

Dear Fellow Brewer,

We write on behalf of the **Small Brewer Duty Reform Coalition** to ask for your support in reforming the Small Brewers Relief system ('SBR', aka 'Progressive Beer Duty'). If you agree with the need for reform after 16 years then please visit our website, www.reformsbr.com to find out more.

As you will be aware, the UK beer market is suffering, with cask ale experiencing accelerating volume decline. Added to this, profitability is falling and the sector is becoming financially unsustainable. This is partly caused by over supply and partly driven by SBR and its unintended and worsening market distortions. The current system stifles growth and profitability for brewers at all but a few volume levels. It discourages exports, mergers and business sales.

That is why we are seeking your support in reforming SBR and bringing a truly progressive, and fairer, beer duty to the UK market which will make the sector better for all brewers in the medium term.

There is now unanimous agreement across the industry with our call that Small Brewers Relief must be reformed, including from CAMRA, SIBA and the BBPA. There are a range of different views on the details but only our proposal is likely to lead to real reform.

In the very constructive conversations that the Coalition have had recently with the Treasury, we have been encouraged by the positive reception to our proposals, especially since they benefit over 90% of all brewers immediately and provide incentives to all brewers to both grow, to invest in productivity and to export. Additionally, and of great importance to the Treasury if they are to agree to reform, our system is revenue neutral in the medium term – costs will be offset by growth and so increased tax revenues.

Our proposals are as follows:

- **Change the thresholds at which the maximum relief is available** – The threshold at which the current 50% maximum SBR is available should be reduced from 5,000hl to 2,000hl. The upper limit of 60,000hl should be increased, then tailed down more gradually to 200,000hl. The shape of the 'relief curve' is thus modified to reduce current distortions. These changes would more closely align the relief with the real economies of scale experienced in the industry and ensure that all brewers are incentivised to grow. Any loss of relief below 5,000 hl would be modest and the changes would also be gradually phased in over several years. It will mean microbrewers up to 2,000hl have more chance to compete because relief is more fairly spread in relation to relative efficiency. Brewers will be more easily able to grow past the 5,000 hl barrier and not so heavily penalized beyond that point.

- **Exclude Exports** - To encourage exports, any beer exported should be removed from the calculation of production volume that determines the level of small brewer relief.
- **Introduce transition relief for SBR in the event of merger, acquisition or sale** – At present there is a disincentive to merge with or acquire other breweries because SBR is cut or lost immediately. We propose that in order to encourage orderly consolidation as the sector changes, SBR should be phased down over three years.
- **Convert Small Brewers Relief to cash** – SBR should be de-coupled from the main duty rate by converting to a cash figure. This would avoid further distortions as duty rates change and instead allow the relief to more closely reflect economies of scale over time.

These proposals are reasonable, realistic and deliverable. They would encourage growth at all stages of a brewer's business development and boost exports.

If you agree then please visit our website, www.reformsbr.com and use our '**email your MP**' tool. It will take just a few moments of your time to send a pre-drafted letter to your MP explaining the impact SBR is having on our industry and asking them to raise the issue on our behalf in Government. The website also contains further information about the coalition, our proposals and comparisons with alternative ideas. Our proposals can also be found in the footer of this email, in a useful comparison chart.

Kind regards,

SBDRC