SUBMISSION FROM THE WINE AND SPIRIT TRADE ASSOCIATION

Introduction

1. The Wine and Spirit Trade Association (WSTA) is the UK organisation for the wine and spirit industry representing over 340 companies producing, importing, transporting and selling wines and spirits. We want a future for our industry in which it remains competitive and contributes to the UK’s economic growth – and one in which our products are made, sold and enjoyed responsibly.

2. The announcement of a tax on large retailers selling alcohol and tobacco in the Scottish Spending Review and draft budget has caused considerable alarm to businesses in Scotland and our submission therefore focuses on the impact of this new tax on our member’s businesses.

About the tax

3. We understand that the levy will be used to raise around £110 million over three years at £30million in 2012 and £40 million in 2013/14 applying to stores selling both alcohol and tobacco with a rateable value of over £300,000. Initial estimates suggest that the levy will apply to just a handful of retailers in Scotland, covering between 200-250 stores.

4. We are concerned that the Scottish Government failed to consult with retailers in advance of the tax being announced and would urge the Government to publish any economic analysis that it has carried out on the impact of this tax for business, investment, employment and consumers in the current market conditions. The additional tax at £40million per year as proposed will effectively mean that those retailers subject to the tax will need to make additional sales of around £1billion (excluding VAT) to recoup the costs of the additional tax to their business, given low supermarket margins.

Impact on Scottish businesses

5. This is a tax on individual stores in local communities which will influence future investment decisions, making investment in Scotland less attractive relative to other locations. This could have knock-on implications for consumers, employment and for other businesses across the supply chain. Figures from the latest monthly Scottish Retail Sales Monitor show that August’s like for like sales were 2.1% lower than a year ago. Total sales reduced by 0.7% - the second worst annual drop in total sales since the monitor began in 1999. We would therefore question how the large retailer tax contributes to the commitment made in the Economic Strategy to make Scotland the most competitive place to do business in the UK.

6. It is important to recognise that the UK alcohol industry is amongst the most heavily taxed in Europe. In 2010-11 alcohol duties raised £9.5 billion for the Exchequer (with VAT on those sales providing further revenue). To put this into context, in the UK tax now accounts for 82% per cent of the average price of a
bottle of vodka and 57% of a bottle of wine. If the primary purpose of the tax is ‘public health’ why is there no evidence of the health rational for targeting a handful of major retailers in Scotland, or to support the impact of the tax on public health? We understand that the tax will be collected by Local Authorities through business rates but how will the Scottish Government ensure that revenue raised by Local Government is spent on public health?

7. Retailers already contribute significantly through business rates and these are rising markedly. The tax will result in an average rates supplement of around £130,000 per store in 2012/13, adding over 22% to already rising rates bills. Total business rates in Scotland are around £2.2 billion per annum and retailers already pay one quarter of that, the highest proportion of any sector. Even without the new supplement when sales are falling, these tax increases undermine retailer’s ability to keep prices down, invest and create jobs.

8. Retailers selling alcohol in Scotland are already subject to a significant amount of legislation which restricts the sale of alcohol, and alcohol promotions to a defined ‘alcohol display area, bans multi-buy offers and introduces linear pricing of alcohol in-store. We also imminently expect to see a Minimum Unit Pricing Bill published which will set a price below which alcohol cannot be sold. We believe it is important that the Government allows these significant changes to bed in, and for their impact to be fully assessed before legislative and regulatory changes are introduced. We are concerned that the Scottish Government appears to be focusing its efforts entirely on the supply side of alcohol rather than addressing some of the more challenging cultural and social issues which are part of tacking the unique relationship Scotland has with alcohol.

Due Process

9. The Cabinet Secretary has confirmed that there will be no Business and Regulatory Impact Assessment to accompany the new tax. Given that the proposal was not published in the SNP manifesto; that no consultation was undertaken prior to the tax being announced and that the Government intends to introduce the tax by statutory instrument there are significant concerns that the proposals will not be subject to the necessary scrutiny and due process before being introduced. This seems to be contrary to the Government’s own guidance on when a BRIA should be undertaken.

The section of the Government’s web site relating to Better Regulation states:

The Scottish Government is committed to consulting with all parties potentially affected by proposals for new regulation, or where any regulation is being changed significantly.

All policy changes, whether European or domestic, which may have an impact upon business or the third sector, should be accompanied by a Business and Regulatory Impact Assessment (BRIA).
10. The Scottish Government has indicated that the tax is a ‘public health’ tax but has failed to produce any evidence to support this objective. We would welcome confirmation of the additional public health initiatives that are proposed to be funded by this new tax. We would also welcome clarity on the consultation the Scottish Government has undertaken with the Chief Medical Officer, Local Authorities and health groups about the impact of this tax. We are surprised that, for a public health tax, no evidence has been published about its impact on the price; and sales and consumption of alcohol and tobacco.

11. Our members would also welcome clarity about how the new tax sits with the Social Responsibility Levy already on the statute which could apply to all license holders in Scotland. The Government has been clear that the Social Responsibility Levy will not be introduced until the economic conditions are right, we would therefore question why the Government thinks the conditions are right to introduce this new tax at a time of economic uncertainty and reduced growth.

**Partnership Working**

12. Our members are committed to the responsible sale of alcohol and as a member of the Scottish Government’s Alcohol Industry Partnership we work closely with Government to encourage responsible consumption. Our retail members invest considerable time, money and effort in ensuring staff are trained and appropriate procedures are in place to uphold the law.

13. WSTA members have also led the way in setting high industry standards for the responsible sale of alcohol including:

- Retailers pioneered the ‘Challenge 25’ approach to underage sales that is now in use across Scotland. Young people expect to be challenged about their age when attempting to purchase these products and a cultural shift has been achieved as retailers and other vendors adopted this strict and easy-to-understand policy.

- Supporting Drinkaware, the leading charity involved in communicating safe messages regarding alcohol consumption. Drinkaware receives approximately £5.2 million per year from retailers, producers and pub companies to undertake its campaigns and projects with schools and community groups.

- Retailers are leading the way in labeling alcohol products with information regarding alcohol units. The inclusion of both the number of units per serving and per bottle/can, and the recommended limits, plays a vital part in increasing awareness of the safe levels of consumption. An increase in awareness of drinking habits is essential in driving a cultural change throughout Scotland.

**Conclusion**

14. We would urge the Government to consider the full impact of this new tax on businesses across the supply chain in Scotland. It is therefore essential that it
publishes the economic analysis which supports the case for the large retailer tax, and to publish a full Business and Economic Impact Assessment of the tax in line with its own best practice guidance.

15. The Scottish Government has committed to make Scotland the most attractive place in the UK to do business but this proposal seriously undermines that assertion putting an additional burden on businesses operating with tight margins at a time of economic uncertainty. We would therefore urge the Government to reconsider its proposal.

The Wine and Spirit Trade Association
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