

Small Brewers Relief (SBR) Review

Key points

- The Government is reforming Small Brewers Relief to better support the growth of small and medium sized breweries.
 - The reforms will get rid of the duty relief 'cliff-edge' at 5,000 hectolitres which disincentivises growth. Instead, relief will be gradually reduced as growing breweries benefit from economies of scale.
 - The reformed system will continue to support small brewers by providing generous duty relief. To support the craft brewing sector through the transition, the Treasury is investing around an extra £15 million in this reform package.
- These will come into effect via the next Finance Bill, as part of the new Small Producer Relief announced at Autumn Budget 2021.

Changes being announced

The Government intends to:

- (1) Replace the existing taper with a more progressive scheme.**
 - Like income tax, this means brewers will face increases in their marginal tax rate in small steps.
 - The largest increase in marginal tax rates will be cut from 50% to 20%, removing the existing 'cliff edge' and making it easier for brewers to grow.
 - This will increase the tax discount received by a small brewer making 10,000 hectolitres (1.8 million pints) by 11%.
- (2) Start the taper at 2,500 hectolitres (hL), and extend it up to 100,000hL (18 million pints), more than the existing 60,000hL (11 million pints).**
 - This will provide a fairer, more gradual transition as brewers grow. This will reflect the true economies of scale in the sector.
- (3) Allow brewers to adjust their production levels in-year in exceptional circumstances.**
 - This will allow brewers hit by unforeseen circumstances such as a global pandemic or natural disaster to be able to claim more relief to reflect their damaged capacity.
- (4) Provide a 'grace period' for small breweries which merge with another small brewery.**
 - This will end the current distortive rules where two small breweries that merge face significant tax rises – as much as double – overnight.
 - Brewers will instead see their tax rate gradually increase over three years. This will allow them more time to adapt their business.
 - Safeguards will be put in place to ensure larger brewers cannot abuse this measure.
- (5) Measure relief for craft brewers in terms of the amount of alcohol they make rather than the volume of beer they produce.**
 - This will ensure brewers are not incentivised to brew stronger beers to gain extra tax relief – instead relief will be linked directly to alcohol content, so brewers can produce twice as much 3% beer as 6% beer for the same amount of relief.
 - Brewers can provide views on the conversion methodology in responses to the consultation on the new Alcohol Duty System that was launched at Autumn Budget 2021.
- (6) Extend relief to lower strength beers below 2.9% ABV.**
 - This will encourage responsible drinking and help craft brewers produce lower ABV beers, which can be more expensive to make.

(7) Adjust the level of relief separately from the main rate.

- This will ensure relief can be accurately adjusted for inflation and brewers' costs and provide a fair reflection of the economies of scale involved in brewing.

Implementation

- In 2020, the Government launched a review of the UK's alcohol duty system. At Autumn Budget 2021, it announced SBR would be superseded by a new Small Producer Relief (SPR), which will also extend to cider, wine and spirits-based drinks below 8.5% ABV.
- We are publishing our response to the SBR technical consultation today, responding to the specific questions announced in January. This will help brewers and other producers respond in more detail to the consultation on the alcohol review.
- We will finalise our plans next year once the alcohol duty review consultation has closed. We will take forward the necessary legislation in the next Finance Bill.
- Subject to the wider consultation, the reforms will take effect from 1 February 2023.

Supporting facts

- Thanks to the changes announced today, a pint of 2.5% ABV beer will be up to 6p cheaper than it would have been under the previous SBR scheme.
- These changes will invest around £15 million into the craft brewing sector.
- Brewers producing between 5,500 and 100,000 hectolitres (1 to 17.5 million pints) per year will experience cuts in duty of up to 7p per pint.
- Craft brewing grew in the UK by an average of 10% each year from 2010-2019.
- The changes made will benefit over 100 brewers across the country, while ensuring no brewer's duty bill increases by more than 5%.

Background

- Under the current SBR scheme, smaller brewers get up to 50% off their beer duty bills. Once they produce more than 5,000 hectolitres (880,000 pints) a year, a taper applies, reducing the discount.
- Since SBR was first introduced in 2002, brewers have complained that the scheme design is flawed. These complaints have included that the SBR scheme gives subsidy beyond the relative cost disadvantage experienced by small breweries and that the scheme's taper is flawed, preventing growth by making expansion beyond 5,000hL uneconomic.
- In response to the concerns raised by brewers, the Treasury launched a review of the scheme at Budget 2018. In July 2020, the Government announced provisional plans to reform the SBR taper by lowering the starting threshold from 5,000hL to 2,100hL, convert the relief to operate on a cash basis, and further consider the potential for a 'grace period' for breweries that merge.
- In January 2021, the Treasury ran a technical consultation on how the SBR scheme should be reformed. This closed in April 2021 with 101 responses.

Changes in duty rate and duty paid per pint

Hectolitres	% of main rate paid (new)	% of main rate paid (current)	Change in rate paid	Pence per pint change
1,000	50%	50%	-	-
3,000	50.8%	50%	+0.8%	+0.4
5,000	52.5%	50%	+2.5%	+1.4
5,500	54.5%	54.5%	-	-
7,500	60.0%	66.6%	-6.6%	-3.6
10,000	63.8%	75%	-11.2%	-6.1
15,000	70.8%	83.3%	-12.5%	-6.8
20,000	74.4%	87.5%	-13.1%	-7.2
25,000	79.5%	90%	-10.5%	-5.7
30,000	82.9%	91.7%	-8.8%	-4.8
40,000	89.0%	95.8%	-6.8%	-3.7
50,000	92.7%	98.3%	-5.6%	-3.1
60,000	95.1%	100%	-4.9%	-2.7
70,000	96.9%	100%	-3.1%	-1.7
80,000	98.2%	100%	-1.8%	-1.0
90,000	99.2%	100%	-0.8%	-0.4
100,000	100%	100%	0.0%	0.0