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Indian liquor makers warn state tax breaks could hand imported spirits a double advantage

An industry group says concessions in seven states may deepen the impact of lower U.K. import tariffs, squeezing domestic premium brands

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India’s main alcoholic beverage industry group is urging state governments to remove tax and regulatory concessions for bottled-in-origin imported spirits before the India-U.K. Comprehensive Economic and Trade Agreement takes effect on July 15, saying the current system could give imported brands an added edge over domestic producers.

The Confederation of Indian Alcoholic Beverage Companies, or CIABC, said it supports the trade pact and noted that tariff cuts on imported spirits will be phased in over 10 years, giving local companies time to adjust. It also said lower import duties on Scotch whisky could help Indian producers that use Scotch as an input in bottled-in-India products.

But the group said several states already give favorable treatment to bottled-in-origin, or BIO, products through lower excise duties, lower brand registration fees, lower VAT or sales taxes, and easier market access than Indian-Made Foreign Liquor, known as IMFL. According to CIABC, once customs duty reductions under the trade deal begin, those state-level benefits could create what it called a “double advantage” for imported spirits.

CIABC identified Delhi, Haryana, Maharashtra, Madhya Pradesh, Odisha, Assam and Kerala as states where BIO products currently receive concessions compared with comparable Indian-made products.

In Haryana, the group said IMFL faces brand registration fees that can be up to 30 times higher than those applied to BIO products, along with VAT that is four times higher. It estimated that the lower VAT on BIO products may be costing the state ₹200 crore to ₹250 crore a year in revenue.

In Assam, CIABC said comparable Indian premium and luxury categories face local excise duty incidence that is three to 5.2 times higher than similar BIO products. It added that customs duty cuts linked to the trade agreement could reduce BIO prices there by another 9% to 15%.

In Odisha, the group said comparative cost data shows that each case shifting from IMFL to BIO could reduce state revenue by about ₹4,500 per case. It also said customs duty reductions may lower BIO prices by 13% to 15%.

In Kerala, CIABC said IMFL spirits are subject to a 251% sales tax and a 20% retail margin, compared with a 115% sales tax and a 6% retail margin for BIO products.

Anant S. Iyer, director general of CIABC, said state governments should review and withdraw preferential treatment for BIO products where it creates what he described as a structural disadvantage for Indian-made brands. He said the aim is not to limit consumer choice but to ensure competitive neutrality among domestically produced IMFL, bottled-in-India products and bottled-in-origin imports competing in the same premium segments.

The issue matters across the broader drinks business because changes in customs duties under the India-U.K. agreement, combined with state excise and VAT rules, could reshape pricing and market access for imported alcohol in India. That could affect competition not only in spirits but also in premium beverage categories where wine and other imported drinks are sensitive to tax differences.

CIABC said BIO products already account for 25% of India’s premium-and-above segment, which includes Indian single malts, craft gins, blended whiskies and bottled-in-India Scotches. With imported brands already growing in that part of the market, the group said neutral tax policy is important for the future of Indian premium labels.

The organization argued that policies making imported products structurally more attractive than Indian-made ones weaken the domestic value chain and run against national industrial goals such as Make in India and Atmanirbhar Bharat. It called on states to move toward parity-based excise structures in premium segments where Indian brands are gaining recognition at home and abroad.

With the trade agreement due to start in less than a month, pressure from domestic spirits makers for state-level excise changes is likely to increase as governments weigh revenue concerns against support for local premium liquor industries.