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Lakshadweep ends a 47-year alcohol ban to expand tourism

New rules allow licensed liquor sales across the islands, with strict controls, a minimum age of 21 and taxes as high as 200%

Tuesday, June 9, 2026



Lakshadweep has ended a 47-year ban on alcohol sales and put in place a new licensing system for liquor as the Indian government pushes to expand tourism in the island territory, according to a new regulation reported Tuesday by Moneycontrol.

Under the Lakshadweep Excise Regulation, 2026, the Union government has created a legal framework for the manufacture, possession, import, export, transport, purchase, sale and consumption of liquor in the archipelago. The move marks a major policy shift in one of India’s most tightly controlled tourist destinations, where access to alcohol had long been heavily restricted.

The change opens the door to licensed sales but keeps strict controls in place. Sales to anyone under 21 remain prohibited. The new regime also introduces steep taxes that could shape what is sold and who buys it. According to the monitor summary based on the report, wine will face an 80% tax and beer a 200% tax.

For years, alcohol access in Lakshadweep was limited mainly to tourists and certain government officials under narrow exceptions. The broader prohibition had been in force for nearly five decades. By replacing that system with a regulated excise structure, authorities appear to be trying to balance two goals at once: making the islands more attractive to visitors while retaining close state control over distribution and consumption.

Lakshadweep, a group of islands off India’s southwestern coast in the Arabian Sea, has drawn increasing attention from policymakers as New Delhi looks for ways to develop tourism infrastructure in remote destinations. The decision to allow licensed liquor sales fits into that wider strategy. Tourism officials and investors have increasingly viewed food, beverage and hospitality services as basic parts of an upscale travel offering, especially for resort-led development.

The new rules are likely to have direct effects on hotels, resorts, importers and beverage suppliers serving the islands. A formal licensing system can create a clearer path for legal sales and procurement, but the high tax rates may keep prices elevated and limit volume growth. That could affect demand patterns across categories, especially in beer, where a 200% levy would sharply raise retail costs.

The regulation may also reshape supply chains into Lakshadweep. Because the islands depend heavily on goods brought from the mainland, any legal expansion of alcohol sales will require tighter oversight of transport, storage and retail channels. Importers and distributors will need to work within the new permit structure, while hospitality

operators may have to decide whether consumer demand can support premium pricing after taxes and compliance costs are added.

The policy carries social and political weight as well. Alcohol regulation in island territories often sits at the intersection of public health, local culture, religion and economic planning. By keeping age restrictions and licensing controls while ending blanket prohibition, the administration is signaling that it wants regulated availability rather than open access.

Moneycontrol reported that the measure was introduced as part of a broader tourism growth push by the Centre. That makes the timing significant. India has been trying to widen its tourism map beyond established beach and mountain destinations, and Lakshadweep has emerged as one of the places officials want to promote more aggressively. In that context, alcohol policy becomes not only a regulatory issue but also part of how the territory is positioned for domestic and international travelers.

What remains to be seen is how quickly licenses will be issued, which businesses will qualify first and whether local demand will be secondary to tourist consumption. Much will also depend on enforcement. In tightly regulated markets, implementation often determines whether a policy change leads to orderly growth or remains limited on paper.

For beverage producers and hospitality companies, Lakshadweep now represents a newly opened but highly controlled market. The legal barrier has been removed, yet taxation and licensing suggest that authorities are not aiming for mass-market expansion. Instead, the framework points toward selective availability tied closely to tourism development and government oversight.