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Karnataka's new excise system raises liquor tax revenue 13.3%

Indian-made liquor sales rose just 1.2% from April through September after the state changed excise duties in May.

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Liquor sales in Karnataka were almost flat in the first half of the fiscal year, but tax collections from the category rose sharply after the state changed its excise system in May.

Retail sales of Indian-made foreign liquor and other Indian-made liquor products, including whisky, rum and vodka, reached 347 lakh cases, or 34.7 million cases, from April through September, according to government figures cited by industry officials and reported by The Economic Times. That was up from 343 lakh cases, or 34.3 million, in the same period a year earlier, an increase of about 400,000 cases, or 1.2%.

Even with that limited volume growth, excise revenue from the same category climbed to ₹17,424.57 crore from ₹15,376.22 crore a year earlier. The increase of ₹2,048.35 crore amounted to 13.3%.

The gap between near-flat volumes and double-digit revenue growth points to a much higher tax take per case. Based on those totals, implied revenue collection per case rose by about 12%. That does not necessarily mean retail shelf prices increased by the same amount, because the change also reflects excise rates, the way products are distributed across tax bands and any shift in demand toward more expensive labels.

The numbers cover the first six months of Karnataka’s 2026-27 fiscal year, a period that included the rollout of a new alcohol-in-beverage, or AIB, based excise duty structure that took effect on May 11. Under the revised system, the government cut the number of tax slabs for Indian-made foreign liquor to eight. The change also lowered the maximum price on some premium products, including Scotch whisky, while increasing additional excise duty in lower slabs that account for a large share of mass-market sales.

That appears to have helped the state raise more money from a category that did not expand much in physical terms.

Beer moved in the opposite direction. Beer sales in Karnataka rose 41% in the April-September period to 276 lakh cases, or 27.6 million cases, up by about 81 lakh cases from a year earlier. Excise revenue from beer increased to ₹3,378 crore, a gain of ₹541 crore, or 19%.

Together, beer and Indian-made liquor generated ₹22,192 crore in revenue for the state in the first half of the fiscal year, up 13% from the same period last year.

Arun Kumar Parasa, president of the Karnataka Brewers & Distillers Association, told The Economic Times that the increase in revenue was driven largely by higher additional excise duty rates in the first five tax slabs. He said Indian-made liquor remains the state's main revenue source because of its much larger tax base, even as beer has led recent volume growth.

The pattern broadly matches concerns raised by parts of the liquor industry when the state announced the policy overhaul earlier this year. Karnataka also deregulated administered price fixation under the new framework, allowing producers to decide how to position products across tax slabs based on market strategy.

State officials had said the revised structure would improve availability of lower-priced liquor and make Karnataka's prices more competitive with neighboring states such as Tamil Nadu, Andhra Pradesh, Telangana, Maharashtra and Kerala. But some domestic liquor makers had argued before the change took effect that the new system would favor multinational premium brands and would not fully reflect local consumption patterns.

Industry executives had also warned that changes in relative pricing could push some consumers toward beer, a shift they said had been seen in other markets. The first-half sales figures suggest that beer benefited much more than spirits in volume terms after the tax reset, even though spirits continued to deliver far more revenue to the state.

The data available so far are aggregate figures and do not show how individual spirit categories performed within Indian-made liquor. That means the state's published totals do not break out separate sales trends for whisky, rum, vodka or other products during the six-month period.