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Scotch whisky producers demand tax changes after Britain confirms a 4.55% duty rise

The industry says a fourth increase in four years will lift the tax burden on an average bottle to 74%

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Scotch whisky producers are pressing the British government for changes to alcohol taxes, packaging rules and trade policy after the Treasury confirmed that duty on spirits will rise by 4.55% on Feb. 1, 2027.

The push comes through public comments from industry leaders and written evidence submitted to the House of Commons Scottish Affairs Committee, which is examining “Scotland’s whisky industry: Tariffs, trade and growth.” At the center of the dispute is the tax treatment of spirits in the United Kingdom, where producers say repeated increases are adding costs across distilling, bottling and distribution without delivering the revenue gains the government expects.

The Scotch Whisky Association, the sector’s main trade body, said the increase announced in Treasury documents after Chancellor John Healey’s Oct. 28 Budget will take the tax burden on an average bottle of Scotch whisky to 74%. The group said the Feb. 1 increase will mark the fourth rise in four years and will leave spirits duty up by a cumulative 24% over that period.

Mark Kent, the association’s chief executive, said after the Budget that higher duty would add pressure on distillers and the wider supply chain. The industry has argued for years that spirits are taxed too heavily compared with other alcohol categories and that the current system discourages investment.

The latest rise follows changes introduced under previous budgets. In the 2024 Autumn Budget, then-Chancellor Rachel Reeves decided to uprate alcohol duty in line with retail price inflation while cutting duty by 1.7% for qualifying draught products sold in pubs. That increase sat alongside the strength-based alcohol duty system first proposed in 2021 and brought into force in August 2023. Healey kept that framework in place in the Oct. 28 Budget.

Industry representatives say the policy is also failing on its own fiscal terms. Graeme Littlejohn, the Scotch Whisky Association’s director of strategy and communications, said recent official forecasts had repeatedly downgraded expected alcohol tax receipts. He pointed to a Treasury revision that lowered projected alcohol revenue by £1.1 billion between the 2026-27 and 2030-31 fiscal years compared with the forecast issued in March, even as duty rates continued to rise.

The industry’s case has been echoed in evidence from other trade groups. The UK Spirits Alliance told the Scottish Affairs Committee that the United Kingdom has the highest excise duty rate in the G7 and one of the highest in Europe. The group said that

penalizes consumers, limits investment and puts distillers under severe pressure. It called on the government to cut excise duty and stop widening the gap between spirits and other alcohol categories.

The Scotch Whisky Association made a similar argument in a 19-page submission to the inquiry. It said Scotch pays about 1.7 times as much duty per liter of pure alcohol as draught beer and urged ministers to change the “draught relief” system so spirits sold in pubs are not effectively excluded from support available to beer and other categories.

The dispute matters beyond Scotch. Tax rules for alcohol, and the way reliefs are structured, can influence pricing, margins and capital spending across the wider drinks market, including wine, beer and other spirits. For producers, wholesalers and retailers, those costs can also shape which products are stocked and where they are sold.

Packaging policy is another growing source of tension. Chivas Brothers told the committee that the UK’s extended producer responsibility, or EPR, regime for packaging is “profoundly unfair” to Scotch whisky producers. The company said the system, as currently designed, could contribute to the closure of some or even all glass bottle manufacturing plants in the United Kingdom. The Scotch Whisky Association said Britain now has the highest glass EPR fees in Europe, costing the industry millions of pounds each year.

That issue also has broader implications for beverage companies because glass packaging is used widely across premium spirits, wine and some beer categories. Higher compliance fees can raise production costs, affect packaging choices and put more pressure on domestic supply chains.

Producers are also warning about the way deposit return schemes will be applied across the UK. A nationwide rollout is due in October 2027, but the current plan would include glass in Wales while excluding it elsewhere in the country. Chivas Brothers said a Wales-only glass system would create a major trade barrier inside the UK, disrupt supply chains and increase the risk of fraud. It said many Scotch whisky producers could be forced to leave the Welsh market if the approach is not changed.

The Wine & Spirit Trade Association has issued a similar warning. It said that, if the policy stays unchanged, about 90% of whisky and other spirits stock keeping units, or SKUs, could disappear from shelves in Wales. That would reduce consumer choice and could reshape distribution for imported and domestic drinks sold into the Welsh market.

On trade, the tone from the industry has been more positive. Distillers and trade bodies have praised the government for a series of recent gains overseas, including China’s decision to cut tariffs on Scotch to 5% from 10%, a change that took effect in February 2026. They also welcomed the removal of the U.S. tariff of 10% on Scotch imports in July 2026 and the start of the UK-India Comprehensive Economic and Trade Agreement in July 2026.

Even there, however, the sector is asking for faster action. Chivas Brothers warned that European Union trade deals could put EU-based drinks companies at an advantage over British exporters. It pointed to the EU’s agreement with Mercosur, which it said would allow Irish whiskey to enter that market tariff-free by May 2030. The company noted that Mercosur is worth about £190 million to Scotch and said the UK should pursue an ambitious trade agenda to avoid losing ground to European rivals.

The Scotch Whisky Association made a similar request in its submission. It called for “targeted and agile” trade agreements that remove tariffs and reduce trade friction in growth markets including Thailand, Mercosur, the United Arab Emirates and Indonesia.

The group also asked for closer regulatory alignment with the European Union, despite Britain’s exit from the bloc. In evidence to lawmakers, it said the government should consider mirroring EU regulations domestically on a case-by-case basis when that would create more consistency for businesses.