IAS Institute of Alcohol Studies

Autumn Budget Submission 2025

About the Institute of Alcohol Studies

The Institute of Alcohol Studies (IAS) is an independent institute bringing together evidence, policy, and practice from home and abroad to promote an informed debate on alcohol's impact on society. Our purpose is to advance the use of the best available evidence in public policy decisions on alcohol. For more information, please visit www.ias.org.uk.

Summary and recommendations

Raising alcohol duty is identified as one of the most effective and cost-effective policies to tackle the exorbitant health and economic harms associated with alcohol consumption.[1] With alcohol deaths at a record high in the UK and alcohol duty rates having fallen significantly in real terms over the past decade, it is crucial that fiscal levers are utilised to prevent harm and protect public finances.

At almost every fiscal event over the past decade, previous governments cut alcohol duty rates in real terms, with a cumulative cost to the Exchequer of £28.6 billion. We welcome the fact that the new government did not cut or freeze duty at last year's Autumn Budget, breaking with this damaging trend. Previous decisions led to alcohol becoming increasingly affordable, which in turn has led to alcohol consumption steadily increasing since 2014 and alcohol-related deaths and diseases with it. The cost of alcohol harm to the UK economy is staggeringly high. A longer-term plan for alcohol duty that considers the system-wide implications for tax revenues, the economy, and health outcomes, should be introduced.

Alcohol duties are among the significant taxes that the government has not ruled out increasing, and the foregone revenue from alcohol duty over the past decade will have contributed to the current shortfall. Increasing alcohol duty would help reduce this in two clear ways: it would raise tax revenue for the government and it would improve economic productivity by reducing the health harms of alcohol. Recent comparative research across five European countries found a clear relationship between alcohol taxes and government revenue: tax increases consistently raised revenue, while tax cuts reduced it. This underlines that well-designed duty rises can deliver both fiscal and public health gains simultaneously.[2] **A modest alcohol duty escalator of 2% above inflation targeting non-draught alcohol could raise an additional £3.4 billion between 2025 and 2029, providing significant resources for public health investment.**

While the 10 Year Health Plan set out important goals, it did not include the most effective evidence-based measures to reduce alcohol harm. This means that fiscal policy, including targeted duty measures, presents a clear and timely opportunity for the Treasury to make a meaningful impact on rising rates of alcohol harm. Setting

[1] WHO (2023) WHO factsheet on noncommunicable diseases.
[2] Manthey, J., Gobiņa, I., Isajeva, L., Neneman, J., Reile, R., Štelemėkas, M., & Rehm, J. (2024). The impact of raising alcohol taxes on government tax revenue: insights from five European countries. *Applied health economics and health policy*, *22*(3), 363-374.

duty rates that cover the cost of harm (or reintroducing the alcohol duty escalator) and equalising duty rates on cider with those on beer would deliver significant public health benefits, helping to reduce alcohol-related illness, deaths, and the wider social costs of harm. Equalisation would be consistent with the new alcohol duty approach that products with the same alcohol content should pay the same excise duty.

These fiscal measures would therefore support the new government's health mission and its focus on prevention and reducing health inequalities, while also furthering the cross-governmental economic growth mission.

IAS therefore makes the following recommendations to the Chancellor ahead of the Autumn Budget (detailed on page 12):

1. **Contribute to the development of a cross-government alcohol strategy that supports the economic growth and health missions by raising alcohol duty.**
2. **Develop a mechanism that ensures alcohol duty rates cover the external cost of alcohol harm to society and incentivises alcohol producers to reduce harm – potentially by reintroducing the duty escalator.**
3. **At the same time support the on-trade and hospitality sector – and reduce home-drinking – by protecting draught relief.**
4. **Equalise cider duty rates with that of beer of the same strength (ABV).**

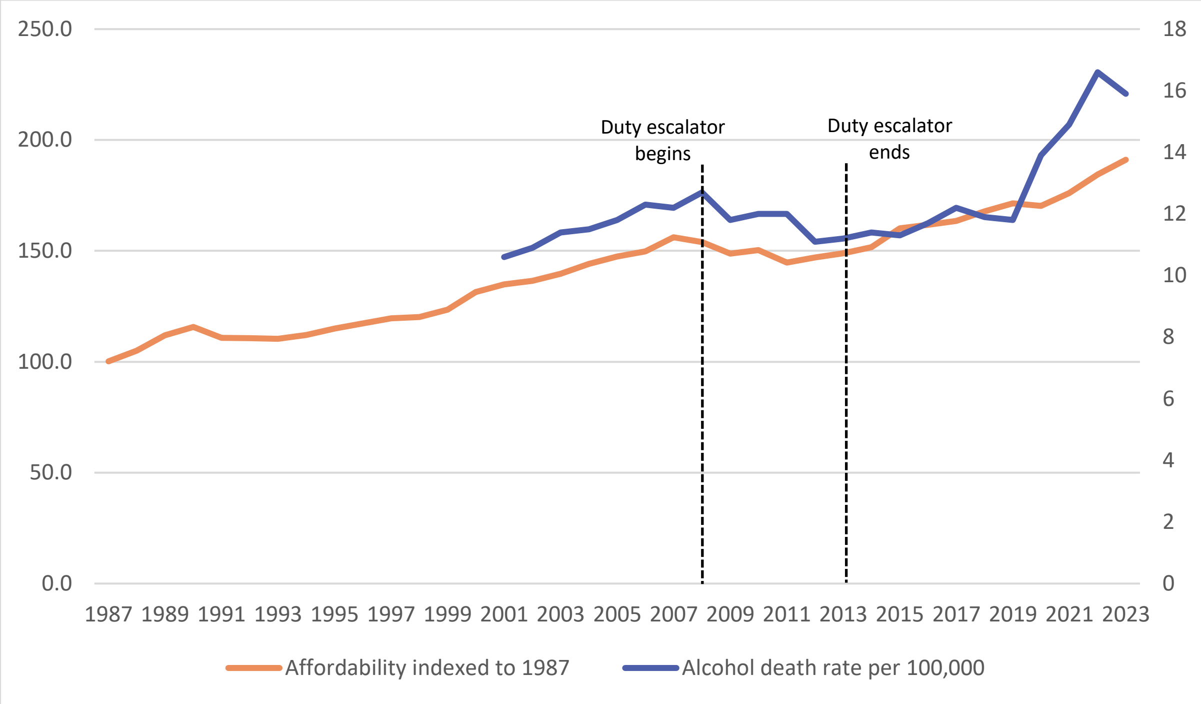
Rising cost of alcohol harm

Alcohol is the second leading risk factor for death, ill health, and disability among 15-49-year-olds in the UK.[3] In 2023, there were almost 10,500 deaths caused by conditions due exclusively to alcohol, the highest number on record.[4] The ONS estimates that this number accounts for only around a third of the total number of deaths related to alcohol.

The number of people drinking at higher-risk levels increased significantly as a result of the pandemic: between February to September 2020 the number of people drinking at higher-risk levels in England rose from 4.8 million to 8.4 million.[5] Modelling has estimated that if alcohol use does not return to pre-pandemic levels, there will be an additional 148,000 cases of alcohol-related disease and almost 10,000 additional deaths by 2035, costing the NHS £1.2 billion.[6] UCL's Alcohol Toolkit Study shows that 1 in 3 people currently drink at risky levels and that we are far from returning to pre-pandemic levels of risky drinking.[7] As shown in **Figure 1**, the trend in the alcohol-specific death rate in recent decades almost perfectly tracks changes in the affordability of alcohol. As alcohol has become significantly more affordable, death rates have risen in step.

[3] DHSC (2025), Public health profiles, Alcohol Profile
[4] Office for National Statistics (2025), Alcohol-specific deaths in the UK: registered in 2023
[5] Royal College of Psychiatrists (2020) Addiction services not equipped to treat the 8 million people drinking at high risk during pandemic, warns Royal College
[6] IAS and Health Lumen (2022). The COVID hangover: Addressing long-term health impacts of changes in alcohol consumption during the pandemic.
[7] UCL, Alcohol in England, Alcohol Toolkit Study (accessed August 2025).

Figure 1: Alcohol-specific death rate compared to alcohol's affordability



Most deaths from alcohol-specific causes are among people aged 50-74, and these age groups have seen huge increases in the death rate in recent decades. From 2001 to 2023, the alcohol-specific death rate increased by:[8]

- 33% in people aged 50-54
- 52% in people aged 55-59
- 70% in people aged 60-64
- 100% in people aged 65-69
- and 133% in people aged 70-74

A 2024 estimate by IAS, using Cabinet Office methodology, found that alcohol harm costs England at least **£27.44 billion each year**.[9] Over £5 billion of this is due to lost productivity, including unemployment, people being off work ill, or reduced productivity at work, due to illness from alcohol. Direct costs to the NHS stand at £4.9 billion and costs linked to alcohol-related crime and disorder are £14.6 billion.

This was always an underestimate as there were no available figures to calculate lost productivity due to premature death. However, the DHSC Alcohol Profile shows that 486,000 years of life were lost in 2023 due to alcohol-related death in England alone, with 153,000 *working* years of life lost.[10] This will have profound consequences on economic productivity.

These external costs of alcohol harm dwarf the alcohol duty receipts that are collected by HMRC, which stood at £12.6 billion for the whole of the UK in 2024/25.[11]

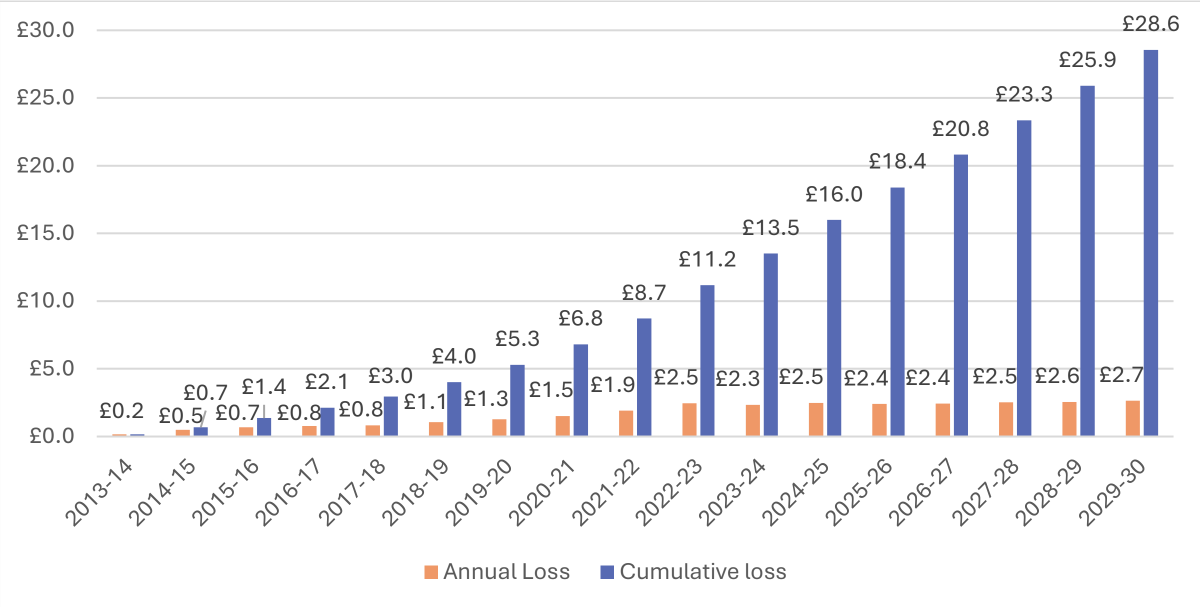
[8] ONS (2025), Alcohol-specific deaths in the UK
[9] Institute of Alcohol Studies (2024), Cost of alcohol harm in England, Economy Factsheet.
[10] DHSC (2025), Public health profiles, Alcohol Profile
[11] HMRC (2025), Alcohol Bulletin commentary (February 2025 to April 2025)

Cumulative duty cuts have increased harm and reduced Treasury revenue

Over the past decade, previous governments cut alcohol duty rates in real terms at almost every Budget, leaving them at historically low levels. This has had a two-fold effect of 1) reducing Treasury revenue, and 2) increasing alcohol consumption and associated harms.

Due to successive freezes since 2013, by 2029-30, the total cumulative foregone revenue will reach **£28.6 billion** (see **Figure 2**). In other words, if the previous government had stuck to the planned trajectory for alcohol duty in 2012 – to increase all duties by 2% above inflation in 2013/14 and 2014/15, and maintain them in line with inflation every year thereafter – this would have raised another £28.6 billion for the Treasury.

Figure 2: Cumulative and annual impact of alcohol duty cuts since 2012 on government finances (£billions)[12]



These costs are based on the Office for Budget Responsibility's (OBR) forecast of how much policy decisions from each Budget since 2013 have cost. This includes estimates from a 2018 parliamentary question about past freezes and cuts.[13] When alcohol duty is frozen or cut, it reduces Treasury revenue not just for that year but for all future years, as the tax that would have been collected each year is no longer received. This calculation is likely an underestimate because, following a triple U-turn on alcohol duty rates in late 2022, the government froze rates from February to July 2023, but the OBR did not provide a forecast for the cost of this freeze.

Some industry groups argue that freezes or cuts to duty increase revenue by stimulating sales. In reality, evidence and economic theory show this is highly unlikely: consumers are not sufficiently price-sensitive for cuts to offset the loss in duty receipts. Claims by the Scotch Whisky Association (SWA) and the Wine & Spirit

[12] HM Treasury Spring Budget 2023 & 2024, HM Treasury Autumn Statement/Budget 2022, 2023 & 2024, HM Treasury Growth Plan 2022, HRMC Alcohol Bulletin, and IAS Autumn 2024 Budget Analysis.
[13] Hansard (2018) Alcoholic Drinks: Excise Duties: Written question – 161163. [Accessed 2 November 2018]

Trade Association (WSTA) suggesting that recent duty increases reduced Treasury revenue ignored the effect of 'forestalling' – where producers temporarily advance sales to pay duty at lower rates – and selectively compared short periods of receipts rather than the full year. Robust evidence demonstrates that freezing or cutting duty reduces long-term Treasury revenue while increasing alcohol consumption and associated harms.

Estimates from the Sheffield Addictions Research Group (SARG) lay bare the consequences of consecutive duty cuts. As a result of changes to alcohol duty policy between 2012-2019, increased alcohol consumption is estimated to have led to:

- 2,223 additional alcohol-related deaths in England and Scotland between 2012 and 2019
- 65,942 additional alcohol-related hospital admissions in England and Scotland over the same period
- £341 million in additional costs to the NHS
- Over 100,000 additional alcohol-attributable crimes
- Over 500,000 additional lost days of work, at a cost to the economy of £62 million[14]

Modelling a new alcohol duty escalator

We modelled the impact of a 2% above RPI inflation increase in 2025 for non-draught products only (see Appendix for table). This detailed modelling incorporates behavioural responses and VAT, and shows that a rise of this scale would raise around £774 million in 2025/26 alone.

Reintroducing a modest but predictable duty escalator could generate substantial additional revenue over time. If we assume the default position that non-draught duty rises in line with RPI inflation, and model a 2% above RPI escalator, from 2025-2029 the effect compounds each year. A 2% real increase raises around £223 million in year one (from baseline non-draught receipts of £11.18 billion), and by year five the cumulative additional revenue is around £3.4 billion.[15] For comparison, if duty were only increased by RPI each year, revenues would remain flat in real terms. Analysis by the Alcohol Heath Alliance indicates that this sum (£3.4 billion) is **enough to fund and sustain the salaries of over 37,000 nurses or police officers**.[16]

Rates are far too low and should cover the cost of harm

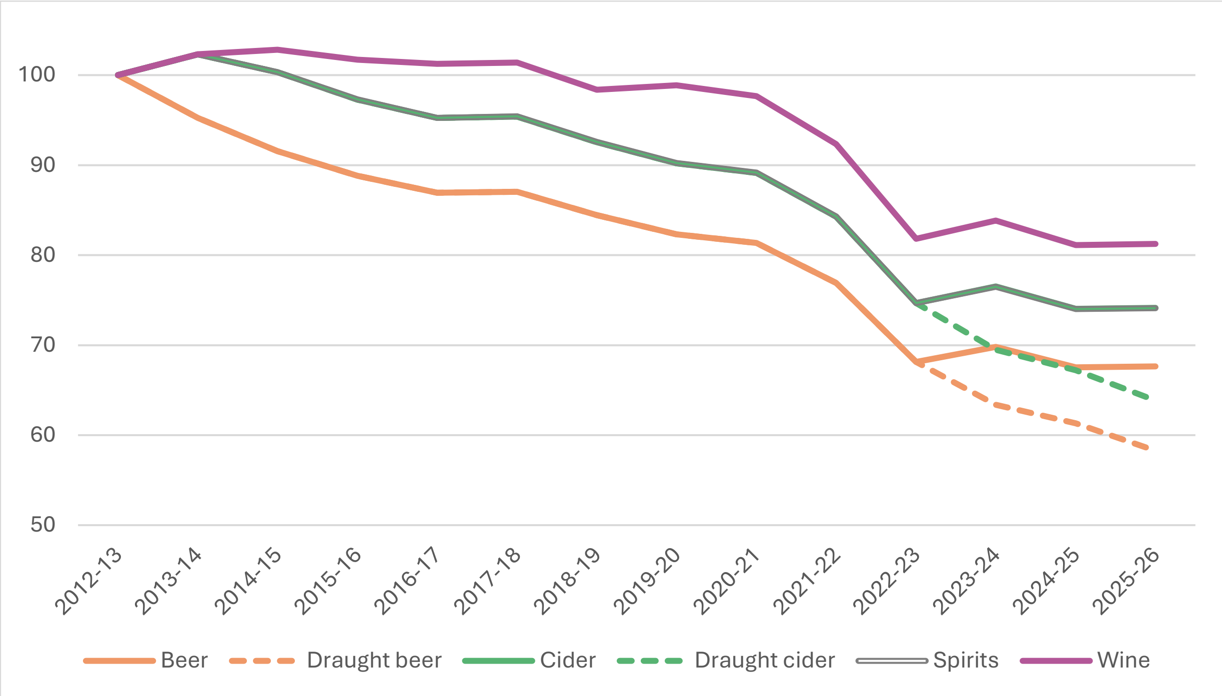
Currently alcohol duty rates are set far too low. Again, due to successive freezes, rates have fallen significantly in real terms. In 2025/26 compared to 2012/13:

- Beer duty is 32% lower
- Draught beer duty is 42% lower
- Cider and spirits duty is 26% lower

[14] Angus, C. and Henney, M. (2019) Modelling the impact of alcohol duty policies since 2012 in England and Scotland. The University of Sheffield and Institute of Alcohol Studies
[15] The longer-term escalator estimates are presented on a duty-only basis, using the standard real-terms baseline assumption. This avoids overstating revenues, as incorporating VAT would require the same detailed modelling of prices and behaviour undertaken for 2025.
[16] Alcohol Health Alliance (2025) Alcohol Duty Impact Calculator

- Draught cider duty is 36% lower
- Wine duty is 19% lower

Figure 3: Alcohol duty rates by product, indexed to 2012/13



Several institutions have called for alcohol duty to be linked to the social costs of alcohol. The Social Market Foundation (SMF) argues that duty should not be seen as a "cash cow", but that: "At the very least, alcohol duty should cover the health, crime and welfare costs to government and wider society."[17] This position is supported by the International Monetary Fund[18] and the Institute for Fiscal Studies (IFS).[19] In fact, in a 2017 working paper, the IFS published optimal off-trade alcohol duty rates per litre of ethanol to cover the cost of harm (for cider £25.40, spirits £42.60, beer £28.30, and wine £30.40). Adjusting by CPI inflation, these rates today would be: cider £34, spirits £57, beer £38, and wine £41 per litre of ethanol. These rates vary across product types because some drinks, such as spirits, deliver more alcohol per serving or are linked to riskier drinking patterns, so they cause higher levels of harm. Using these inflation-adjusted rates, current off-trade duty rates would increase by the following:

- Beer duty: 74% increase
- Cider duty: 239% increase
- Spirits duty: 74% increase
- Wine duty: 39% increase

As the SMF has called for, the cost of alcohol harm should be calculated by the government – or an independent body commissioned by the government – and duty rates should cover these costs. Every 5 or 10 years the cost of harm should then be

[17] Corfe, Scott (2019). Pour decisions? The case for reforming alcohol duty, Social Market Foundation.
[18] IMF (2023) How To Design Excise Taxes on Alcoholic Beverages.
[19] Griffith, R., O'Connell, M., & Smith, K. (2017). Design of optimal corrective taxes in the alcohol market, IFS Working Papers.

recalculated, and duty rates adjusted accordingly. This would help incentivise alcohol producers to reduce the cost of harm from their products, in order to be taxed less. In the intervening years, duty rates could be kept in line with inflation or earnings, so that rates do not fall in real terms.

Timings are important

Duty rates should be increased within days of an announcement, as was previously done under the last Labour government. This would avoid alcohol producers 'forestalling'. Not only would this avoid producers cashing in on lower rates, it would also prevent trade associations from erroneously claiming that raising duty disincentivises production and reduces Treasury revenue, thereby reducing the misinformation in trade group lobbying.

Duty reform and cider

The 2023 reform to alcohol duty was designed to produce a more rational duty system, as well as improve public health. Research by SARG suggests that the reform led to a negligible reduction in mean weekly alcohol consumed by less than 0.05 units, and will prevent 2,300 deaths over a 20-year period (2023-2042).[20]

SARG also modelled the effect of aligning cider and beer duty rates within the 3.5-8.4% ABV range to match the rates applied to wine and spirits of the same strength, which would have a far greater impact on reducing deaths and the cost of harm. Doing so could avoid almost 75,000 deaths over the same 20-year period, with over half in the two most deprived quintiles. Over 2 million years of life lost would be saved, 700,000 hospital admissions avoided, and £1.4 billion saved by the NHS. This would be a simple and powerful way to reduce harm while retaining higher rates for stronger products, rather than applying the same duty per unit across all drinks.

A more gradual approach could bring cider duty rates in line with beer using a duty escalator. However, the SARG study shows this to be a far less effective option: a 2% escalator, which would take 40 years to close the gap, would save just over 8,000 lives, avoid 73,000 hospital admissions, and save the NHS £147 million – around ten times less effective than equalising rates much sooner.

The SMF also called for equalising beer and cider rates in a 2019 report, and argued that following a tax rise, they would expect producers of "high harm" drinks (like strong white ciders) to move production across to other less harmful products (like lower strength cider) rather than reduce jobs.[21]

The cider duty tax break represents a long-standing anomaly in the UK alcohol duty system. A clear statement of intent to address this within this parliament would provide transparency and allow businesses and policymakers to plan for a fairer, evidence-based approach to alcohol taxation.

---

[20] Morris, D., Angus, C., Gillespie, D., Stevely, A. K., Pryce, R., Wilson, L., ... & Brennan, A. (2024). Estimating the effect of transitioning to a strength-based alcohol tax system on alcohol consumption and health outcomes: a modelling study of tax reform in England. *The Lancet Public Health*, *9*(10), e719-e728

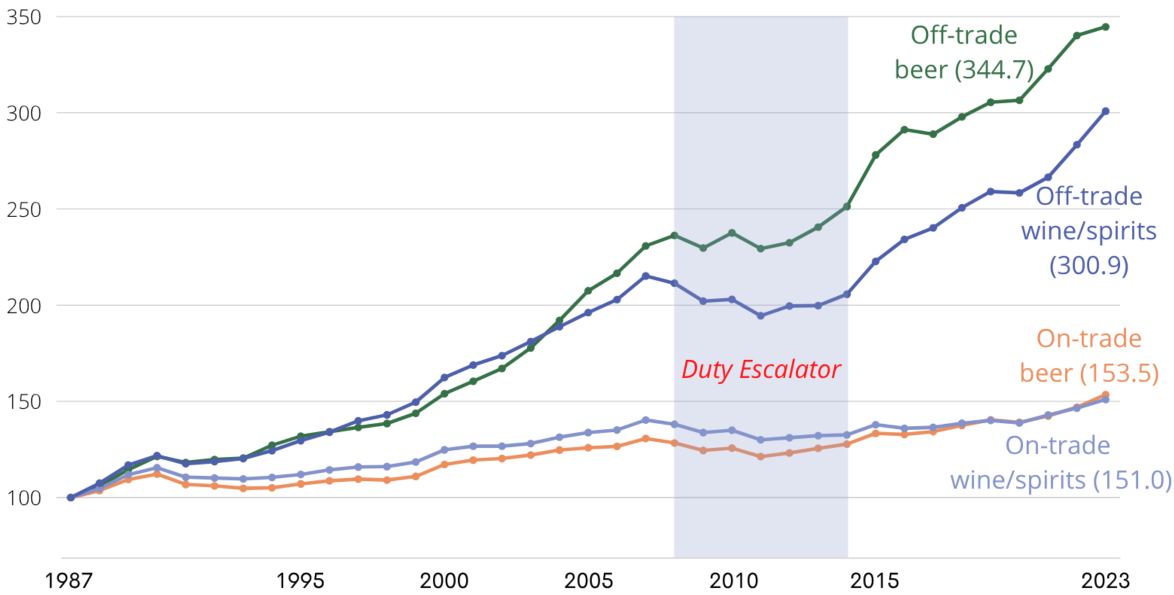
[21] Corfe, Scott (2019). Pour decisions? The case for reforming alcohol duty, Social Market Foundation.

Supporting hospitality and pubs with duty changes

Generating revenues to cover the cost of alcohol harm through the duty system can be achieved while supporting the on-trade (pubs, bars, and restaurants). With the reform of alcohol duty introducing a specific mechanism to support the on-trade with a 'draught relief', the government can now separate products sold in the on- and off-trade with alcohol duty policy decisions. Duty rates should therefore be significantly increased to cover the social cost of harm, but specifically targeting off-trade alcohol.

Across the board freezes to alcohol duty have not helped pubs, as they help supermarkets maintain much lower prices on alcohol, driving people to consuming at home more.[22] Pub landlords have made it clear that cheap supermarket alcohol is the biggest threat to their business survival.[23] This is evident when looking at the widening gap in affordability of on- and off-trade alcohol in recent years. The only time when the gap was not widening was when the last Labour government introduced the 'duty escalator', which increased duty by 2% above inflation each year (see **Figure 4** below). When the escalator was scrapped, the affordability of off-trade alcohol shot up once again. Off-trade beer, for instance, is now 245% more affordable compared to only 54% more affordable in the on-trade. Over the past 40 years, the real-terms fall in the cost of beer in the off-trade has been approximately five times greater than the fall in pubs.[24]

Figure 4: Rising affordability of alcohol in on- and off-trade

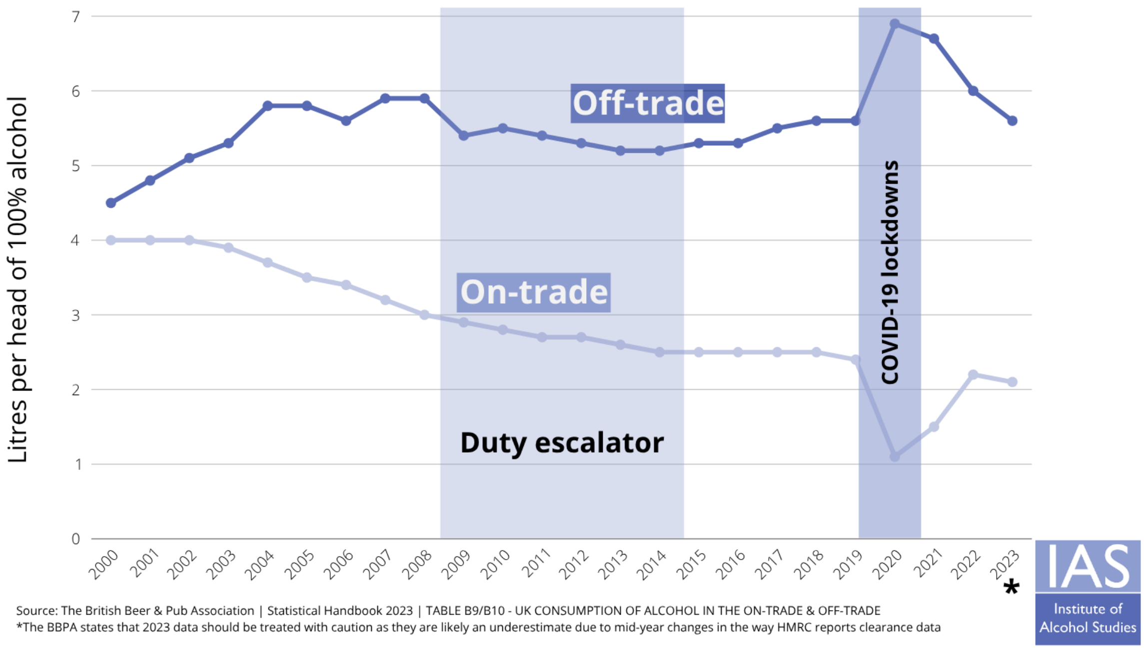


Sources: NHS Digital, Statistics on Public Health, England 2024 - Affordability and Expenditure Statistics: Data Tables for 2023 | ONS, Consumer price inflation tables, January 2025

Alcohol is now consumed far more at home than in the on-trade, as **Figure 5** shows, exacerbated by the much lower price of alcohol in the off-trade. During the 'duty escalator' off-trade alcohol consumption began to fall, but picked up when the policy was scrapped.

[22] Roberts, J (2024). Dispelling Six Industry Myths About Alcohol Taxation, Institute of Alcohol Studies.
[23] Bhattacharya, A (2017). Pubs Quizzed: What Publicans Think About Policy, Public Health and the Changing Trade, Institute of Alcohol Studies.
[24] Institute of Alcohol Studies (2025), Price factsheet [Accessed August 2025]

Figure 5: Amount of alcohol consumed in the on- and off-trade



There are arguably several benefits to shifting consumption from at home to the on-trade:

- Compared to on-trade environments, home drinking offers fewer checks on consumption and is more closely associated with harmful patterns like solitary or routine drinking, and associated chronic harms.
- Under the Licensing Act 2003, on-trade servers are responsible for the sale and supply of alcohol and must not knowingly sell alcohol to someone who is already intoxicated.
- Research shows that people tend to pour larger measures at home than in regulated settings like pubs, with visual cues – such as wide glasses or free-pouring – leading to significant over-serving.[25,26] Many drinkers also underestimate their intake, particularly without tools like standard measures.[27,28] This means people drinking at home frequently exceed the low-risk guidelines, often without realising it.
- Higher risk drinkers account for 32% of alcohol-related revenue in the off-trade, compared with 17% of revenue in the on-trade.[29] So, as the SMF has stated: "if we want to target alcohol taxes at drinkers who are consuming at riskier levels, we should tax off-trade alcohol more."[30]
- Heavy drinking at home is therefore more closely associated with chronic diseases, from liver disease to heart disease and cancer. As with other countries, the UK saw a big rise in home drinking during the pandemic,

[25] Wansink, B., & Van Ittersum, K. (2005). Shape of glass and amount of alcohol poured: comparative study of effect of practice and concentration. *Bmj*, *331*(7531), 1512-1514.
[26] BBC News (2009), Home drinkers 'over-pour spirits'
[27] Boniface, S., Kneale, J., & Shelton, N. (2014). Drinking pattern is more strongly associated with under-reporting of alcohol consumption than socio-demographic factors: evidence from a mixed-methods study. *BMC public health*, *14*(1), 1297.
[28] Livingston, M., & Callinan, S. (2015). Underreporting in alcohol surveys: whose drinking is underestimated?. Journal of studies on alcohol and drugs, 76(1), 158-164.
[29] Bhattacharya, Aveek, et al. "How dependent is the alcohol industry on heavy drinking in England?." Addiction 113.12 (2018): 2225-2232.
[30] Social Market Foundation (2021), 'Pub relief' on alcohol duty could support hospitality and reduce harmful drinking

helping to explain the 38% increase in alcohol-specific deaths.[31] Home drinking has not reverted to pre-pandemic levels.[32]

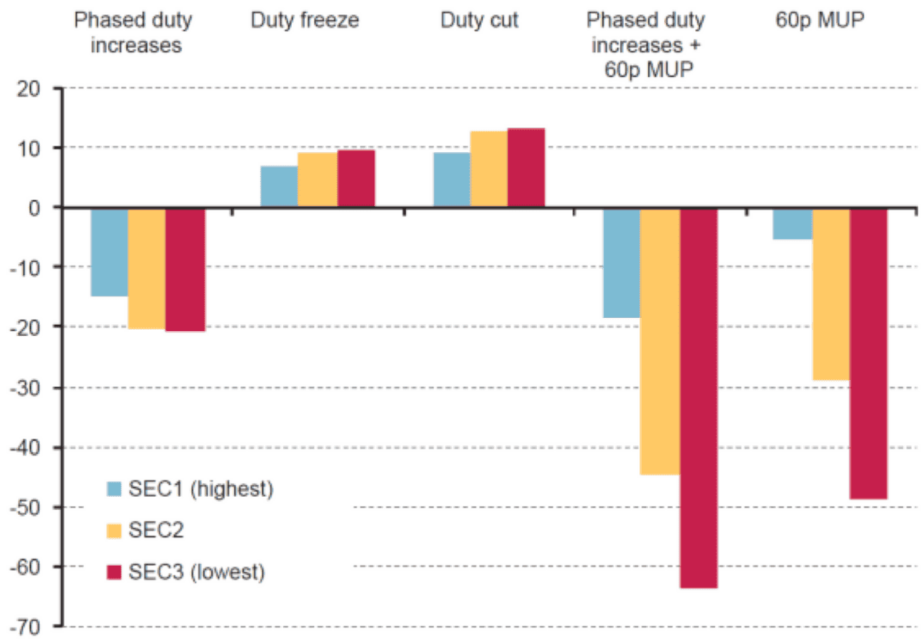
- Although on-trade drinking is often linked to acute harms such as violence, a 2023 IAS and University of Liverpool study found that on-trade closures during the pandemic did not lead to a significant fall in the proportion of violence that was alcohol-related.[33] This highlights that home drinking is a crucial driver of violence, including domestic violence.
- There are also social and community benefits associated with on-trade establishments. This may particularly be the case among older people, with one study recognising that drinking in the on-trade "could help sustain social and leisure activity, which may otherwise diminish through retirement and other transitions relating to the ageing process."[34]
- Finally, on-trade establishments require far more employment than the off-trade, so moving from home drinking back to pub drinking could support the wider economy by increasing the number of jobs in the UK economy.

Minimum Unit Pricing

Alcohol duty increases will be most effective at tackling rates of harm when combined with minimum unit pricing (MUP). MUP is a targeted policy that raises the price of the cheapest, highest-strength products sold in the off-trade and drunk disproportionately by the heaviest drinkers. The policy prevents irresponsible pricing by off-trade retailers to attract the heaviest drinkers. As noted by Public Health England in the 2016 evidence review of alcohol policies, to achieve the same health effects as MUP, alcohol duty rates would need to increase substantially (e.g. 28%) and would be a comparatively less targeted measure. Modelling of the combined effect of an alcohol duty escalator (RPI + 2%) with a 60p MUP showed larger health gains than implementing either policy singularly, with the benefits from these combined policies most accrued by high-risk drinkers and those in the lowest socioeconomic groups.[35]

[31] ONS (2025), Alcohol-specific deaths in the UK: registered in 2023
[32] UCL, Alcohol in England, Alcohol Toolkit Study (accessed August 2025).
[33] Lightowlers, C. and Bryant, L. (2023) Off-trade alcohol availability and violence: Assessing the impact of on-trade outlet closures, University of Liverpool and Institute of Alcohol Studies.
[34] Bareham, B. K., Kaner, E., Spencer, L. P., & Hanratty, B. (2019). Drinking in later life: a systematic review and thematic synthesis of qualitative studies exploring older people's perceptions and experiences. Age and ageing, 48(1), 134-146.
[35] Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost effectiveness of Alcohol Control Policies: An evidence review

Figure 6 Change in consumption by pricing policy and socioeconomic status (units per year)



Source: Public Health England (2016) | The Public Health Burden of Alcohol and the Effectiveness and Cost effectiveness of Alcohol Control Policies: An evidence review. London: Public Health England

MUP in Scotland has successfully reduced alcohol-related deaths and hospital admissions since its introduction in 2018. The main findings by Public Health Scotland are that MUP reduced deaths from conditions solely caused by alcohol consumption by an estimated 13.4%, and reduced hospital admissions by an estimated 4.1%. Reductions were greatest for men and those living in the most deprived areas, helping to address alcohol-related health inequalities.[36]

An objection to MUP is that it creates a windfall for retailers while reducing HM Treasury revenue from alcohol taxes. Analysis by SMF suggests that the introduction of a minimum unit tax, alongside MUP, would enable HM Treasury to reclaim additional retailer windfall profits.[37]

Recommendations

1. **Contribute to the development of a cross-government alcohol strategy that supports the economic growth and health missions by raising alcohol duty.**
   a. Alcohol duty is the major fiscal measure to tackle alcohol harm and raise Treasury revenue, but would be more effective when implemented alongside a minimum unit pricing policy. This is required for off-trade products where duty increases may not be fully passed through to consumers of the cheapest products.

[36] Public Health Scotland. (2023). Evaluating the impact of minimum unit pricing for alcohol in Scotland: Final report. A synthesis of the evidence
[37] Social Market Foundation (2025) The Price is Right: Minimum unit pricing for alcohol and the case for a windfall tax

   b. An alcohol strategy would also include measures to tackle the availability and marketing of alcohol, as well as drink driving, and improving access to treatment.
2. **Develop a long-term mechanism that ensures alcohol duty rates cover the external cost of alcohol harm to society and incentivises alcohol producers to reduce harm – potentially by reintroducing the duty escalator.**
   a. The government should calculate the external cost of harm (or appoint independent analysts to do so) to better inform the debate on what rates should be set to cover the cost of negative externalities.
   b. Each year, duty rates should at least increase in line with inflation or earnings.
   c. Every 5 or 10 years, the mechanism should be reviewed to consider the latest evidence base on alcohol-related costs to society.
   d. This would increase certainty on how duty is likely to change over time allowing businesses to plan better, and would incentivise alcohol producers to reduce the cost of harm in order to reduce tax burden at the next review.
   e. Government should return to the practice of implementing duty changes within a few days to prevent producers using a lead-in period to release excessive product at the old duty rate (forestalling).
3. **At the same time support the on-trade and hospitality sector – and reduce home-drinking – by protecting draught relief.**
   a. This would help encourage people to drink in regulated settings rather than at home, when combined with much higher off-trade prices.
4. **Equalise cider duty rates with that of beer of the same strength (ABV).**
   a. Cider is still being treated preferentially, with a rate of less than half that of beer for the 3.5-8.4% ABV band, in which most common ciders fall.

Appendix

Detailed 1-year modelling

The table below sets out the detailed modelling for a 7% increase in alcohol duty in 2025 (equivalent to 2% above RPI inflation). The calculations begin with HMRC duty receipts, adjust for draught relief, and then estimate the static revenue gain from a 7% duty rise. This is followed by modelling the impact on retail prices, applying OBR elasticity estimates to account for behavioural changes in consumption, and combining on- and off-trade effects. The resulting net receipts are then uplifted for VAT. This more comprehensive approach ensures that both revenue and consumer behaviour are reflected in the estimate.

	Duty receipts (£millions)	Estimated draught relief receipts (£millions)	Estimated receipts excl. draught relief (£millions)	Change in receipts (£millions)	New receipts before behavioural adjustment (excl. draught relief) (£millions)	Duty per unit	Change in volume of alcohol sold (excl. products under draught relief)	Change in receipts due to behavioural adjustment (£millions)	New receipts after behavioural adjustment (excl. draught relief) (£millions)	Total change in duty receipts (£millions)	Change in VAT (£millions)
Beer	£3,527	£1,411	£2,116	£148	£2,264	£0.2178	-2.77%	-£63	£2,202	£85	£17
Cider	£221	£50.83	£170	£12	£182	£0.1002	-1.08%	-£2	£180	£10	£2
Wine	£4,735	£0	£4,735	£331	£5,066	£0.2954	-0.85%	-£43	£5,023	£288	£58
Spirits	£4,164	£0	£4,164	£291	£4,455	£0.3279	-0.68%	-£30	£4,425	£261	£52
Total	**£12,647**	**£1,462**	**£11,185**	**£783**	**£11,968**			**-£138**	**£11,830**	**£645**	**£129**
									Total change in duty and VAT		**£774**

Basic 5-year modelling

The table below takes the real terms baseline that alcohol duty rises with RPI. A 2% above-inflation escalator applied to non-draught duty receipts then compounds, so over 5 years will bring in an additional £3.4 billion. Figures are only for non-draught, to protect draught products, and they exclude VAT and any behavioural effects.

Year	Cumulative real-terms increase vs baseline	Extra duty (£millions)
1	2.00%	£223.70
2	4.04%	£451.87
3	6.12%	£684.61
4	8.24%	£922.00
5	10.41%	£1,164.14
	Total (5 yrs)	**£3,446 ≈ £3.4bn**