

THE SOCIETY OF
SIBA
INDEPENDENT
BREWERS

THE VOICE OF
BRITISH
INDEPENDENT BREWING

DELIVERING
FOR BREWERS 



General Election 2019

A Manifesto for Independent Brewing

UK independent brewing is in the ascendency. Never before has there been so much choice, quality and flavour in UK beer. But UK independent brewers face huge challenges, too. The duty burden, a review of Small Breweries' Relief, an unfair business rates regime, a challenging marketplace, huge difficulty in getting product to market, unfair practices from global mega-brewers and a deposit return scheme which threatens the very existence of many businesses.

This manifesto for small independent brewers sets out five policy areas and 15 individual policies which will turbocharge UK independent brewing, encouraging growth and sustainability for the UK's craft brewers.

If you're a prospective MP, journalist or campaigner please email political@siba.co.uk to arrange a visit to your local brewery to see and hear first-hand the challenges brewers are facing.

James Calder
Chief Executive
The Society of Independent Brewers



There is a **small brewery in nearly every constituency** in the UK

Small independent brewers **make around 7% of the beer** in the UK

The **number of pubs has shrunk** from 54,000 in 2012 to 46,000 in 2019

The UK's small independent brewers **created around 1,000 jobs in 2019**

1 in 4 brewery employees are female

13% of the brewery workforce is **aged 16-24**

98% of voters think craft beer has to come from a **small, independent brewery**

4 global mega-breweries **control 88% of the market**

Breweries and pubs employ **nearly 1 million people** in the UK



Summary

Small Breweries' Relief (SBR)

1. Positive reform of the curve above 5,000hl of annual production to encourage growth
2. No withdrawal of any relief for any small brewer so protecting jobs, businesses and investment
3. Clarity on control, connected parties and collaborations

Alcohol Duty

4. Commit to freeze beer duty for the duration of the next Parliament
5. Bring cider duty into line with beer duty
6. An alcohol duty review that protects the UK's national drink, beer

Business Rates

7. A long-term solution to help pubs on disproportionate business rates
8. More specific help in the short to medium term
9. A Treasury review into the differential between business rates of small brewers and global brewers

Market Fairness

10. Commit to ensuring a real, free and fair market rent only option for tied tenants in the Pubs Code
11. Remove the 'significant price trigger' for small brewery beer within the Pubs Code
12. Ensure HMRC enforcement teams are properly resourced to tackle duty fraud

Deposit Return Schemes for Cans and Bottles

13. One scheme for the whole of the UK
14. Start with plastic initially, and on-the-go products
15. De-minimis thresholds for small producers

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Basics of SBR

- Small Breweries' Relief exists to help smaller craft brewers to compete in a marketplace dominated by large and global brewers.
- SBR is used by brewers to invest in their businesses, create new jobs and compete with globals.
- It was designed to help compensate for **the lack of market access** small brewers face when up against big brewers and tied pubs.
- It also exists to **compensate for the huge economies of scale large brewers** enjoy compared to small brewers.
- For brewers that brew up to 5,000 hectolitres a year (hl) it means a 50% reduction of the beer duty they pay. Above 5,000hl the relief brewers receive declines on a sliding scale – **a progressive beer duty**.
- The average SIBA member brewery produces 1,000hl per year, which equals 175,000 pints per year. Most brewers in the UK are around this mark and there are many small players with a few very large global brewers.

Issues with SBR

- While SBR has been highly effective in stimulating innovation and broadening choice, problems have arisen over time.
- For brewers wanting to grow their production from 5,000 to 10,000hl the rate at which relief is withdrawn is punitive.
- For brewers above 5,000hl SBR now **acts as a barrier to growth**.
- The curve needs to be smoothed (positive reform) removing this barrier to growth.

Protecting the smallest breweries

- But reform above 5,000hl shouldn't mean taking from the smallest to give to the large.
- Other campaign groups are calling for **relief to be withdrawn for the smallest breweries**.
- Removing relief for smaller brewers **would decimate the industry** leading to closures, job losses, and ultimately consumers losing out and less variety and choice of beer in the UK.

Control, connected parties and collaborations

- The industry needs urgent technical clarity from HM Treasury, HM Revenue and Customs and a future Government on the complex nature of how the definitions of control, connected parties and collaborations apply to the small brewing sector and SBR.

Alcohol Duty

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Why we pay too much

- UK beer duty is one **of the highest in Europe**.
- Beer duty on a pint of 5% beer in the UK is 54p compared to 5p in Germany.
- We drink around 12% of the beer but pay 40% of the beer tax in Europe.
- YouGov polling conducted by the Campaign for Real Ale (CAMRA) showed **a majority of voters think beer duty is too high**.

Why are cider and beer treated unfairly?

- 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 that be fair?**
- Beer and cider are substitute products on the bar and in the supermarket. They are similar strengths and similar prices. **Why should one be taxed at half the rate of the other?**
- Taxing beer and cider at similar rates would result in around £300m of extra duty for the Treasury each year.
- We would encourage any future Government to consider taxing cider and beer more closely together and introducing a system similar to Progressive Beer Duty or Small Breweries' Relief to protect the smallest cider producers.

The future of alcohol duty

- As we leave the European Union and the controls of the Alcohol Structures Directive, the UK will be capable of setting its own alcohol tax regime.
- **Any alcohol duty review should seek to protect the status, jobs and production of the UK's national drink, beer.**
- It would be tempting for a new Government to place 'equivalence' on every category of alcohol, taxing purely by strength and number of units.
- This would however be a huge mistake, failing to understand the nature of the market, the costs of production and the economies of scale.

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Business rates per pint

- Large breweries, often run by multinational companies, classify their brewery premises as 'specialist' brewery sites under business rates rules. Small brewers, often not in purpose-built premises, have normal commercial premises for business rates purposes.
- This means that in practice per pint, a global beer company can pay 10x less in business rates than a small independent brewer.
- We need an urgent **review to correct this mistake and level the playing field for small independent brewers.**

How pubs are taxed

- 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' from estimated fair maintainable trade.
- **Despite this, pubs represent only 0.5% of UK business turnover, but pay around 2.8% of the total UK business rates bill.**
- This is an overpayment of **around £500m every year.**
- We need a radical and wholesale review of the way pubs and online businesses are taxed to level the playing field and make UK business taxation fairer.

Help for pubs

- Packages of support to help pubs have been welcome but until we can secure a long-term plan for business taxation, future Governments must continue to recognise and mitigate for the huge and disproportionate burden placed on pubs.
- Seeking **special status for community pubs or slashing bills for the first portion of rateable value** are policies a future Government needs to explore with us.

Market Fairness

10. Commit to ensuring a real, free and fair market rent only option for tied tenants in the Pubs Code
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12. Ensure HMRC enforcement teams are properly resourced to tackle duty fraud

Market access for small brewers

- The craft beer revolution has meant that **consumers more than ever demand quality, local beers.** However, in many pubs around the country, that choice isn't available to them because of the restrictions pub companies place on their pubs through the beer tie.
- Three years on since the Pubs Code was introduced, it is clear that the code hasn't worked as intended.
- **Tenants deserve a genuine, free and fair market rent only option** for their pubs. The next Government should introduce this and ensure the adjudicator has the power to deliver this, ensuring pubs and consumers have the choice to offer the beers they want.

The significant price trigger

- For tenants that remain within the tie, they often cannot purchase the beer they wish to through their pub company which fears activating the 'significant price trigger' within the Pubs Code, which would trigger an 'MRO' – or the ability to go free.
- The 'significant price trigger' should **be removed from the Code or modified to allow** tenants to purchase more high quality, premium guest beers from small independent brewers through their pub companies.

HMRC enforcement

- Lack of inspection and lack of enforcement following years of HMRC cuts have created the conditions where it is too easy to sell beer off invoice and without paying duty. **This undercutting is doing serious harm to local beer markets and to Treasury coffers.** HMRC needs to **be properly resourced** to ensure all brewers play by the rules.

Deposit Return Schemes for Cans and Bottles

13. One scheme for the whole of the UK
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One scheme

- Independent brewers care about improving the impact they have on the environment. **Small brewers lead the sector in innovation on water use, energy generation, anaerobic digestion and how spent grain and hops are used.**
- While it is welcome that the constituent Governments in the UK have signed an agreement to work together to design schemes which are as similar as possible, **in reality the politics, the timings and the practicalities of doing this give business little comfort or confidence it will happen.**
- We are concerned that unless one Deposit Return Scheme (DRS) is adopted across the UK, consumers will be left confused, small businesses will be harmed, recycling rates may not go up as much as desired and the potential for fraud and arbitrage across borders will be high.

Plastic and on-the-go first

- Of the 506 million pints of beer (2.87m hectolitres) produced by SIBA members in 2018, 18.7% was packaged in glass bottles and 4.1% into aluminium cans. This equates to around **150 million glass bottles** and around **35 million aluminium cans** of craft beer made in total by SIBA members.
- By way of comparison, the Waste and Resources Action Programme (WRAP) estimate there are **14.4 billion plastic drinks bottles, 7.7 billion metal drinks cans and 5.5 billion glass bottles** placed on the market each year.
- Craft beer therefore makes up a tiny proportion of the total drinks containers placed on the market each year. Most of these are recycled. As our evidence shows most craft beer is consumed in the home, so is recycled via kerbside, or consumed in the pub, so is captured by existing commercial closed loop.
- As plastic containers are the most littered, and those on-the-go least likely to be recycled, any DRS should start here, learn the lessons and build out if there is evidence to do so.

Small producers protected

- A policy for mega-breweries who brew and sell on a truly global scale needs to be designed differently to a policy that impacts small independent brewers. Some Scottish brewers who have modelled the impact of DRS on their businesses have calculated that **complying with producer fees, set up fees and making changes to their product will leave them insolvent.**
- Any successful DRS scheme needs **de-minimis thresholds to protect community-based breweries and small manufacturers.**



*The voice of British
independent brewing*

SIBA, the Society of Independent Brewers, 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'.

As well representing our independent craft brewing members in the press and lobbying government on behalf of brewers, SIBA also run regional and national independent beer awards for cask, keg, bottled and canned beers, host regional meetings for the benefit of members as well as the UK's biggest beer and brewing trade event BeerX UK in Liverpool.