



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

The Rt Hon Sir Julian Smith MP
House of Commons
London
SW1A 0AA

24 December 2024
Your ref: JU80478

Dear Sir Julian

Thank you for your email of 7 October to the Chancellor of the Exchequer, enclosing correspondence from your constituent about wine duty. I am replying as Minister responsible for the UK tax system and I am sorry for the delay.

As your constituent will be aware, a new duty structure for alcohol products was introduced in August 2023. The new structure taxes alcohol products by strength. It also significantly reduces the previous inconsistencies in treatment between different types of alcohol products.

The Government believe it is right to tax alcohol in a progressive manner, ensuring higher strength products pay proportionately more duty. This approach is supported by public health experts including clinical advisors to the Department of Health & Social Care and the Chief Medical Officer.

The wine industry makes a vital contribution to our economy and society, which is recognised in the tax system. I also recognise that the sector has found recent economic conditions challenging, in particular due to the pandemic, energy costs, and the cost-of-living crisis.

Duty rates for still and sparkling wine were equalised as part of the duty system reforms in August 2023, ensuring greater fairness and consistency between products. Wine producers are benefiting from the current freeze in alcohol duty until 1 February 2025.

Producers making wine below 8.5 per cent alcohol by volume (ABV) are eligible to claim the new Draught Relief and Small Producer Relief. The 8.5 per cent ABV limit ensures these reliefs are targeted at lower strength products. This is in line with the principle underpinning the reformed alcohol duty system that stronger alcoholic products should pay more duty.

Your constituent requests the wine easement to be made permanent. The current, temporary easement is a transitional measure, which was intended to allow wine producers to adapt their systems to using the labelled ABV for duty calculation. By 1 February 2025, the wine industry will have had over two years to adapt to the new system.

The Government believes it is right that alcohol products are taxed according to their strength. To make the wine easement permanent would undermine this by allowing higher strength wines to pay less duty, in proportion to their alcohol content, than lower strength wines. This would also be unfair to lower strength products, including many British wines.

It would also continue to treat the wine sector differently to the beer, cider, and spirits industries, which are already paying duty based on the strength-based system.

I recognise that the ABV of wines can vary, including with differences in the weather and climate. However, this is not an issue unique to wine. There is a degree of tolerance built into the wine labelling rules of as much as 1%. Producers and importers already have to comply with these rules.

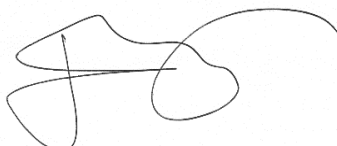
Therefore, as announced at the Budget, the temporary wine easement will end as planned from 1 February 2025.

I acknowledge that, following the end of the easement, some administrative work will be required to make different calculations for wines of different strengths between 11.5 per cent and 14.5 per cent ABV to establish the level of duty. This issue was considered in detail during the consultation period.

To reduce business burdens, HMRC will accept the ABV on the label of the bottle for the calculation of duty. The new system of wine labelling allows product labelling to 0.1 per cent ABV - but this is optional, and wine can still be labelled to the nearest 0.5 per cent ABV.

I hope this response is helpful. Please pass on my thanks to your constituent for taking the time to make me aware of their concerns.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'James Murray', with a long, sweeping flourish extending to the right.

JAMES MURRAY MP
EXCHEQUER SECRETARY TO THE TREASURY