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Karnataka beer sales jumped 49.69% under revised alcohol tax policy

Government figures cited by an industry group show Indian-made liquor supplied about 82% of the quarter’s excise increase.

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New sales data from Karnataka has intensified a dispute over the state’s revised alcohol tax structure after beer volumes surged in the July-to-September quarter, while most of the gain in excise revenue still came from Indian-made liquor, according to

figures released by the state government and cited by an industry group.

The Confederation of Indian Alcoholic Beverage Companies, or CIABC, said the numbers show a sharp split between consumption growth and tax collection under Karnataka's new Alcohol in Beverage, or AIB, policy. The trade body argued that the state's excise framework appears to favor beer in a way that lifts volumes without delivering a matching increase in revenue.

Based on the government data for the second quarter of the 2026-27 fiscal period, beer sales in Karnataka rose to 126.68 lakh cases from 84.63 lakh cases a year earlier, an increase of 49.69%. Revenue from beer, however, rose by a much smaller amount in relative terms, increasing to ₹1,463.07 crore from ₹1,234.50 crore, or 18.52%.

Indian-made liquor, often referred to in India as IML, showed the opposite pattern. Volumes edged up to 171.69 lakh cases from 169.12 lakh cases, a gain of just 1.52%. Even with that limited volume growth, revenue from IML rose to ₹9,033.21 crore from ₹7,968.69 crore, an increase of ₹1,064.52 crore, or 13.36%.

Taken together, total excise revenue in the quarter increased by ₹1,291.94 crore. CIABC said about 82% of that increase came from IML, while beer accounted for about 18%. The group used those figures to question whether Karnataka's revised tax model is generating the kind of revenue return the state may have expected from a lower-taxed category that is now expanding quickly.

The data and the industry response are likely to draw attention beyond Karnataka because several Indian states regularly adjust alcohol taxes to meet budget goals, shape retail prices, and influence consumption patterns. For brewers, distillers, wine producers, distributors, and investors, those decisions can shift demand between categories, change margins, and affect where companies choose to expand production and sales.

CIABC said the Karnataka numbers suggest revenue growth is being driven less by broad-based market expansion than by higher realization from existing IML consumers. The group warned that if taxes on IML continue to rise while volumes remain flat, the state could eventually face pressure on both volumes and future revenue growth.

The association also argued that higher duties on lower-priced liquor place more pressure on mass-market consumers. It said the current structure raises a broader policy question about whether governments should rely on sharp tax differences between categories such as beer and spirits when the stated goals include both revenue generation and responsible alcohol consumption.

In its statement, CIABC said policymakers should focus on the amount of alcohol consumed rather than the category in which it is sold. The group argued that public debate can be distorted when one beverage type is presented as less harmful than another, and it used standard serving examples to say beer, wine, and spirits can contain similar amounts of pure alcohol depending on volume and alcohol strength.

That argument is part of the industry group’s broader effort to challenge what it described as preferential treatment for beer under the AIB regime. The source material did not indicate any immediate response from Karnataka authorities to CIABC’s criticism, but the government data itself has become central to the debate because it shows how different categories are contributing to excise collections after the policy change.

Karnataka is one of India’s largest alcohol markets, and changes in its tax policy can have effects across supply chains. A structure that encourages strong growth in beer shipments may benefit brewers and packaging suppliers, while a heavier tax burden on IML can reshape pricing strategy for spirits producers and retailers. That makes the state’s latest numbers important not only for tax officials but also for companies tracking where future growth in India’s drinks market may be most profitable.

The industry group said the quarter’s results should be studied closely by other states that are considering similar tax arrangements for beer or other lower-duty alcoholic beverages. Its position is that total revenue growth on its own does not fully answer whether the policy is working. In CIABC’s view, governments also need to examine which category is producing the additional revenue, whether the gains are coming from increased consumption or from higher tax per unit, and whether the tax burden is being shifted unevenly from one group of consumers to another.

CIABC describes itself as a representative body for major alcoholic beverage companies in India and said it routinely engages with both state and federal authorities on excise and regulatory policy. Its intervention in Karnataka reflects a larger industry concern that category-based tax differences can distort competition between beer and spirits at a time when state governments are using alcohol duties as an important source of revenue.

The Karnataka figures are now likely to feed that wider debate, especially as producers and investors assess whether future policy changes in India will favor volume growth in beer, higher tax extraction from spirits, or a more even structure across the beverage market.