



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

John Heppell MP
House of Commons
London
SW1A 0AA

Your ref: IND/ JF

10 MAR 2009

Thank you for your letters of 28 November and 22 January to Alistair Darling enclosing correspondence from your constituent.

about excise duty on beer. I am replying as Minister responsible and I am sorry for the delay.

The Government recognises, and values, the contribution that the pub industry makes to employment, the life of local communities and to the economy. We are aware of the pressures that pubs face during the economic downturn, alongside increasing costs and the impact of the smoking ban legislation. However, the changes in the demand for beer, which is adversely affecting the pub industry are the result of many factors including shifting tastes and increased choice in leisure pursuits including home entertainment and coffee shops.

In order to help the pub industry your constituent has suggested that clear dividing lines are drawn between pubs and supermarkets. However, due to EU legislation the government is not able to give a different tax treatment to the same product. This makes it impossible for the government to tax the sale of alcohol in one place, such as in a supermarket, differently to another, such as a pub.

However, the EU law does allow for a reduced rate of duty for small breweries, this provision has been adopted in the UK and I hope your constituent has been able to benefit from the relief, which continues to provide a fifty per cent reduction in the duty on production up to 5000 hectolitres per annum.

The alcohol duty increases announced at Budget 2008 and in the Pre-Budget Report were not designed to tackle problem drinking but they will play their part in ensuring we can continue to fund the Government's spending priorities.



The duty changes must also be considered alongside the fiscal stimulus package of bringing forward public capital spending and temporarily reducing the standard rate of VAT which when taken together will leave alcohol prices broadly unchanged. Also, like all other sectors, the alcohol industry will benefit from the positive effect of the fiscal stimulus on the economy and hence on consumption, for example with the reduction in VAT, households will have, on average, an additional £275 to spend or save per year.

I hope that this helps you respond to .

Kind Regards

Angela

ANGELA EAGLE MP