

# Tax briefing note

## Alcohol duty

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June 2025

### What is it?

There are four categories of alcohol duty: beer; still cider and perry; sparkling cider and perry; and wine, spirits and other fermented products. Alcohol has long been subject to specific and varying taxation, most notably under the Gin Act 1751 following the 'gin craze' depicted by Hogarth's Beer Street and Gin Lane.

Since February 2025, all alcohol duties have been charged by litre of pure alcohol within five bands of alcohol by volume (ABV) content and is applicable where ABV is at least 1.3 per cent. All alcohol types are charged £9.61 per litre of pure alcohol when the ABV is under 3.5 per cent. Similarly, the duty is charged at a single rate, £29.54, across all types where the ABV is between 8.5 and 22 per cent; and another single rate £32.79, where the ABV exceeds 22 per cent. Between 3.5 and 8.4 per cent ABV, wine and spirits are charged £25.67, beer is charged £21.78 and still cider is charged £10.02. Sparkling cider shares the still cider £10.02 rate on products where the ABV is between 3.5 and 5.5 per cent but switches to the wine and spirits £25.67 rate where the ABV is between 5.6 and 8.4 per cent.

Draught relief provides lower rates for draught products under 8.5 per cent ABV while small producers relief provides lower rates for those who produce up to 4,500 hectolitres of pure alcohol below 8.5 per cent ABV.<sup>1</sup>

### What's the problem with it?

Alcohol duties are needlessly complicated, economically distortionary and morally oppressive. There is also much evidence that they fail to achieve the aims of the public health lobby, despite their negative impact on the lifestyles of the majority of drinkers without dependency problems.<sup>2</sup> By contrast, evidence suggests that high taxes encourage illicit alcohol markets. HMRC estimated the illicit market share in 2022-23 at 8 per cent for beer and 2 per cent for spirits.<sup>3</sup>

Charging by stated ABV works well for products where the ABV is predictable. But where ABVs are less certain and stable, notably in wines, this can introduce administrative complexity.

Because most drinkers – in other words most adults – do not create additional health spending or crime and disorder problems, the case for charging all drinkers with the public spending costs of those problems is very weak. There is no good reason why a law-abiding moderate drinker should pay a greater share of the costs of irresponsible drinkers than a non-drinker. Similarly, there is no good reason why taxes should seek to discourage drinking among people whose drinking is not problematic, especially when taxes have been shown to have very little effect on problem drinkers but nonetheless significantly interfere in the lifestyle choices of moderate drinkers.

Finally, alcohol duties distort patterns of economic activity, with negative implications for the nighttime economy and UK supermarket sales which are diverted to lower-tax alternatives such as France.

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<sup>1</sup> HM Revenue & Customs, Alcohol Duty uprating, 30 October 2024, [www.gov.uk/government/publications/changes-to-the-rates-of-alcohol-duty/alcohol-duty-uprating](https://www.gov.uk/government/publications/changes-to-the-rates-of-alcohol-duty/alcohol-duty-uprating) (accessed 6 April 2025).

<sup>2</sup> Duffy, J.C., and Snowdon, C., Punishing the majority. The flawed theory behind alcohol control policies, IEA, June 2014.

<sup>3</sup> HM Revenue & Customs, table 3.3, Measuring tax gaps tables, 20 June 2024, [www.gov.uk/government/statistics/measuring-tax-gaps-tables](https://www.gov.uk/government/statistics/measuring-tax-gaps-tables) (accessed 24 March 2024).

### What should be done?

1. Continue to move the alcohol tax system to a neutral tax on alcohol itself instead of the liquid containing it, removing tax distinctions between what the drink is, how it's made and whether it's sparkling or still.
2. Reintroduce a system of ABV bands for wine (used until 1 February 2025 and known as the temporary easement) to allow wines within a range to be treated as if they all had an ABV at a single point within that range.
3. Eliminate the £32.79, £29.54 and £25.67 rates of duty (charged since 1 February 2025) so that all the product categories qualifying for them instead qualify for the £21.78 rate charged to beer between 3.5 and 8.4 per cent ABV, leaving a single alcohol duty rate except for products under 3.5 per cent ABV and ciders.
4. Freeze all duty rates after this simplification.