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Kerala weighs relief after a 120% tax on low-alcohol drinks sparks backlash

The excise minister is expected to meet the chief minister as producers challenge budget slabs reaching 175% for beverages up to 20% alcohol.

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Kerala’s excise minister is expected to meet with Chief Minister Pinarayi Vijayan over growing criticism of the state’s new tax treatment for low-alcohol beverages, a dispute that has drawn attention from producers and sellers of wine and other drinks in the state.

The issue centers on the tax slabs announced in Kerala’s budget for beverages with alcohol content between 0.5% and 20%. According to details circulating around the budget debate, products with alcohol content from 0.5% to 10% are being taxed at 120%, while those above 10% and up to 20% face a 175% rate.

The proposed relief under discussion appears aimed at easing that burden for lower-strength beverages. The matter has become sensitive because the current structure affects a broad range of products that sit between soft drinks and full-strength spirits, including some wines and similar beverages.

Any change would matter for the drinks trade in Kerala because tax rates at those levels can directly affect retail prices, product positioning and production decisions. A revision could alter how low-alcohol beverages are made, marketed and sold in the state, especially for companies trying to expand wine or lighter alcoholic categories.

The meeting between the excise minister and the chief minister comes as the budget provisions have triggered controversy over whether the current slabs are too steep for products that are not classified alongside higher-strength liquor. The broader reform discussion also includes wine and spirits taxation, according to the reported outline of the dispute.

No final decision had been publicly detailed in the available information.