



THE SOCIETY OF **SIBA**  
INDEPENDENT  
BREWERS

# SIBA BRIEFING TAXATION OF BEER & PUBS WESTMINSTER HALL DEBATE

2.30pm-4pm | Wednesday 5 February 2020





The Society of Independent Brewers (SIBA), was established in 1980 to represent the interests of the growing number of independent breweries in Britain. SIBA now represents around 750 independent craft breweries and our vision is 'to deliver the future of British beer' as the 'voice of British independent Brewing'.

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## KEY FACTS ABOUT BREWERIES & PUBS

- There is a small brewery in nearly every constituency in the UK
- Small independent brewers make around 7% of the beer in the UK
- Four global breweries control 88% of the market
- The UK's small independent brewers created around 1,000 jobs in 2019
- Breweries and pubs employ nearly 1 million people in the UK
- 1 in 4 brewery employees are female and 13% of the brewery workforce is aged 16-24
- 98% of voters believe that craft beer has to come from a small, independent brewery
- The number of pubs has shrunk from 54,000 in 2012 to 46,000 in 2019

## BEER DUTY

- UK beer duty is one of the highest in Europe
- On a pint of 5% beer duty is 54p compared to 5p in Germany
- We drink around 12% of the beer but pay 40% of the beer tax in Europe

### Small independent brewers would like to see:

- The Government commit to a freeze in beer duty for the duration of this Parliament
- Cider brought into line with beer duty. A global cider producer will often pay less in duty per pint than the smallest microbrewer will pay on a pint of beer. How can this be fair?
- An alcohol duty review that protects the UK's national drink, beer. As we leave the EU and the controls of the Alcohol Structures Directive, the UK can set its own alcohol tax regime. Any review should seek to protect the status, jobs and production of beer.

## SMALL BREWERIES RELIEF (SBR)

- Small Breweries' Relief exists to help smaller craft brewers compete in a marketplace dominated by large and global brewers. Introduced in 2002 it is used by brewers to invest in their businesses, create new jobs and compete with global companies.
- For brewers that produce up to 5,000 hectolitres (HL) a year, it means a 50% reduction in the duty they pay. Above 5,000HL the relief brewers receive declines on a sliding scale.
- The average SIBA member brewery produces 1,000HL per year, equal to 175,000 pints.
- For brewers wanting to grow their production from 5,000 to 10,000 the rate at which relief is withdrawn is punitive. For those above 5,000HL SBR now acts as a barrier to growth.

**HM Treasury announced a review in 2018 and may announce changes in the March 2020 Budget. Small independent brewers would like to see positive reform including:**

- Positive changes to the shape of the relief curve above 5,000HL
- Make no changes to relief for any brewers below 5,000HL

Other campaign groups are calling for relief to be withdrawn for the smallest breweries. Doing so would decimate the industry leading to closures, job losses and ultimately consumers losing out and less variety and choice of beer in the UK.

## **BUSINESS RATES**

- Pubs are taxed in a different way to most businesses – not on a ‘rateable’ value based on their rent but as a calculation of their ‘expected turnover’.
- Pubs represent only 0.5% of UK business turnover, but pay around 2.8% of the total UK business rates bill. An overpayment of £500m every year.
- Large breweries, often run by multinational companies, are classified as specialist brewery sites for business rates. Small breweries, often not in purpose-built premises, have normal commercial premises for business rate purposes.
- This can mean that per pint a global beer company can pay 10x less in business rates than a small independent brewer.

### **Small independent brewers would like to see:**

- A radical and wholesale review of the way pubs and breweries are taxed to level the playing field and make UK business taxation fairer.
- Greater transparency in the way that the Valuation Office Agency (VOA) calculates business rates for pubs and breweries.

## **MARKET ACCESS**

- Consumers more than ever want quality, local beer. However, in many pubs around the country, that choice isn’t available because of the restrictions pub companies place on their pubs through the beer tie.
- The Pubs Code was introduced three years ago, but hasn’t worked as intended.
- Tied tenants often cannot purchase the beer they wish through the pub companies which fears activating the ‘significant price trigger’ within the Pubs Code, which would trigger a market rent only option.

### **Small independent brewers would like to see:**

- A genuine, free and fair market rent only option for tenants and ensure the Pubs Code Adjudicator has the power to deliver.
- Remove or modify the ‘significant price trigger’ from the Pubs Code to allow tenants to purchase more high quality, premium guest beers.

## **HMRC ENFORCEMENT**

- Lack of inspection and enforcement has created the conditions where it is too easy to sell beer off invoice and without paying duty.
- This is causing real harm to local beer markets and to Treasury coffers.

### **Small independent brewers would like to see:**

- That HMRC is properly resourced to ensure all brewers play by the rules.

## **DEPOSIT RETURN SCHEME**

- England, Wales and Northern Ireland are planning a Deposit Return Scheme for 2023, Scotland is due to introduce one in 2021 which will impact small breweries and pubs.
- Independent brewers care about the environment and lead the sector in innovation on water use and energy generation.

### **Small independent breweries would like to see:**

- A scheme that takes account of small producers in fees, set up costs and administration.
- De minimis thresholds to protect community based breweries and pubs.



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