

CPRS REPORT ON ALCOHOL

Today's Guardian carries a story that the CPRS have presented a report to the Government about, inter alia, effects of raising the level of excise duty on alcohol and that Ministers have decided to "shelve" the CPRS study.

We should try not to be drawn on this story (which for our own information is broadly correct). If asked, we should say that:-

- i. a study on alcohol was commissioned from the CPRS by the last Government.
- ii. the study has been completed and is now being considered by Ministers. As far as we know, there is no plan at the moment to publish the report - most of the CPRS' advice to Ministers is given on a confidential basis.
- iii. the report's contents are confidential and the description of its contents in the Guardian is speculative.

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CVA
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Drink duty rise shelved

By Jane McLoughlin
Industrial Correspondent

A £4.30 bottle of whisky would cost more than £7 if the Government were to act on the recommendations of a report from the policy-making group serving Number Ten.

The report, which the Government has decided to set aside, recommends that excise duty on alcoholic drink should be restored to the real terms of 1971-72, since when the value of the pound has dropped from 100p to 36.5p.

Government revenue from duty on alcohol is £2063.7 millions a year, and though the introduction since 1971 of VAT and other excise charges make the sum extremely complicated to calculate, there is no doubt that to charge duty in terms of

1971 pound values and proportions of price would increase that take.

In 1971, a pint of beer, at average national pub prices, cost 11.5p, of which 4.7p represented excise duty. Today, the pint costs 34p, and 12p goes to the Government, though part of that is VAT.

Early 1970s prices for whisky were £2.72 a bottle and £2 was duty. Now a bottle costs £4.30 and the Government gets £3.46.

One of the reasons why the Government will not implement the recommendations of the report, which took at least six months' work from the Central Policy Review Staff — the Government's think tank — is the effect of upping excise duty on wine.

The European Economic Community is very sensitive about the high duty we charge on wine, and any attempt to raise it — along with other drinks — would result in protests to the Commission from EEC wine-growing countries. These countries might also implement non-tariff barriers against UK's lucrative exports of Scotch whisky.

The main reason for abandoning the idea of increasing excise duty substantially is that the Revenue Commissioners and the Treasury have pointed out that alcohol is price-resistant.

If the cost of a 34p pint of beer went up to about 40p, and a bottle of whisky to £7, fewer people would buy, and the net effect would be a revenue loss.

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