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Newcastle Gin director urges Britain to cut spirits duty before the budget

Harry Vaulkard says higher taxes cut receipts by £94 million, leaving small distillers facing steeper burdens than other drinks.

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The director of Newcastle Gin has urged the British government to cut spirits duty and bring it into line with other alcohol categories, arguing that repeated tax increases are hurting distillers, consumers and tax revenue ahead of this month’s national budget.

Harry Vaulkard, who runs the Newcastle-based distillery, said the current system places a heavier burden on spirits than on other drinks and is putting pressure on smaller producers. Newcastle Gin says it was the first commercial distillery to open in the city in more than two centuries.

Vaulkard said spirits duty has risen 17% since August 2023. He said the previous Conservative government increased the rate by 10.1%, and that the Labour government then added 3.65% and 3.66% in successive years. He argued that the higher tax has not produced the revenue the Treasury expected.

“Something is going wrong,” Vaulkard said, according to comments published Saturday. He said spirits duty receipts fell by £94 million last year and that revenue is now £1.1 billion below the level originally forecast by the Office for Budget Responsibility.

He said the tax increases are especially hard on small distillers because duty costs directly reduce money that could otherwise be used for hiring, expansion and investment. He also said the current structure leaves gin drinkers paying more even when the amount of alcohol in a serving is not higher than in other common drinks.

Vaulkard pointed to what he described as a mismatch between tax policy and alcohol content. He said an average pint of beer contains 2.6 units of alcohol, while a single measure of gin in a gin and tonic contains one unit, yet spirits still face a steeper tax burden. He said that raises prices for consumers and risks pushing some drinkers out of the market.

He called on the Treasury to reduce duty on spirits and align it with the treatment of other drinks. He argued that lower rates could eventually produce stronger tax receipts if the industry is allowed to grow. To support that case, he cited the period from 1997 to 2007, when former Chancellor Gordon Brown froze duty and, Vaulkard said, revenue rose 44% to £2.4 billion by the end of that period.

The British government pushed back on the criticism by highlighting support already given to parts of the hospitality trade. A government spokesperson said the chancellor had prioritized the sector in his first week in office by cutting business rates by 20% for

pubs, social clubs and live music venues. The spokesperson said the measure would save money for thousands of local businesses.

The debate comes as ministers prepare a budget that businesses across food, drink and hospitality are watching closely. For distillers, duty rates affect shelf prices, margins and how much companies can spend on equipment, staffing and marketing. More broadly, tax policy across beer, wine and spirits can shift demand between categories and shape investment decisions across the beverage industry, especially for smaller producers with less room to absorb higher costs.

Britain’s spirits producers have long argued that the tax system does not treat all alcohol categories evenly. Distillers say the issue is not only the headline rate but also how often changes are made and how quickly they feed through to prices. In a market where energy, packaging, transport and labor costs have also risen in recent years, industry operators say another increase in duty can have an immediate effect on cash flow.

That pressure can be sharper for independent and regional brands than for larger global groups. Small distilleries often operate with lower volumes and tighter financing, which makes them more exposed to changes in excise policy. Industry advocates say that can slow expansion plans and reduce orders from related businesses such as glass suppliers, distributors and bars.

The Treasury has not indicated whether it plans to change the structure of spirits duty in the budget. But the issue is likely to remain part of a wider argument over how to balance public revenue with support for domestic manufacturing and hospitality.

Vaulkard’s intervention adds to that pressure at a time when distillers are trying to persuade ministers that lower or more even-handed duty could strengthen the sector rather than weaken the public finances. His argument is that if taxes are set at a level that allows producers to sell more, hire more staff and expand output, overall revenue may recover even if the duty rate itself is lower.

Whether the government accepts that case will become clearer when the budget is presented later this month. For now, distillers are using the run-up to the fiscal statement to argue that the current tax burden is raising prices, reducing demand and

making it harder for British spirits makers to grow.