Making the Wine Easement Easy:

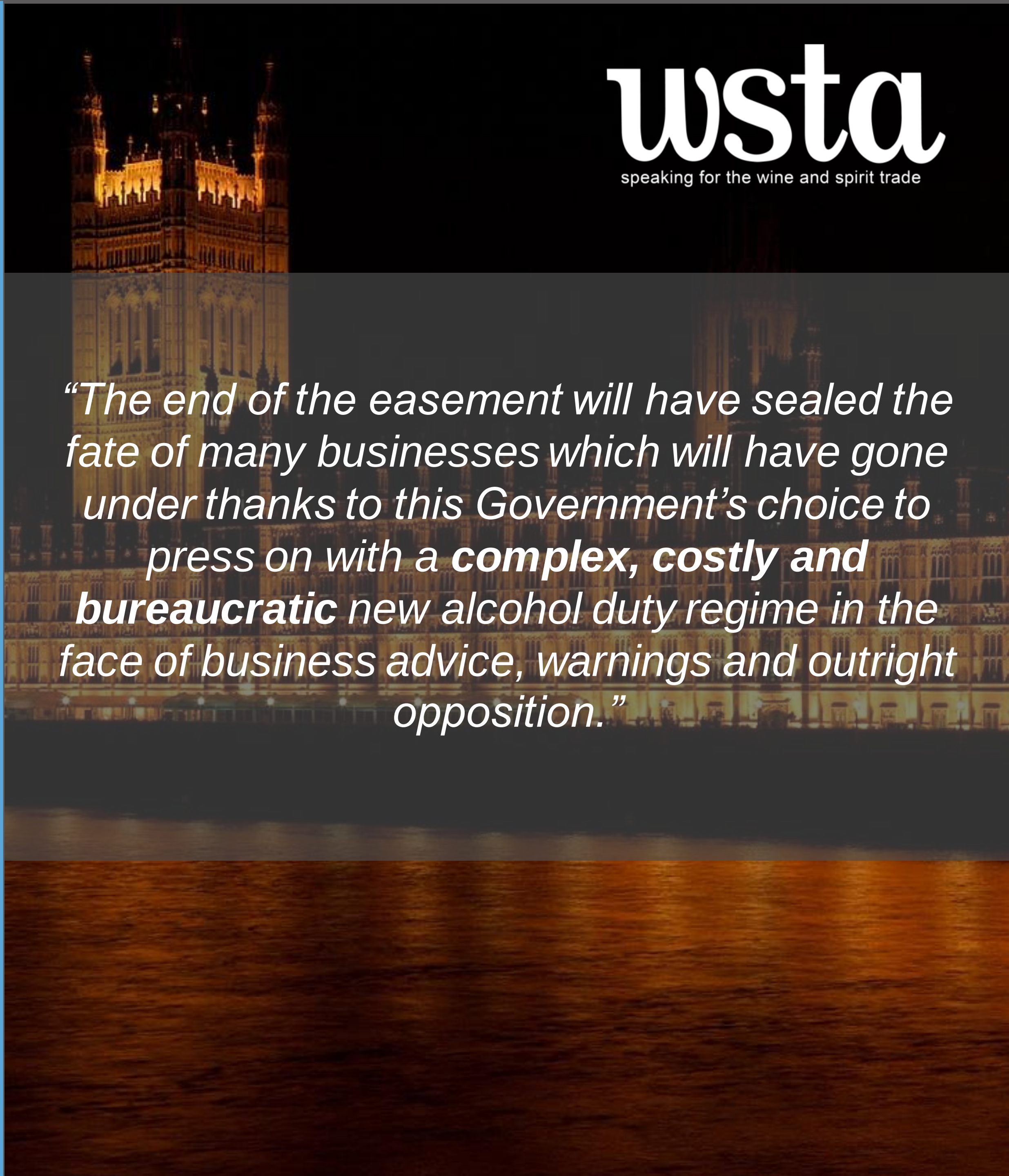
Understanding the wine excise duty easement and why the Treasury should make it permanent

Introduction

For thousands of wine businesses in the UK, the Government's new excise duty regime, introduced last year, has failed to meet one of its key objectives: to make the new duty system easier to administer.

Unless the temporary wine easement is made permanent, from 1 February 2025 wine businesses will be swamped with significant start-up costs and ongoing increased red tape to introduce fully the new system.

This quick briefing outlines what the easement is, and why the Government must make it permanent.



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"The end of the easement will have sealed the fate of many businesses which will have gone under thanks to this Government's choice to press on with a ***complex, costly and bureaucratic*** *new alcohol duty regime in the face of business advice, warnings and outright opposition."*

What is the wine easement?

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A new system for calculating alcohol duty came into force on 1 August 2023. The new system moved taxing wine by volume to taxing wine by strength.

The Government acknowledged however that this results in major additional bureaucracy for wine businesses, and so they introduced an 18-month "easement" period, during which wine between 11.5-14.5% abv would be taxed at a single amount pegged to the rate payable on wine at 12.5% abv. This accounts for approximately 80% of the wine on the UK market.

Put simply: the easement means businesses don't have to calculate separate a duty amount for each different wine/vintage of that same wine in their portfolio.

The table to the right shows how it would change – and this is simplified! A different duty payment calculation is needed for every 0.1% ABV increment, which would mean 30 different possible payments between 11.5-14.5% ABV, compared to 1 currently (£2.67).

The WSTA and its members feel strongly that this easement should be made permanent, as the long-term red tape burden is significant, whereas keeping the easement would have minimal impact on Exchequer revenues.

% abv	Duty per 75cl bottle during easement	Duty per 75cl bottle if easement ends
8.5	£1.82	£1.82
9	£1.92	£1.92
9.5	£2.03	£2.03
10	£2.14	£2.14
10.5	£2.24	£2.24
11	£2.35	£2.35
11.5	£2.67	£2.46
12	£2.67	£2.57
12.5	£2.67	£2.67
13	£2.67	£2.78
13.5	£2.67	£2.89
14	£2.67	£2.99
14.5	£2.67	£3.10
15	£3.21	£3.21

Accounts for c. 80% of the UK wine market

Why does the wine industry want to make it permanent?

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Over 80% of all wine on the UK market is found in the 11.5-14.5%ABV range and is currently subject to the easement. Making the easement permanent would:

Avoid increasing cost pressures and administrative burden for all wine businesses, and especially for **thousands** of SMEs

Have **minimal impact on Exchequer revenues** – but would have a major positive impact on businesses

Stabilise consumer spending and prices and, as a result, Exchequer receipts

Why should wine be treated differently?

- Unlike other categories of alcohol, wine cannot be made to a pre-determined strength. The final strength of a wine is subject to a number of factors, but most notably climate: warmer climates create grapes with a higher sugar content, which make wines with a higher alcohol content.
- Winemakers are restricted by strict regulation as to the measures they can take to reduce the alcohol content of wine.
- Wine has far more stock keeping units (or SKUs) than other alcohol categories. We estimate there are well in excess of 100,000 wine SKUs on the UK market. Specialist SME retailers will carry more than 2,000 SKUs while larger wine retailers may carry up to 10,000. If the easement ends, duty will have to be calculated both individually for each SKU and annually, as alcoholic strength can vary between vintages.
- DEFRA reforms in early 2023 permit labelling to one tenth-of-a-degree: a different duty payment calculation is needed for every 0.1% ABV increment, which would mean 30 different possible payments between 11.5-14.5% ABV, compared to 1 currently (£2.67). A lot more costly red tape.
- Ending the easement would significantly increase the cost and time intensity of administering duty, especially for SMEs.

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Want further information?

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