

Repeal of Section 22 of the Alcoholic Liquor Duties Act 1979

Who is likely to be affected?

Manufacturers and exporters of rectified and compounded spirit.

General description of the measure

This measure repeals redundant legislation covering the drawback (i.e. repayment) of excise duty on spirit manufactured by licensed rectifiers and compounders that is exported from a producer's premises or placed in a warehouse for approved purposes. Producers and exporters wishing to claim drawback on direct exports of rectified or compounded spirit may do so under the existing provisions of the Excise Goods (Drawback) Regulations 1995 (EGDR).

Policy objective

This measure supports the Government's objective of a simpler tax system by removing redundant legislation from the statute book.

Background to the measure

Informal consultation on this measure was held with the trade and relevant trade associations in October 2010. It confirmed that businesses will not be affected by the repeal. Most producers of rectified and compounded spirit do not claim drawback, while those who wish to do so on product exported directly from the UK can use the alternative provisions in EGDR.

Prior to this measure, rectifiers and compounders could, in principle, claim drawback under either the provisions of Alcoholic Liquor Duties Act (ALDA) s22 and the Spirits (Rectifying, Compounding and Drawback) Regulations 1988 or EGDR. ALDA s22 was intended to meet a specific business need, whereas EGDR was written to make provision for general excise drawback. Although the two arrangements are slightly different, there was common ground occupied by both, which placed a risk to HMRC of identical claims being made using both arrangements. In addition, ALDA s22 still permitted warehousing for export of rectified or compounded spirit, which was out of step with EGDR.

The repeal of ALDA s22 was announced at Budget 2011.

Detailed proposal

Operative date

The measure will have effect on and after Royal Assent of Finance Bill 2012.

Current law

The provision for drawback on rectified and compounded spirit is contained in ALDA s22. It provides for repayment of duty on rectified and compounded spirit that has been warehoused for an approved purpose or exported from a producer's premises.

Proposed revisions

Legislation will be introduced in the Finance Bill 2012 to provide for the repeal of ALDA s22, to take effect from Royal Assent.

Summary of impacts

Exchequer impact (£m)	2011-12	2012-13	2013-14	2014-15	2015-16
	-	nil	nil	nil	nil
	This measure is not expected to have an Exchequer impact.				
Economic impact	The change has no significant economic impact.				
Impact on individuals and households	There is no impact on individuals or households. This measure repeals redundant legislation that only affects business.				
Equalities impacts	The change will have no different effect on groups with protected characteristics and, as the legislation being repealed is redundant, is not considered to have any impact on equality.				
Impact on business including civil society organisations	The Government does not anticipate any specific impact on businesses, including civil society organisations.				
Operational impact (£m) (HMRC or other)	HMRC's guidance will need to be updated to reflect the change, but this will be included in business as usual, incurring a negligible additional cost				
Other impacts	No other impacts have been identified.				

Monitoring and evaluation

The measure will be subject to ongoing monitoring of the repeal.

Further advice

If you have any questions about this change, please contact Paul Manson on 0161 827 0357 (email: paul.manson@hmrc.gsi.gov.uk).

1 Repeal of drawback on British compounds and spirits of wine

- (1) Section 22 of ALDA 1979 (drawback on British compounds and spirits of wine) is repealed.
- (2) In consequence of the provision made by subsection (1), omit the following provisions—
 - (a) in Schedule 1 to the Isle of Man Act 1979, paragraph 29;
 - (b) in Schedule 8 to FA 1981, paragraph 16;
 - (c) in Schedule 4 to FA 1994, paragraph 24;
 - (d) in Schedule 5 to that Act, paragraph 3(1)(ha).

EXPLANATORY NOTE

REPEAL OF DRAWBACK ON BRITISH COMPOUNDS AND SPIRITS OF WINE

SUMMARY

1. This clause repeals section 22 of the Alcoholic Liquor Duties Act 1979 (ALDA), which provides for the repayment (drawback) of excise duty on ‘British compounds’ and ‘spirits of wine’ when they are warehoused for certain purposes. The clause also makes consequential repeal of those primary law provisions which have amended section 22 in the past, and of the provision of the Finance Act 1994 which makes decisions taken under section 22 appealable in the Tribunal.

DETAILS OF THE CLAUSE

2. This clause repeals section 22 ALDA in its entirety, together with paragraph 29 of Schedule 1 to the Isle of Man Act 1979, paragraph 16 of Schedule 8 to the Finance Act 1981, paragraph 24 of the Schedule to the Finance Act 1994 (all of which amended section 22 ALDA) and paragraph 3(1)(ha) to Schedule 5 of the Finance Act 1994 (which makes decisions taken under section 22 ALDA appealable in the Tribunal).

BACKGROUND NOTE

3. British compounds are spirits which have, in the United Kingdom, had any flavour communicated to them or ingredient or material mixed with them, not being denatured alcohol. Spirits of wine are plain spirits of a strength of not less than 80 per cent manufactured in the United Kingdom. Section 22 ALDA allows manufacturers of such products to reclaim the excise duty that they have paid on such products when they are exported from the manufacturer’s premises or placed in a warehouse for certain approved purposes.
4. Insofar as section 22 permits drawback on export, it is unnecessary, since identical provision is made by the Excise Goods (Drawback) Regulations 1995 (“the EGDR”). To the extent that section 22 permits drawback in other circumstances (e.g. shipment as stores and warehousing for certain purposes, including export), it is undesirable, since there is no such provision for other spirits and there is no present policy justification for having different arrangements for British compounds and spirits of wine to those that apply to other

spirits. Further, it is doubtful whether section 22 is fully compliant with EU directive 2008/118, which concerns the general arrangements for excise duty.

5. It follows that the repeal of section 22 will remove redundant legislation from the tax code, produce greater consistency with the arrangements that apply to other spirits and avoid the minor risk of infraction proceedings.
6. If you have any questions about this change, or comments on the legislation, please contact Paul Manson on 0161 827 0357 (email: paul.manson@hmrc.gsi.gov.uk).