



Campaign for Pubs

Promote, Support and Protect Pubs

Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

15th February 2024

Dear Chancellor,

Budget 2024: Support pubs and UK small brewers

We are writing on behalf of the [Campaign for Pubs](#), urging you to take decisive action in the Budget on 6th March to support and save many pubs and small breweries. The stark reality is that many pubs and publicans, and also small breweries, are struggling due to the cost-of-living crisis, inflation and high energy bills. Around 500 pubs closed permanently in 2023, removing valuable community hubs from the local economy.

Almost all business costs have rocketed while consumers have been forced to reign-in their spending. This follows on from the lockdown restrictions during the Covid-19 pandemic, which saw pubs lose a huge proportion of revenue for 18 months and accrue debts, while pub-supplying small breweries received no sector-specific support at all.

Pubs urgently need direct support and the simplest solution is a VAT cut on ALL pub sales - not one limited just to food that gives succour to McDonalds or Nandos but little of nothing for the community pub. Small duty alterations are an illusion that provide almost no assistance to small brewers and publicans but funnel millions of pounds to global brewers who do not need Government support.

We, and thousands of publicans all over the country, were dismayed by the Treasury press release that claimed that the Government had delivered a *“tax saving for 38,000 pubs as alcohol duty freeze takes effect”*. This is untrue and misleading. It is untrue because alcohol duty is a producer tax, paid for by brewers and producers. It is not a tax on pubs or pub sales. It is misleading because a duty freeze has negligible impact on pubs, pub costs and pub prices.

It is clear, once again, that the Treasury under this Government lazily listens only to greedy global brewers, their vertically-integrated Pub Companies (PubCos) and their lobbyists, while ignoring actual pubs and publicans. In so doing, the Treasury is manipulated into facilitating anti-competitive practices.

Even Draught Duty Relief, which the Government likes to trumpet as being helpful for pubs, is actually principally beneficial (yet again) to the big brewers. It has marginal impact on the supermarket/pub price differential, and therefore does little to promote the culturally important cask beer product or the value of the pub space as a monitored drinking environment for socialising.

The reality of who really benefits from Draught Duty Relief is well explained using simple calculations by small brewer Beer Nouveau:

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The Draught Relief is applied to all beers, not just those from smaller producers, so even the multinationals get this. The Draught Relief rate is £19.08 per litre of pure alcohol, or 80p per litre or 46p per pint.

The Draught Relief works out around 4 pence per pint. **This is a saving that hasn't been passed on to the pubs, to then pass on to the drinkers, as the government has claimed.**

The smaller breweries are using this tiny saving to offset the hugely rising costs elsewhere. And while 4p a pint doesn't seem much, Carling (owned by Molson Coors) sold 2,121,157 hectolitres in 2022 according to [a report in the Morning Advertiser](#). Hectolitres are equivalent to 100 litres. So Carling sold 212,115,700 litres over the bars in 2022. Carling is a 4% lager, so we can do the maths on this:

Full Duty of £21.01 at 4% = 84p per litre.

Draught Relief Duty of £19.08 at 4% = 76p per litre.

The introduction of Draught Relief has 'saved' Molson Coors 8 pence per litre on just Carling alone.

With 212,115,700 litres, that works out at £16,969,256 saved Duty a year. Almost £17 million that the Treasury isn't getting.

No doubt the big six brewers and big pubcos are working through their lobbyists (in chief, the BBPA) to call for further duty cuts in the Budget this year. We are asking for the Government to simply be better custodians of taxpayers money.

Meanwhile, to actually support and save pubs, provide DIRECT support in the form of a VAT cut for a specified period to ALL pub sales. Limiting a VAT cut does not help the thousands of community pubs that do not serve food or offer overnight accommodation - we saw that failure during the provision of so-called Covid-19 support. In fact, it disadvantages them against competition from chain operations that do benefit from a limited VAT cut.

It is worth noting that Draught Duty Relief sees a reduction in duty of roughly 4 pence per pint, whereas a VAT drop to 10% would see a reduction of 37 pence per pint. Crucially, that 37 pence fillip would be provided to the pub, where the pint is actually being served.

Longer term, we urge the Treasury to work up plans for a 'Small Retailer Relief' programme. This would benefit pubs, restaurants and small shops, without giving an unnecessary tax cut to supermarkets and global fast food chains. Such a measure - similar to the Small Producer Relief from alcohol duty, recently established by your government - would allow the Treasury to focus VAT cuts on small independent pubs, with a sliding scale up to full VAT for huge restaurant, pub and bar chains.

The Treasury has shown willing to subsidise multi-national brewers with tax reductions. It should now look to its own and provide assistance to the competitor SMEs - the publicans and small brewers who have borne the brunt so far. If these small businesses continue to be marginalised and forced out of business, then the Treasury will lose tax take from them (and all the other economic, cultural, employment benefits they provide); ironically as result of having reduced the tax burden on multi-nationals operating anti-competitively through the pseudo-monopoly of the tied pubs/pubco arrangement.

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These are unprecedented times and they need unprecedented measures, such as we saw during the Covid-19 pandemic and Government-ordered lockdowns. Many publicans and most small brewers say that the current cost-of-living crisis is worse than the Covid-19 pandemic.

We therefore urge you to introduce:

- **A VAT cut to at least 10% on all hospitality/on-trade sales for 12 months** to benefit all pubs, not just those that sell food or provide overnight accommodation.
- **Reduce the Flat Rate for VAT** - this was reduced at the same time as the rate on food, but it has returned to normal rate now. It is essential that it is now reduced again.
- **A cancellation of Covid debt** for pubs with outstanding and unaffordable Bounce Back Loans (because, very simply, the cost-of-living crisis and inadequate Government support to compensate for the loss sustained by Covid lockdowns/restrictions has meant that they have not been able to “bounce back”).
- **Extension of zero business rates for the next fiscal year** and a revision for 2024/25 to increase the multiplier for hospitality to reduce rates, along with an increase in the zero-rated threshold to £20,000, also for rural rate relief. (In the longer term it is still crucial that there is a complete overhaul of the unfair and unique way in which business rates for pubs are calculated.)
- **Extend business rates relief to small brewers and producers** (and other pub suppliers, whose businesses are seriously threatened by the cost-of-living crisis).
- **Further and more meaningful action on energy bills for businesses.**

The survival of many pub businesses and small brewers now depends upon decisive and properly targeted Government action focused on the small businesses that urgently need it, rather than the global breweries and their associated pubcos who do not.

Yours sincerely,



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