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House of Commons Advances Finance Bill With Higher Alcohol Duties

The government’s main tax bill now heads for committee scrutiny, carrying changes to small producer relief, bank taxes, business rates, EV duties

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The House of Commons gave the Finance Bill a second reading on Monday, November 23, moving the government’s main tax legislation to its next parliamentary stage and keeping in place a package that includes higher alcohol duties and changes to relief for small producers.

The bill is the main vehicle for turning measures from the October 28 Budget into law. Opening the debate, Exchequer Secretary to the Treasury Dan Tomlinson said the government had chosen what he called a fiscally disciplined approach aimed at supporting households, backing businesses and maintaining control of the public finances. He argued that the legislation was designed to help the country manage external economic pressures while protecting longer-term stability.

During the debate, Tomlinson set out a broad mix of tax and spending measures linked to the bill. He told MPs that the government would provide a £100 household energy payment to support up to 20 million households in January, extend the VAT cut on electricity bills and continue a freeze on fuel duty. To help pay for that support, he said, the bill would raise the bank corporation tax surcharge by three percentage points on a temporary basis, with the increase due to end on March 31, 2028.

For businesses, Tomlinson said the Budget had confirmed bill reductions of as much as 25% for more than 10,000 eligible companies from April 2027 through the British industrial competitiveness scheme. He also said the government had increased business rates relief for pubs, clubs and music venues from 15% to 35% from April 2027. In addition, he said around 70,000 more high street properties would be taken out of paying business rates altogether, while business rates for other firms in those sectors would be frozen in real terms for two years.

Those measures are especially relevant for the drinks trade because the Finance Bill also carries changes that affect alcohol taxation directly. The bill includes increases in alcohol duty and revisions to small producer relief, a combination that could change tax costs for brewers, cider makers, distillers and other drinks businesses, while also affecting how smaller operators compete with larger producers in the British market. At the same time, relief on business rates for pubs and clubs may ease part of the pressure on hospitality venues that sell those products.

Tomlinson said the bill also contained measures intended to encourage investment and business growth. He told MPs that research and development tax reforms would simplify the claims process for about 40,000 businesses and help more companies access £65 million in relief. He said changes to venture capital schemes were meant to make them easier to use and help more investment reach early-stage and growing firms. The bill would also raise the trading allowance from £1,000 to £3,000, he said, and introduce a new capital gains tax founders' relief with a 10% rate on lifetime gains of up to £10 million for founders or early investors in high-growth and innovative businesses.

Beyond those growth measures, Tomlinson said the government wanted to modernize tax administration and reduce non-compliance. He told the House that the bill would pave the way for e-invoicing, update rules on error correction and strengthen HM Revenue and Customs' ability to identify unpaid tax. He said that wider measures announced with the Budget were expected to raise an additional £2.3 billion in 2029-30 by closing the tax gap, taking the total raised across this Parliament to more than £12 billion. He also said the bill would introduce an excise duty for electric vehicles from April 2028 as part of a longer-term replacement for lost fuel duty revenue as EV use expands.

Opposition MPs used the debate to challenge the government on the effect of several tax changes. Conservative MP Graham Stuart asked what higher taxes on rented properties would mean for housing supply and rents. Later, he questioned why large businesses such as Compass Group were considering a move to New York and asked what the government would do to stop companies leaving the U.K. because of what he called excessive taxation. Tomlinson said he had not personally spoken to that company, but said the government was looking at how to deepen capital markets and support the stock exchange.

Other MPs focused on the effect of specific tax measures on clubs and local businesses. Conservative MP Sir Ashley Fox said the treasurer of a social club in his constituency had told him that an increase in machine games duty would cost the club £1,500 on top of higher national insurance costs, putting a community asset at risk. Tomlinson replied that the five-percentage-point increase in machine games duty was limited and

targeted at higher-stakes machines, adding that “pretty much all” machines in pubs and clubs should not be affected, though he said he was willing to discuss the case further.

The debate showed the government trying to balance tax increases in some areas with targeted support in others. For the drinks sector, that balance is likely to be watched closely as Parliament examines the bill in more detail, because changes to alcohol duty and small producer relief can feed through to pricing, margins and market access for both hospitality businesses and independent producers.