mailto:katie.mckelliget@camra.org.uk)

CAMRA website: <http://www.camra.org.uk>