

Cost of a tipple

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Introduction

Pubs have been a cornerstone of British social life for centuries. However, their continued existence is now under considerable threat, with the number of pubs in England and Wales having fallen to a record low.¹ While shifting social behaviours and global disruptions such as the covid-19 pandemic have contributed to this decline, a particularly significant factor is the burden imposed by the United Kingdom's complex and onerous tax regime.

Publicans across the country face daily financial pressures, with taxation exerting acute pressure on already narrow profit margins. What were once thriving social and economic hubs in towns and villages have, for many operators, become sites of persistent financial strain. These pressures are intensified by a combination of rising business rates, increased national insurance contributions, high alcohol duties and a general tax structure that is unsustainable.

This note examines the various costs involved in operating a pub and assess how these have evolved over time. Particular attention will be given to the scope and scale of the tax burdens borne by publicans, costs which are often hidden from the consumer but have substantial implications for the viability of pubs across the country.

Key findings

- In 2024, the average pub paid almost **£100,000 per year in taxes** on the sale of alcoholic drinks alone.
- As a percentage of the retail price, taxes account for **28 per cent** of the average pint of beer, **23 per cent** of the average pint of cider, **29 per cent** of the average glass of wine and **26 per cent** of the average shot of spirits.
- If the cost of a pint of beer had risen in line with the retail price index (RPI) since 1989 it would be **£1.14 less** than the current cost of an average pint. This means that the average Briton spends **£142 more each year** on pints of beer than had prices only risen in line with RPI.²
- If the cost of a pint of beer had risen in line with the consumer price index (CPI) since 1989 it would be **£2 less** than the current cost of an average pint. This means the average Briton spends **£248 more each year** on pints of beer than had prices only risen in line with CPI.

Industry specific challenges

The pub industry operates on relatively low profits margins and depends on high volumes of trade to remain viable. Unlike many other sectors, pubs sell a product that is already subject to significant taxation, before accounting for other operational costs. As shown in table 1, taxes account for a substantial proportion of the final cost of alcoholic drinks, equating to over a quarter of the cost for each drink except for cider. This structural exposure to high tax burdens means that even modest increases in operating costs can have a disproportionate impact on profitability, threatening the financial sustainability of already pressured businesses.

In 2025, the structural vulnerabilities of the pub sector are becoming increasingly apparent, compelling many publicans to make difficult decisions that place the long-term viability of their businesses at risk.

¹ Toth, A., *Number of pubs in England and Wales hits record low in worst year for industry since 2021*, Independent, 31 December 2024, www.independent.co.uk/news/uk/home-news/pubs-closure-record-low-england-wales-b2671495.html, (accessed 1 July 2025).

² Evison, J, *Drinking habits shift as UK changes from beer to wine*, The Drinks Business, 27 November 2023, www.thedrinksbusiness.com/2023/11/drinking-habits-shift-as-uk-changes-to-wine-from-beer/ (accessed 26 June 2025).

At the beginning of the year, an average of six pubs were closing each week. Data from 2024 indicates that pub closures contributed to the loss of over 4,500 jobs across the industry.³ These job losses not only reduce tax revenues but also have a broader social impact, as pubs often serve as important hubs for local communities.

Table 1: tax make up as total price of alcoholic drinks (per standard drink size)⁴

Drink ⁵	Tax cost (£)	Retail price (£)	Tax as percentage of price
Beer	1.34	4.77	28.1
Cider	1.03	4.50	23
Wine	1.49	5.06	29.4
Spirits	0.93	3.60	25.8

Administrative burden

For publicans, each transaction, wage payment and utility bill is increasingly burdened by a complex and evolving tax system. This is particularly challenging for independent operators, who must devote significant time and resources to navigating a highly intricate compliance environment. Penalties for non-compliance are harsh with imprisonment possible for business owners who breach the Health and Safety at Work Act 1974 severely.⁶ Unlike larger firms with dedicated administrative teams, smaller or lone establishments often face these obligations without significant specialist support, diverting attention away from their core role in serving customers and supporting local communities. The administrative demands, combined with associated financial pressures, can be a significant obstacle to viability. Importantly, regulatory compliance is just one of a growing number of challenges confronting the sector.

Staffing costs

Due to the labour-intensive nature of their operations, pubs typically require a relatively large workforce. Historically, these roles have been filled by offering employment opportunities for lower-skilled and part-time workers, serving as a point of entry into the labour market for students and young people seeking flexible working hours.

However, recent increases in the minimum wage, particularly for 18-20-year-olds, combined with the phasing out of zero-hour contracts,⁷ are expected to disproportionately affect the pub sector relative to other industries. Additional pressures, such as increasing employer national insurance contributions rate from 13.8 per cent to 15 per cent while lowering the threshold from £9,100 to £5,000,⁸ and rising statutory pay for less experienced staff are likely to compel publicans to alter both the size and composition of their workforce to retain their businesses viability.

³ British Beer and Pub Association, *Six pubs a week shutting their doors for good as BBPA says urgent Government action needed to halt "completely avoidable" closures*, 17 February 2025, beerandpub.com/news/six-pubs-a-week-shutting-their-doors-for-good/ (accessed 26 June 2025).

⁴ Calculated as one pint (568ml) of beer and cider, 175ml of wine and 25ml of spirits per industry standard. Tax is a total of VAT and alcohol duty.

⁵ See table 2 for sources for the average ABV for each drink.

⁶ Office Test, *Navigating UK Compliance for SMEs: A Guide to Simplifying Complex Legal Requirements*, 7 November 2024, officetest.co.uk/resource-centre/navigating-compliance-for-uk-smes/ (accessed 8 July 2025).

⁷ Mason, R., Angela Rayner gives 'cast iron' promise of bill banning zero-hours contracts, *The Guardian*, 12 September 2023.

⁸ HM Revenue & Customs, *Employer National Insurance contributions (NICs) and Employment Allowance changes: Screening Equality Impact Assessment*, 3 April 2025, www.gov.uk/government/publications/employer-national-insurance-contributions-and-employment-allowance-changes-impact-assessment/employer-national-insurance-contributions-nics-and-employment-allowance-changes-screening-equality-impact-assessment (accessed 2 July 2025).

These will reduce employment opportunities for younger and more flexible workers while increasing operational costs, pressures that will ultimately be passed on to consumers through higher prices. The initial impact of these changes is already being felt with pub closures rising following their implementation in April 2025,⁹ with 209 pubs closing in the first six months of 2025 in England and Wales, equivalent to eight pubs per week.¹⁰

It is difficult to calculate the average cost of a member of staff for a pub due to the complex make-up of staff many pubs have. For example, a pub employing a student who only works one or two evenings a week would likely stay below the new £5,000 threshold for employer national insurance contributions, making them cheaper to employ than a worker above the threshold. Additionally, smaller pubs will often be eligible for the employment allowance relief, this is a further reduction to the employer national insurance contributions.

Assuming that an employee is working full time at 37.5 hours per week, and the business is not eligible for any national insurance relief, a pub could expect to spend £28,250 per year per employee with salary, employers' national insurance and pension contributions accounted for. This figure rises to £31,100 for London based pubs paying the real living wage.¹¹ It is £2,367 more expensive to hire a full-time minimum wage employee now than in 2024, largely because of changes from the Autumn Budget.¹²

Business rates

Another major cost for pubs is business rates, as they typically occupy large, high-footfall premises in urban or town centre locations. As a property-based tax, the current system places a disproportionate burden on bricks-and-mortar establishments that cannot easily relocate or adapt in the same way as online or delivery-focused businesses. Unlike some restaurant models that have shifted to 'ghost kitchens' or remote operations,¹³ especially since the covid-19 pandemic, pubs are inherently tied to their physical locations hence their importance to their local communities.

Business rate revaluations can result in sudden and substantial increases in liability, while government relief schemes have often been limited in duration or scope. Notably, the reduction in business rates relief from 75 per cent to 40 per cent for eligible retail, hospitality and leisure properties in April 2025 has significantly increased costs for many operators.¹⁴ As a result of this change, the average business rates bill for pubs is projected to rise from £3,938 to £9,451, an increase of 140 per cent.¹⁵ Although the government has announced plans to introduce a permanently reduced rate for retail hospitality and leisure properties beginning in 2026-27, this measure will arrive too late for many operators already facing acute financial pressure.

⁹ Carrick, A., *Pub closures surge after National Insurance and minimum wage rises*, This Is Money, 16 June 2025, www.thisismoney.co.uk/money/smallbusiness/article-14816327/Pub-closures-surge-National-Insurance-minimum-wage-rises.html (accessed 20 June 2025).

¹⁰ Goss, L., *Pub closures hit Home Counties hardest amid Labour's tax raid*, *Daily Telegraph*, 18 August 2025.

¹¹ Fell, D., *How much does it cost to hire an employee?*, Crunch, 11 June 2025, www.crunch.co.uk/knowledge/article/how-much-does-it-cost-to-hire-an-employee (accessed 12 August 2025).

¹² Centre for Policy Studies, *Cost of employing low-wage workers to hit record high in 2025*, according to new analysis, <https://cps.org.uk/media/post/2025/cost-of-employing-low-wage-workers-to-hit-record-high-in-2025-according-to-new-analysis> (accessed 18 August 2025).

¹³ Bond, R., *The growth of ghost kitchens*, Birketts, 21 October 2024, www.birketts.co.uk/legal-update/the-growth-of-ghost-kitchens/ (accessed 2 July 2025).

¹⁴ Ministry of Housing, Communities and Local Government, *Business Rates Relief: 2025/26 Retail, Hospitality and Leisure Scheme*, 16 January 2025, www.gov.uk/guidance/business-rates-relief-202526-retail-hospitality-and-leisure-scheme (accessed 26 June 2025).

¹⁵ Lloyd, G., *Business rates relief slashed but system will be overhauled in 2026*, *The Morning Advertiser*, 30 October 2024, www.morningadvertiser.co.uk/Article/2024/10/30/Business-rates-relief-slashed-to-40-but-system-overhaul-vow/ (accessed 2 July 2025).

Industry representatives have highlighted that pubs contribute a disproportionately high share of total business rates relative to their share of total business turnover, raising concerns about fairness in the system.¹⁶ In the absence of meaningful reform, the structural deficiencies of the business rates system are likely to contribute to the continued closure of pubs in the years ahead.

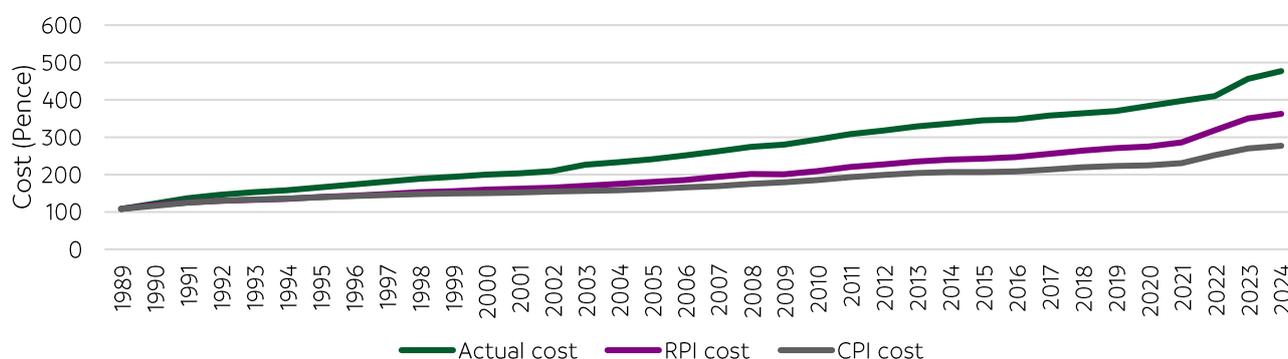
Alcohol duties

One of the most significant fiscal pressures on the pub sector arises from alcohol duties. These are taxes levied on the production or importation of alcoholic beverages, the costs of which are passed through the supply chain to pubs and, ultimately, to consumers. The UK maintains some of the highest alcohol duty rates in Europe, charging the second highest beer duty and third highest wine duty of any country when compared with EU member states.^{17,18} Table 2 shows the current alcohol duty rates for average strength alcoholic drinks, further increases to these rates would place an additional strain on publicans.

Table 2: alcohol duty charged on average strength alcoholic drinks¹⁹

Drink	Alcohol by volume (%)	Alcohol duty (£ per litre of pure alcohol)
Beer ²⁰	4.4	21.78
Cider ²¹	5	10.02
Wine ²²	12.5	29.54
Spirits ²³	40	32.79

Chart: cost of beer since 1989, actual compared with RPI and CPI inflation^{24,25}



¹⁶ British Beer and Pub Association, *Pub and beer industry pour billions into UK economy*, 5 September 2024, beerandpub.com/news/pub-and-beer-industry-pour-billions-into-uk-economy-but-urgently-needs-government-support-to-carry-on/ (accessed 26 June 2025).

¹⁷ TaxPayers' Alliance, *Briefing: the cost of beer duty*, 15 June 2024, www.taxpayersalliance.com/briefing_the_cost_of_beer_duty (accessed 2 July 2025).

¹⁸ TaxPayers' Alliance, *Briefing: the cost of wine duty*, 5 October 2024, www.taxpayersalliance.com/briefing_the_cost_of_wine_duty (accessed 2 July 2025).

¹⁹ HM Revenue & Customs, *Alcohol Duty Rates*, 1 February 2025, www.gov.uk/guidance/alcohol-duty-rates (accessed 26 June 2025).

²⁰ Drinkaware, *Differences between alcoholic and alcohol-free beers*, www.drinkaware.co.uk/facts/information-about-alcohol/alcohol-and-the-facts/difference-between-alcoholic-and-alcohol-free-beers (accessed 8 July 2025).

²¹ Drinkaware, *Units and calories in cider*, www.drinkaware.co.uk/facts/information-about-alcohol/alcoholic-drinks-and-units/units-and-calories-in-alcoholic-drinks/cider (accessed 8 July 2025).

²² Drinkaware, *Wine*, www.drinkaware.co.uk/facts/information-about-alcohol/alcoholic-drinks-and-units/units-and-calories-in-alcoholic-drinks/wine (accessed 8 July 2025).

²³ Drinkaware, *What you need to know about spirits*, www.drinkaware.co.uk/facts/information-about-alcohol/alcohol-and-the-facts/what-you-need-to-know-about-spirits (accessed 8 July 2025).

²⁴ Office for National Statistics, *RPI: Ave price - Draught lager, per pint*, www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czms/mm23 (accessed 26 June 2025).

²⁵ Office for National Statistics, *CPIH ANNUAL RATE 00: ALL ITEMS 2015=100*, 18 June 2025, www.ons.gov.uk/economy/inflationandpriceindices/timeseries/I55o/mm23 (accessed 30 June 2025).

The chart above illustrates how the average cost of beer has risen at a rate significantly above inflation since 1989, highlighting the long-term upward pressure on prices faced by both businesses and consumers because of this tax regime.

As the chart shows, the price of a pint has risen faster than inflation since 1989, adjusted using both the RPI and CPI indexes. A pint of beer is £1.14 more expensive than if it had risen with RPI and £2 more expensive than if it had risen with CPI since 1989.

Each increase in alcohol duty, whether on beer, wine or spirits, raises the cost of a pub's core stock. Publicans are subsequently faced with the dilemma of either absorbing the additional expense, thereby reducing already narrow profit margins and threatening long-term viability, or more commonly, passing it on to customers through higher prices. However, with each price increase, the likelihood grows that consumers will opt to purchase alcohol from off-trade outlets for home consumption or reduce their consumption altogether.

This widening gap between on-trade and off-trade alcohol prices further undermines the competitiveness of pubs, making it increasingly difficult for them to attract and retain customers. While the government often cites public health objectives as the rationale for higher duties,²⁶ such policies can have unintended consequences for a sector that supports thousands of jobs and plays a fundamental role in the economic and social life of local communities.

Adding to the burden of alcohol duty is VAT. The standard 20 per cent rate of VAT is applied to alcoholic drinks but after alcohol duty is applied. This means the price of an alcoholic drink reflects the pre-tax price plus the duty plus 20 per cent VAT on both the pre-tax price and the duty. This inflates the cost of a drink further because tax is being charged on a tax.

Table 3: estimated annual tax on the average total units sold by a pub, 2024²⁷

Drink	Total sales	Total tax paid (£)
Pints of beer sold	44,755	59,942
Pints of cider sold	6,193	6,407
Bottles of wine sold	1,372	8,758
Number of shots sold	22,667	21,033
Total	74,987	96,140

Energy costs

While reducing from its peak in 2021, energy prices remain above pre-pandemic levels.²⁸ Prices have also been significantly more volatile than prior to the pandemic and the Russian invasion of Ukraine. Higher prices and frequent fluctuations make forward planning difficult for price setting, adding to costs of purchases of stock and day-to-day operations. Pubs now face energy bills that are remaining 70 per cent above the pre-energy crisis level. This equates to a pub spending £13,264 on energy alone.²⁹

²⁶ Masala, F., *The new alcohol duty system*, House of Commons Library 2025.

²⁷ Estimate based on CGA data of MAT on-trade volumes of alcoholic drinks sold and British Beer and Pub Association figures for the percentage of various drinks sold through different on-trade channels.

²⁸ OFGEM, *Wholesale market indicators*, www.ofgem.gov.uk/energy-data-and-research/data-portal/wholesale-market-indicators (accessed 8 July 2025).

²⁹ Cornwall Insight, *Business energy bills forecast to stay 70% above pre-crisis rates*, 27 August 2024, www.cornwall-insight.com/press-and-media/press-release/business-energy-bills-forecast-to-stay-70-above-pre-crisis-rates/ (accessed 26 June 2025).

Unlike newly constructed office buildings which can be built with energy efficiency in mind, many pubs operate out of older, historically significant buildings. These premises present substantial challenges in terms of retrofitting for improved energy performance. Structural limitations, heritage considerations and the complexity of obtaining planning permissions significantly increase the cost and difficulty of implementing energy-efficient modifications which could cut energy costs in the long-term.

Furthermore, the drive to meet national net zero targets places a disproportionate burden on the hospitality sector. Pubs, in particular, are energy-intensive by nature, requiring heating, lighting, refrigeration and kitchen operations throughout long trading hours, while typically operating on narrow profit margins.³⁰ As a result the transition to net zero, compliance and environmental regulations is significantly harder for this sector compared to others where operational strains are not as acutely felt because of greater flexibility, higher margins and access to modern infrastructure.

Conclusion

The pub industry is currently contending with a multitude of pressures, including rising taxes, increasing staffing and energy costs and declining consumer spending. As illustrated in tables 1 and 2, taxation represents a significant driver of the rising cost of alcoholic beverages to consumers. While policymakers may interpret reduced pub attendance as a sign of successful public health intervention, such a conclusion is not supported by recent data. In 2023, the UK recorded 10,473 alcohol related deaths, the highest number on record,³¹ indicating that heavy drinkers are not abstaining but are instead shifting their consumption to less regulated, off-trade environments.

The implications of these trends extend beyond public health. Table 3 demonstrates the substantial tax borne by the average pub in the form of alcohol duty, compounded by the 20 per cent VAT levied on drinks. A cumulative annual tax liability approaching £100,000 can severely constrain operational capacity, limiting the ability to hire staff, extend trading hours or absorb rising input costs. The cumulative effect of these burdens not only undermines business viability but also results in job losses and reduced tax revenues in the long term.

The increasing regulatory and financial pressures make strategic planning exceedingly difficult for publicans. In many cases, this leads to permanent closures. If the government seeks to preserve the social, economic and cultural value of pubs, it is imperative that it considers a freeze on alcohol duty and refrains from introducing further fiscal or regulatory burdens on the sector.

Methodology

This research was compiled using data from various government releases and industry estimates. While each pub will have a different balance of sales and staff, this note uses industry estimates for units sold.

The industry estimates are taken from the Current Goodden Associates' (CGA) estimate of volume sold of beer, cider, wine and spirits in community pubs, food pubs and high street pubs. The CGA data shows the total volume of each alcoholic beverage sold on trade. An additional calculation was done using the proportion of sales volume provided by the British Beer and Pub Association to find the pub share of on trade sales. To calculate the average total sales per pub, it was assumed there was 45,000 pubs in the UK.

³⁰ Sheerin, P. Net-Zero Pubs and Bars Initiative, 28 October 2021, *Club Insure*, www.club-insure.co.uk/net-zero-pubs-and-bars-initiative/ (accessed 8 July 2025).

³¹ Office for National Statistics, Alcohol-specific deaths in the UK: registered in 2023, 5 February 2025, www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/causesofdeath/bulletins/alcoholrelateddeathsinthenitedkingdom/registeredin2023 (accessed 1 July 2025).

For the section comparing taxes on various alcoholic drinks, VAT and the alcohol duty relating to that drink has been used. The standard rate of VAT at 20 per cent has been used, it is possible that some pubs (those with revenue below £90,000 per annum) would be exempt from VAT.

Four categories of alcoholic drinks have been used: beer, cider, wine and spirits. These have been selected as they are the tax categories used by HM Treasury.

The chart used in this note compares the price of a pint since 1989 with the 'actual cost' taken from the ONS release on the average price of draught lager, per pint, over time. The 'CPI cost' and 'RPI cost' are calculated by taking the 1989 draught lager price and uprating it by inflation to the present day.

While pubs will face significant taxes in other areas (i.e. sale of food) this research only analyses the costs directly related to the sale of alcohol which are alcohol taxes, VAT on alcoholic drinks, business rates for the premises, staffing costs and energy costs.