



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

The Rt Hon Sir George Howarth MP
House of Commons
London
SW1A 0AA

15 November 2022

Dear Sir George,

Thank you for your email of 23 September to the former Chancellor of the Exchequer, enclosing correspondence from a number of your constituents, about support for pubs and brewers. I am replying as the Minister responsible for this policy area. I am sorry for the delay in responding.

I understand that pubs and brewers are experiencing particularly challenging times as a result of the energy crisis. Through the new Energy Bill Relief Scheme, the Government will provide a discount on wholesale gas and electricity prices for all non-domestic consumers (including UK businesses, the voluntary and public sectors). This is a temporary measure that will protect them from soaring energy costs and provide them with the certainty they need to plan through the acute crisis this winter. It will apply to energy usage from 1 October 2022 to 31 March 2023. It is the Government's intention that after this winter support targets only the most vulnerable businesses. A Treasury-led review will consider how best to deliver these objectives. I hope this news is welcomed by your constituents as eligible pubs and brewers will be able to benefit from this support over the coming months.

I also appreciate that pubs were hit hard by the COVID-19 pandemic, and because of this the Government provided an unprecedented package of support. Over the course of the pandemic, the Government made up to £25 billion in cash grants available to protect businesses in England, and the jobs they support. Many businesses have benefitted from grants of up to £36,000 since the start of January 2021. This has included Restart Grants of up to £18,000 per business premises, and over £2 billion of discretionary grant funding for local authorities in England to support businesses in their local area.

With the conclusion of the final business rates review, the Government has delivered both meaningful reform and cuts worth over £6 billion to business over the next five years. Businesses in the retail, hospitality and leisure sector, including pubs, will receive a tax cut worth almost £1.7 billion in 2022-23. Eligible properties will receive 50% off their business rates bill, up to a maximum of £110,000 per business. Combined with small business rates relief, this means over 90% of retail, hospitality and leisure businesses will receive at least 50% off their rates bills in 2022-23. We have also frozen the multiplier for 2022-23, which is a tax cut worth £4.6 billion to businesses over the next five years.

Pubs benefitted from the extended temporary reduced rate of VAT (5%) to goods and services supplied by the tourism and hospitality sectors between 31 March to 30 September 2021.

In addition, to help businesses manage the transition back to the standard rate, a 12.5% rate was then applied for a further six months, until 31 March 2022. This decision was made in order to continue supporting the cash flow and viability of around 150,000 businesses, and to protect over 2.4 million jobs across the UK.

However, this relief cost over £8 billion and reintroducing it would come at a significant further cost at a time when we are focused on balancing the books - not least to ensure a stable economy where businesses and consumers have the confidence to spend and invest. We have also been clear that the reduced rate of VAT for hospitality and tourism was a temporary measure designed to support the cash flow and viability of certain sectors that had been affected by COVID-19 lockdowns. It is appropriate that these temporary tax reliefs were first reduced and then removed in order to rebuild and strengthen the public finances.

I assure you that the Government recognises the important contribution that the beer and pub industry makes to our culture. That is why the Government announced a freeze on the duties on beer at Spring Budget 2021. The tax cuts at Budget 2013, 2014 and 2015 - followed by further duty freezes in 2016, 2017, 2018 and 2020 - mean that the average tax charged on a typical pint of beer is estimated to be 18p lower this year than it otherwise would have been since ending the beer duty escalator in 2013. In fact, beer duty is now at its lowest level for 30 years in real terms.

The Government is also introducing a new draught relief from 1 August 2023 as part of its reform of alcohol duties. This provides a lower duty rate for alcohol that is sold in pubs, provided they fulfil the eligibility criteria of being below 8.5% ABV and sold in containers of 20 litres or more. This new policy is being introduced because the Government wants to provide long-term support for pubs through its alcohol duty reform. It will help pubs to lower prices and compete on a more equal playing field with alcohol sold in supermarkets. This policy will mean, for example, that eligible beer and cider will be approximately 5% lower than the standard rate.

The Treasury carefully considers the effects of any changes to alcohol duties and aims to strike a balance between addressing alcohol harms, raising revenue for the Exchequer, and supporting producers and consumers. The measures we have taken in recent Budgets - in addition to abolishing the duty escalator - have made a real difference and been highly valued by pubs, customers and communities. Due to the pressures on public finances caused by COVID-19, the rising cost-of-living, and the energy crisis, future changes to alcohol duties will be carefully considered through the Budget process. Please pass on my thanks to your constituents for taking the trouble to make us aware of their concerns.

Yours sincerely,

A handwritten signature in dark ink, consisting of several overlapping loops and a long, sweeping tail that extends downwards and to the left.

James Cartlidge MP
EXCHEQUER SECRETARY TO THE TREASURY