

Mark Drakeford AM/AC
Ysgrifennydd y Cabinet dros Gyllid
Cabinet Secretary for Finance



Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref:

Ein cyf/Our ref: MA-L/MD/0283/18

Simon Thomas AM
Chair
Finance Committee
National Assembly

SeneddFinance@assembly.wales

4 June 2018

Dear Simon

Thank you for letter dated 17 April regarding the Public Health (Minimum Price for Alcohol) (Wales) Bill.

In your letter, you note the potential financial implications of introducing a minimum unit price (MUP) for alcohol and asked for confirmation that the spill-over effects of the policy and any consequential reduction in alcohol duty will not impact on the provision of funding for Wales.

Applying the principles of the fiscal framework, in the context of the Public Health (Minimum Price for Alcohol) (Wales) Bill, it is important to recognise the conditions under which any spill-over effects would be considered. The fiscal framework states: "The UK and Welsh governments have also agreed behavioural effects can be accounted for in exceptional circumstances, where the effects are material and demonstrable, and both governments agree it is appropriate to do so."

The estimated impact of an MUP in Wales on UK alcohol duty is not expected to be material for these purposes. As noted by the Cabinet Secretary for Health and Social Services in his response to recommendation three from the Finance Committee: "The most recent analysis by the University of Sheffield's Alcohol Research Group on the impacts of MUP in Wales notes that all MUP policies are estimated to reduce the total tax take from alcohol duties, with these losses increasing more quickly at MUP levels above an MUP of 55p. As an example, the annual revenue to the exchequer from alcohol duties and VAT in Wales is

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

estimated to fall by 0.4% or £1.9m, if the MUP is specified at 50p. For a 55p MUP, the annual revenue to the exchequer is estimated to fall by £2.1m and for a 60p MUP, it would be a fall of £3m.”

As the Bill’s Regulatory Impact Assessment highlighted, there are a number of other impacts of introducing an MUP, which could generate financial savings for the UK Government. It is important to recognise the treatment of behavioural impacts is a symmetrical one where costs and benefits would need to be considered.

In addition, for there to be a consideration of spill-over impacts, there would need to be demonstrable evidence on the impacts which will only be available post implementation.

As outlined in the response from the Cabinet Secretary for Health and Social Services to the Finance Committee’s report, Welsh Treasury officials have discussed the Bill with officials in HM Treasury regarding the possibility of any financial impacts associated with the introduction of a minimum price for alcohol in Wales in the context of the Statement of Funding Policy and the fiscal framework. At this stage there is agreement that the conditions for spill-over impacts are not met.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mark', written in a cursive style.

Mark Drakeford AM/AC

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