

# FINANCE ACT 2012

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## EXPLANATORY NOTES

### INTRODUCTION

#### *Section 187: Repeal of Drawback on British Compounds and Spirits of Wine*

#### Summary

1. **Section 187** 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 section 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 Section

2. **Section 187** 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.