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Rt Hon Rishi Sunak MP
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London
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16th March 2022

Dear Chancellor

Spring Statement

As you make the final preparations for your upcoming financial update, we attach a new report from Oxford Economics for your consideration. This sets out the crucial role of the Beer and Pub Sector to the economic recovery and to supporting local communities as we finally emerge from the pandemic but continue to face major headwinds that jeopardises this. Even since the report was completed the energy crisis has worsened dramatically, with 150%+ rises in pub energy bills now seen regularly, wiping out any hope of a return to profitability in the near future. The survival of thousands of pubs remains in the balance. The tragic situation in Ukraine is further exacerbating these enormous pressures and the impacts of that are unlikely to be short term as I know you will be well aware.

As the Oxford Economics report highlights, pubs and brewing support over 936,000 jobs in towns and communities throughout the UK and contribute £26.2 billion to the UK economy. Immediately prior to the pandemic, one-in-thirteen young adults currently employed worked in our sector, and the sector generated over £15.1 billion in tax revenues for the Exchequer, along with net capital expenditure of over £2.3 billion.¹

Oxford Economics calculate that, despite the very significant Government investment in the sector during Covid, over eight hundred pubs closed their doors for good during this time. Many profitable brewing businesses have also been lost. For the remainder of the sector, debt levels have spiralled, and the future is very uncertain. As key financial support measures are now withdrawn, trading levels have still not returned to pre-pandemic levels, costs are rising sharply, and confidence among many pub goers remains fragile. The sector took on £1.2 billion in debt, equivalent to £25,000 per pub, while the sector suffered a turnover loss of £14.5 billion. There is a real risk that debt levels will become unsustainable, and cash will run out. Thousands of pubs remain at risk, undermining the foundation of local economies and ambitions to level up the UK which could result in a tragedy for the health and wellbeing of communities, as well as for our city centres and high streets.

More than ever, we need Government to continue to invest in the sector as current support measures are now ending. We are determined to come through the pandemic and resume a world-leading pub and brewing offer. The sector can be an economic powerhouse that plays

¹ The Local Impact of the Beer and Pub Sector: Oxford Economics, September 2021.

a positive role in our communities, is a force for good for our mental health and sociability, and an employer of a disproportionately high number of young adults.

That is why we are urging Government to:

- **Mitigate the energy cost crisis through the extension of the energy price cap to small businesses and supply to joint residential and commercial premises. Guaranteed, contracted energy supply at a fair rate and without the need for security deposits or levies.**
- **Extend the lower VAT rate for food and drinks sold in pubs and the wider hospitality sector with a view to making this permanent.**
- **Ensure ADR proposals are in force by no later than February 2023, with an increase in the lower-strength threshold for beer from 3.4% to 3.5% abv and a container size of 20 litres or above for the draught beer reduction.**
- **Reduce the disproportionate burden on hospitality businesses through either a permanent specific sector multiplier or a high streets relief, bring forward an Online Sales Tax to offset the cost of pubs' rates and provide for a fairer business tax regime for the digital age, and remove Subsidy Control limits on rates support; the Small Business Rate Relief threshold of £12,000 RV should also be increased.**

Our sector is taxed disproportionately highly. The pandemic only reinforced this. It is time the overall tax portfolio be rebalanced to level the playing field and reflect the UK's modern economy – it's time other sectors also pay their fair share. We welcome the ongoing consultation for Online Sales Tax and encourage Government to move forward with an OST that more fairly reflects taxing digital markets.

In summary, our sector can deliver jobs and additional economic value in every part of the UK. We are at the heart of communities fostering social cohesion as we reconnect and recover. Pre-covid, our businesses were already operating under small margins due to the disproportionate tax burden. Coming out of the pandemic it is crucial this is redressed to ensure business not only survives, but indeed returns to sustainable growth which will support the Levelling Up and High Streets agendas. As ever, I would be delighted to discuss any of the issues raised above with you at your convenience.

Yours sincerely



Emma McClarkin
Chief Executive
British Beer and Pub Association