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Kerala tax proposal for low-alcohol drinks sparks a transparency clash

A former excise minister said the chief minister falsely blamed the previous Left government for a planned tax cut□□□

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A dispute over Kerala’s proposed tax treatment for low-alcohol drinks intensified on Thursday after CPI(M) leader and former Excise Minister M.B. Rajesh accused Chief Minister V.D. Satheesan of making “factually incorrect” statements about the measure and demanded a clarification.

Speaking in Palakkad, Rajesh said Satheesan was wrong to tell the state assembly that the proposal had originated under the previous Left Democratic Front government, when current CPI(M) state secretary M.V. Govindan handled the excise portfolio. Rajesh said the file cited by the chief minister dealt only with redefining low-alcohol beverages and did not include any plan to cut taxes.

Rajesh said Kerala’s 2022-23 liquor policy proposed dividing alcoholic beverages into three categories: wine, liquor and low-alcohol products. He said that policy was implemented after cabinet approval and rule changes, but that the previous LDF government never decided to reduce taxes on low-alcohol beverages.

He called on Satheesan to withdraw his statement that the earlier LDF administration had planned such a tax reduction but failed to carry it out because of assembly elections. Rajesh also said the previous government had allowed only the sale of no-alcohol beverages in 2023 and had taken no further steps toward tax concessions for low-alcohol products.

The argument matters for the drinks industry because any change in excise treatment for low-alcohol beverages could affect retail prices, producer margins and how products near the boundary between wine, beer and spirits are classified for taxation in Kerala.

Rajesh also accused the current government of handling the proposal without enough transparency. He said the file reached Satheesan on May 21, remained with him for 24 days and was cleared on June 14. Rajesh alleged that even leaders within Congress and other United Democratic Front allies were unaware of the proposal until opposition parties raised the issue.

The budget proposal to reduce tax on low-alcohol beverages has already drawn criticism from several quarters, including some Congress leaders. Satheesan has said the final decision on the proposal will be taken by the UDF.

Rajesh used the same news conference to reject UDF claims that the previous Left government had enabled a large expansion of bars in Kerala. He said there were 748 bars in the state during the Oommen Chandy-led UDF government, before all but 28 five-star hotel bars lost their licenses after amendments to the Abkari Act during the bar bribery controversy.

According to Rajesh, when the UDF left office in 2016, Kerala had 813 beer and wine parlors and 306 BEVCO liquor outlets. He said hotels that already held beer and wine parlor licenses and later obtained three-star classification were then granted bar licenses during the LDF period. He said Kerala now has 896 bar hotels.

Rajesh also cited sales figures for Indian Made Foreign Liquor, saying Kerala’s highest sales were recorded in 2012-13 under the UDF, at 344.33 lakh cases. He said average annual IMFL sales stood at 341.264 lakh cases during the 2011-16 UDF government, compared with 322.182 lakh cases during the first LDF term from 2016 to 2021 and 315.26 lakh cases during the second LDF government.

The exchange adds a political fight over alcohol policy to Kerala’s budget debate, with both taxation and product classification now under scrutiny as parties argue over who is responsible for the proposed change.