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Czech Finance Ministry rejects brewers’ call to cut draft beer VAT to 12%

Brewers say the change could ease pressure on village pubs after 15% of rural venues closed from 2019 to 2023

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Czech brewers are pressing the government to cut the value-added tax on draft beer served in pubs and restaurants to 12% from 21%, arguing that the change would help slow the decline of village pubs, while the Finance Ministry says alcohol should not

receive preferential tax treatment because of public health concerns.

The dispute emerged in comments published on November 25, when the Czech Brewers and Maltsters Association said draft beer should qualify for the reduced VAT rate that applies to food. The group said a lower tax burden would support the country’s pub trade, especially in rural areas where closures have continued in recent years.

According to a survey conducted for Plzeňský Prazdroj and cited by CNN Prima NEWS, 15% of rural pubs in the Czech Republic closed between 2019 and 2023. The brewers’ group said that trend has not been reversed and presented the tax cut as one way to ease pressure on hospitality businesses.

The current 21% VAT rate on draft beer was introduced in 2024 under Prime Minister Petr Fiala’s government. Luboš Kastner, head of the gastronomy section of the Czech Chamber of Commerce, said the increase damaged the country’s pub culture and added to the strain on restaurants and taverns.

Draft beer in the Czech Republic now costs an average of 64 Czech crowns for a half-liter serving, according to the report. If the full tax reduction were passed on to customers, the price of that serving could fall by about five crowns.

Economists cited in the report said the impact on state finances would be significant. Štěpán Křeček said cutting the VAT rate on draft beer to 12% would reduce tax revenue by roughly 1 billion to 1.5 billion Czech crowns a year. He also argued that restaurant operators are seeking a lower rate in part to improve their margins.

The Finance Ministry rejected the brewers’ proposal. In a statement cited by CNN Prima NEWS, the ministry said alcoholic drinks should not be tax-advantaged because of their negative effects on public health. It said alcohol is not a product that should receive special tax support.

That position puts the government directly at odds with brewers, who say beer should be treated as food under Czech law. The industry group described beer as a food product and said that classification supports applying the lower 12% VAT rate.

Economist Vít Hradil challenged that argument, saying that even if beer were viewed as food, it would be difficult to classify it as an essential food that should be made more accessible through lower taxation.

The Finance Ministry has signaled some support for the hospitality sector in another area. According to the report, VAT on non-alcoholic beverages will be reduced to 12% starting January 1, 2027. That change will exclude alcoholic drinks, preserving the government's distinction between products it is willing to support through tax policy and those it is not.

The debate matters beyond beer alone because it highlights a broader tension in the beverage business between protecting bars and restaurants, preserving government revenue and pursuing health policy. In a country where beer has an outsized role in hospitality, any change to the tax treatment of draft beer could affect pricing, foot traffic and margins across the on-trade drinks market, while the ministry's refusal may also signal how it could approach future tax questions involving other alcoholic beverages.

For brewers and pub owners, the core argument is that draft beer is closely tied to the survival of small hospitality venues, particularly outside major cities. For the government, the issue is not only fiscal but also political, since lowering VAT on alcohol could draw criticism from public health advocates and from those opposed to expanding tax breaks.

The disagreement also reflects a larger problem facing many European hospitality businesses: higher operating costs, changing consumer habits and pressure on rural establishments that have struggled to maintain traffic. In the Czech case, the beer tax dispute has become a clear example of how governments are being asked to balance cultural traditions and business concerns against health and budget priorities.

No change in the tax rate has been announced, and the Finance Ministry's comments indicate that it does not plan to reverse course for alcoholic beverages. For now, Czech brewers and hospitality groups are continuing to argue that a lower VAT rate on draft beer would provide relief to pubs, while the government is maintaining that alcohol should remain outside the reduced-tax category.