

## Press Release

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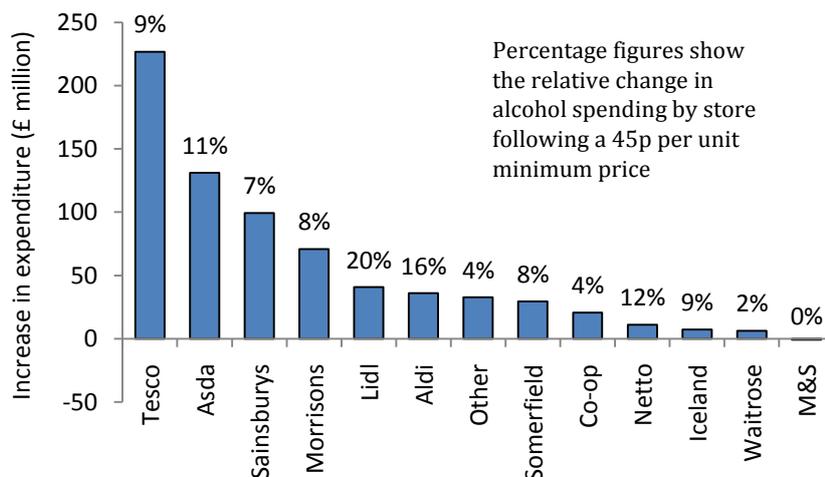
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# Minimum alcohol price of 45p per unit could transfer £700 million from drinkers to firms

A grouping of opposition Members of the Scottish Parliament recently removed plans for a minimum price of 45p per unit of alcohol from the Alcohol Bill currently in front of the Scottish Parliament, though the SNP minority Government is still in favour of the measure. IFS researchers estimate that if a policy like this were rolled out across Britain it could transfer £700 million from alcohol consumers to retailers and manufacturers. This contrasts to increases in alcohol taxes, which largely result in transfers to government in the form of much needed tax revenue. In the long-term, it would be desirable to restructure alcohol taxes so that they were based on alcohol strength, thus allowing the tax system to mimic the impact of a minimum price but ensuring the additional revenues went to the Government rather than firms.

These are among the findings of new research published today by the Institute for Fiscal Studies, funded by the ESRC Centre for the Microeconomic Analysis of Public Policy at IFS. Using data on off-license alcohol purchases of a large number of households in 2007, the authors estimate the impact of a 45p per unit minimum alcohol price introduced across Great Britain.

The figure below shows the estimate of the total transfer to different retailers, though some of the gains would likely be shared with alcohol manufacturers. The largest beneficiaries are those stores which sell the most alcohol: Tesco, Asda and Sainsburys. In relative terms, the biggest beneficiaries are stores that sell alcohol most cheaply: the discount retailers Lidl, Aldi and Netto. Those stores which do not sell much cheap alcohol – Waitrose and Marks and Spencer – gain relatively little.



Note: bars show change in alcohol expenditure by store after the introduction of a 45p per unit minimum price, assuming all households have a common own-price alcohol elasticity of demand of -0.5 and that stores increase prices below the minimum to the minimum but do not change any other prices. Percentage figures are the increase relative to pre-policy store alcohol expenditure.

### Embargo

Until 00.01 am  
Tues 28 Sept 2010

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The other main findings of the research are:

- Almost 85% of off-licensed alcohol units sold for less than 45p in 2007, including 91% of lager units, 90% of cider units and 87% of spirits units. Only 9% of alcopop units sold below this price.
- The average unit of cider sold for only 25p, compared to 33p for lager and 69p for alcopops.
- 80% of those with incomes under £10,000 per year bought alcohol during 2007, compared with 95% of those with incomes above £70,000. However, low income households bought cheaper alcohol: those on under £10,000 paid 33p per unit on average compared to 41p for those on more than £70,000.
- Assuming that all households reduce their alcohol demand by 5% when prices rise by 10%, the off-licensed alcohol consumption of those on less than £10,000 would fall by 25% following the introduction of a 45p per unit minimum price. The fall would be 12% for those on more than £60,000.
- Households that purchase a lot of alcohol not only buy more units but also buy cheaper units. Those buying less than 2 units per adult per week on average pay more than 40p per unit, compared with 32p per unit for those buying more than 35 units per adult per week.
- The structure of alcohol taxes is governed by European Directives that mean it is not possible at present to tax the number of units directly for wine or cider, but it is possible for beer and spirits.
- Current implied taxes per unit are 17.3p for beer and 23.8p for spirits. However, a 75cl bottle of 9% strength wine is effectively taxed at 25.0p per unit whereas a bottle of 14% strength wine is taxed at only 16.1p per unit. It would be desirable to change this so that all alcohols could be taxed according to the number of units.

The response to minimum pricing would probably be complex. Different consumers would respond to different extents, including substituting alcohol purchases towards pubs and bars which would be less affected by a minimum price. Retailers could change the price of alcohol currently sold above 45p per unit and change non-alcohol prices. Manufacturers could switch production into more expensive, higher quality products. Estimating the impact of these wider responses would require a more detailed model of behaviour.

Andrew Leicester, a Senior Research Economist at the IFS and one of the authors of the research, said:

“Minimum alcohol prices would transfer large sums from consumers to those firms that retail and produce alcohol, but may target households that consume the most alcohol more directly than increases in alcohol taxes. However, higher taxes would generate much needed revenue. The Government should seek to change European regulations on how alcohol taxes can be structured, so that taxes can mimic the impact of minimum prices whilst ensuring the resulting revenues go to the Government and not firms.”

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Notes to Editors:

1. “The impact of introducing a minimum price on alcohol in Britain” by Andrew Leicester and Rachel Griffith will be published on Tues 28 Sept on the IFS website: [www.ifs.org.uk](http://www.ifs.org.uk). This research was funded by the ESRC Centre for the Microeconomic Analysis of Public Policy at the IFS. For embargoed copies of the report or other queries, contact Bonnie Brimstone at IFS: 020 7291 4800, [bonnie\\_b@ifs.org.uk](mailto:bonnie_b@ifs.org.uk).