Possible implications of PBD reform

Eddie Gadd Small brewer

Small Brewers Relief

The Government has concluded its review of this relief. In order to support growth, boost
productivity and remove 'cliff-edges', <u>the scheme's taper will be smoothed</u>. It will take
effect more gradually over a wider range of production, starting at <u>2,100 hectolitres</u> per
year, and be <u>converted to a cash basis</u>. A technical consultation will be brought forward
in the Autumn. The Government will also consult on the potential for a grace period for
small breweries that decide to merge.

Statement made by



The lower the taper starts, the wider the range of production covered by the taper, meaning the more gradual any transition is. This can also be replicated by extending SBR above 60,000hL, but I am not persuaded that giving larger, more established brewers access to a relief intended to support small craft brewing is an effective use of tax revenues.

While there is a strong consensus in favour of introducing a smoother taper, the exact method of doing so is not obvious and will require careful thought. There are a variety of methods – simple bands, a straight-line taper, non-linear tapers etc – each with advantages and disadvantages. We look forward to discussing these with you and wider industry through the subsequent technical consultation. Only once we have done this will we be in a position to establish the exact degree to which a brewer at any production level may be better or worse off.

Keni Budenuch

Kemi Badenoch Exchequer Secretary to the Treasury

- Terms and definitions
- PBD, its perceived problems and original proposals to fix them
- Taper options and how they affect us
- Cash basis what it means and how it affects us
- What now?

Some terms and definitions:

Beer duty is a tax charged by the Treasury on (beer) alcohol and, like income tax, is a progressive taxation system – i.e. the higher tax burden falls on those who can most easily afford it.

Small brewers pay a 50% rate, large brewers pay a 100% rate, and those in between pay something in between (the 'taper').

The 'lower threshold' is the point at which the 50% rate changes and the 'upper threshold' is the point at which it becomes 100%.

% of full duty rate paid vs annual production in HL







Review – what we know

- Taper to start at 2,100 hl
- Taper to finish at 60,000 hl
- Simple bands, straight line taper, non-linear taper etc
- Low additional cost to the treasury
- Cash basis

% of full duty rate paid vs annual production in HL





% of full duty rate paid vs annual production in HL







annual production in hl

% of full duty rate paid vs annual production in HL



























Small Brewers Relief

The Government has concluded its review of this relief. In order to support growth, boost
productivity and remove 'cliff-edges', the scheme's taper will be smoothed. It will take
effect more gradually over a wider range of production, starting at 2,100 hectolitres per
year, and be converted to a cash basis. A technical consultation will be brought forward
in the Autumn. The Government will also consult on the potential for a grace period for
small breweries that decide to merge.

Statement made by



Inflation rate	2%				
Year		2020	2025	2030	2040
Full duty rate		19.08	21.07	23.26	28.35
Current system	reduction = 50% of full duty rate	9.54	10.53	11.63	14.18
	PBD duty payable	9.54	10.53	11.63	14.18
Cash basis system	reduction = 9.54	9.54	9.54	9.54	9.54
	PBD duty payable	9.54	11.53	13.72	18.81

% of full duty rate paid vs annual production in HL



The effects of 2% inflation on total cost price



The effects of 2% inflation on total cost price



The effects of 2% inflation on total cost price

