Responding to the Small Brewers Relief (SBR): Technical consultation March 2021

Introduction
The Treasury is [consulting](#) on changes to Small Brewers Relief (SBR) and there is an opportunity for SIBA members to submit their own [responses](#) by 4 April 2021. SIBA has produced a summary guide below and a more detailed guide which can be found [here](#).

Main points to consider:

- The Treasury should consider not making any changes to relief for any brewer below 5,000hl.
- Believe that a cash cap could potentially harm innovation in the industry by discouraging brewers from brewing the full range of beers.
- Believe the Treasury should reconsider putting SBR on a cash basis which could erode the support over time. Instead the Government could retain SBR as a percentage of the headline rate of duty.
- Believe the Treasury should consider transitional support for those impacted by the changes as introducing them in January 2022 does not give small brewers hit by Covid much time to prepare.

Q1-2: method of calculating production
This considers two alternative ways that production could be calculated. Instead of an annual basis it could be a 12 month average or inyear change.

Main points to consider:

- Believe changing the method of calculating production to a rolling 12 month average could add considerable complication and administration to the process.
- As an alternative believe brewers could be able to adjust their production total in year where there has been substantial changes such as in pandemics. HMRC should consider the evidence provided by the brewer before giving permission to do so.

Q3-5: Mergers and acquisitions
This considers transitional relief for those wanting to merge and the rules that could be used.

Main points to consider:

- Believe there could be a three year period for the transitional relief with breweries retaining their individual relief in the first year and be phased down over the following two years.
- To prevent global breweries benefitting from the relief, all parties could be eligible for SBR before the merger takes place.

Q6-8: adjusting SBR for the strength of beer produced
This considers capping the amount of SBR you can claim in £s.

Main points to consider:

- There is no strong evidence that it encourages the production of high ABV beers with SIBA's members' surveys consistently showing that the average ABV is 4.2%.
- A cash cap could discourage innovation and the range of beers produced by brewers. It also could add additional complexity and more bureaucracy for brewers.

Q9: Converting to a cash basis
This puts SBR on a cash value instead of its current percentage basis.

Main points to consider:

- The Treasury should reconsider putting SBR on a cash basis and instead consider retaining it as a percentage of the headline rate of duty.
- Moving to a cash basis could create financial insecurity and make long term planning and agreements problematic as the costs of small brewery beer can fluctuate outside the general cost of beer.
- Instead the Treasury should consider maintaining the link to the top rate of duty and consider placing it on the same uprating which is currently RPI but this could change in the future. In the Alcohol Review the Government is considering whether another index would be appropriate.

Q10-13: SBR taper
This looks at 5 options for a new SBR curve.

Main points to consider:

- Believe the Treasury should consider not making any changes to relief for any brewer below 5,000hl. This could have a negative impact on at least 150 small breweries and potentially restrict those below 2,100hl looking to expand.
- The Treasury's analysis seems to be based on widely varying production figures to justify reducing duty relief to 2,100hl. It relies on a theorised "sweet spot" below 5,000hl, but its conclusions do not seem to show a clustering of breweries as would be expected if this theory was the case.
- All five options as presented could have a negative result for small breweries between 2,100-5,000hl. They show that a brewery at 5,000hl could have to pay between £10,000-£44,000 per year. A brewery twice as large at 10,000hl could potentially benefit from £25,500-£145,000 per year.
- The Treasury seems to have a preference for option 4 – the marginal bands option. It is believed that this could be made to work for small brewers with changes including maintaining the 5,000hl threshold. As currently outlined in the consultation it could result in a cost of £23,200 for 5,000hl and a gain of £57,000 for a 10,000hl brewery.
- Given the impact of Covid-19 on the industry, January 2022 is a short time to introduce changes to SBR. The Treasury should consider delaying implementation and consider transitional support.