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British Government Weighs 2.9% Increase in Alcohol Duties

Trade groups say the proposal would raise bottle prices, squeeze hospitality businesses, worsen a recent drop in tax revenue.

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The British government is weighing another increase in alcohol duties in its autumn budget, a move that has drawn a sharp warning from the Wine and Spirit Trade Association, which says higher taxes would deepen pressure on a sector already dealing with weaker sales, rising costs and shrinking tax receipts.

The industry group said it has asked Chancellor John Healey to reconsider plans to raise alcohol duties in line with the retail prices index, with an estimated increase of 2.9% under discussion for the budget expected next month. The association argues that recent duty increases have not produced the revenue gains the Treasury expected and have instead added to strain on retailers, importers, pubs and consumers.

The debate matters beyond Britain’s domestic drinks market. The U.K. remains one of Italy’s most important export destinations for wine. In the first half of 2026, imports of Italian wine into Britain fell to €345.5 million, down 6.6% from the same period a year earlier, while volumes dropped 6% to 110.9 million liters, according to the figures cited by WineNews.

In a letter to the chancellor, the WSTA said previous governments had tried to raise more money through repeated increases in alcohol taxes, but sales have continued to weaken and overall excise revenue has fallen. Citing figures reported by the trade publication The Grocer, the group said alcohol duty receipts in the fiscal year that ended in April 2026 declined 1.4% to £12.4 billion, a drop of £182 million from the previous year. Of that decline, £94 million was tied to wine and spirits and £68 million to beer, according to the same figures.

The association said the industry is being hit at the same time by other cost pressures, including business rates, higher labor costs and packaging-related charges linked to extended producer responsibility and deposit return systems. It said many small and medium-sized companies are especially exposed.

The warning comes as Britain’s hospitality sector remains under pressure. The WSTA pointed to data from the British Beer & Pub Association showing that in the first three months of 2026, an average of three pubs a day closed. It also cited Office for National Statistics data showing that 981,000 people ages 16 to 24 were not in education, employment or training between April and June 2026, up by 26,000 from a year earlier, arguing that additional pressure on hospitality businesses would risk further job losses.

Miles Beale, chief executive of the WSTA, said years of tax increases have pushed many companies close to breaking point. He said the alcohol sector employs more than 400,000 people across the U.K., with about 60% of those jobs tied to hospitality. In the

association’s view, further duty increases would damage employment, raise shelf prices and weaken demand without improving public finances.

The group is urging the Treasury to take the opposite approach and cut duties instead. It argues that lower taxes would help restore consumer confidence, support sales and, over time, lift government revenue by increasing volumes. That claim runs against the usual case for higher excise taxes, but the association says recent results show that the current policy is failing.

The WSTA said the present system has already delivered steep increases. When a new alcohol duty regime was introduced in 2023, duty on spirits rose by more than 10%, while duty on most still wines sold in the U.K. increased by at least 20%, according to the association. Since then, consumers have faced two additional duty increases, along with price effects from a system that taxes wine according to alcohol strength.

The group said the cumulative effect has been a clear decline in volumes. Over the last three fiscal years, starting in 2022-23, spirits volumes fell 15.3%, still wine volumes fell 8%, and fortified wine volumes dropped by more than 22%, according to the WSTA. The association said those figures directly contradict the assumptions used by the Office for Budget Responsibility when it projected that higher alcohol taxes would bring in more money for the Treasury.

If the government proceeds with an RPI-linked increase of 2.9%, the WSTA estimates that consumers would pay about 10 pence more for a bottle of Prosecco, 11 pence more for a bottle of red wine and 31 pence more for a bottle of gin. The association said that in the current climate, even modest price increases can affect demand because many households have already cut discretionary spending.

The industry’s position is likely to meet resistance from public health advocates, who have long backed higher alcohol taxes as a way to reduce consumption and offset social costs tied to drinking. But the current argument from the trade side is focused less on public health than on the budget arithmetic: the WSTA says repeated tax increases are now producing lower sales and lower returns to the state.

The autumn budget is expected to be a key test of how the new government plans to balance revenue needs against pressure on consumers and business. For wine producers and exporters, including those in Italy, the decision will be closely watched because Britain remains a major market even as demand has softened. The WSTA said in its budget submission this week that cutting alcohol duties would help limit inflation, support British businesses and increase Treasury revenue, and it asked the government to change course before the next increase takes effect.