



BRIEFING

IAS

Institute of
Alcohol Studies

Autumn Budget Analysis 2025

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Summary

- In the **Autumn Budget 2025** there were three key announcements:
 1. All alcohol duty rates will go up by RPI inflation in February 2026
 2. Small Producer Relief will be increased
 3. The National Licensing Policy Framework was published
- After the increase, alcohol duty will still be much lower than it was in 2012/13. In real terms:
 1. Beer duty will be 32% lower
 2. Draught beer duty will be 42% lower
 3. Cider and spirits duty will be 26% lower
 4. Draught cider duty will be 36% lower
 5. Wine duty will be 19% lower
- Alcohol trade bodies responded with predictable misinformation and provably wrong economic analysis.
- Cumulatively, duty cuts from 2013/14 onwards will have cost the Treasury **£31.2 billion** from 2013-2031, compared with if duty had been raised in line with inflation.
- Recommendations:
 1. Raise alcohol duty above inflation each year, targeting off-trade alcohol.
 2. Ultimately, develop a mechanism that ensures alcohol duty rates cover the external cost of alcohol harm to society and incentivises alcohol producers to reduce harm.
 3. Equalise cider duty rates with that of beer of the same strength (ABV).
 4. Separate the licensing of on- and off-trade licensed premises, seizing the opportunity of the licensing reforms, particularly to tackle the harmful impact of off-trade alcohol e.g. rapid online deliveries.

What happened with alcohol in the Autumn Budget 2025?

Chancellor Rachel Reeves announced that all alcohol duty rates would be increased in line with RPI inflation of 3.66% from 01 February 2026.¹ The government explained that: “This decision balances the important contribution of alcohol producers and the hospitality sector to our culture and economy, with the duty’s role in reducing alcohol harm.”² As Labour peer Lord Brooke stated, from a public health perspective it is good to see a “restoration of the indexing duties with RPI” following many years of freezes and cuts.³

In theory, the Treasury and Office for Budget Responsibility (OBR) assume that all alcohol duty rates will go up with RPI inflation year-on-year from 01 February, so that alcohol duty does not lose value in real terms. In practice, this has only happened infrequently in recent years.

¹ HM Treasury (2025), [Budget 2025: Strong foundations, secure future](#).

² HMRC (2025), [Alcohol Duty uprating policy paper](#).

³ Hansard (2025), [Autumn Budget 2025 debate](#), House of Lords, Thursday 4 December 2025.

There was no change to Draught Relief, meaning duty on products sold on draught also increased in line with RPI. Draught Relief applies to products under 8.5% ABV and in containers of 20 litres or more, connected to a pump system or gas pressurised drinks tap (a way of ensuring that draught relief applies only to genuine on-trade servings rather than packaged or off-trade alcohol).

Small Producer Relief – which gives producers who make under a certain amount of alcohol a reduction in duty rates – was increased, “so eligible small producers receive relative duty reductions as now”.

This means that the new duty rates are as follows:

Table 1: Alcohol duty rates – non-draught products

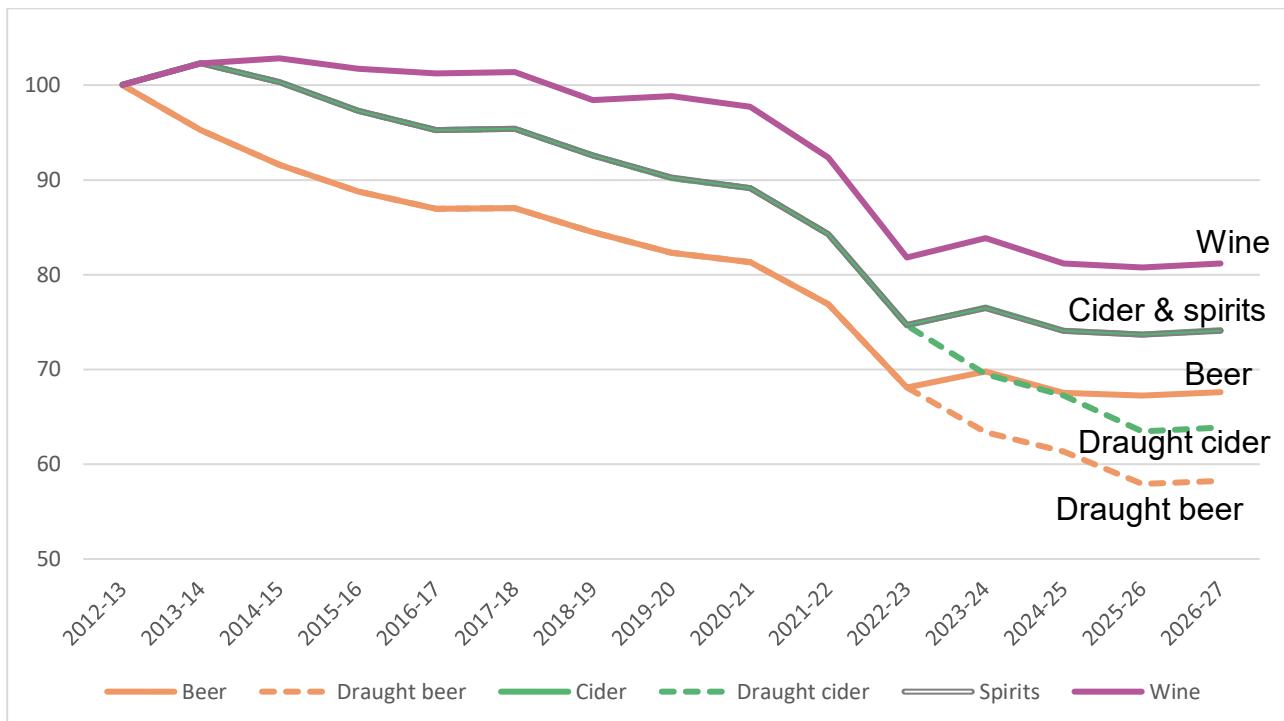
ABV	Old rates	New rates from 01 Feb 2026
0 to 1.2%	£0.00	£0.00
1.3% to 3.4%	£9.61	£9.96
3.5% to 8.4%		
Beer	£21.78	£22.58
Cider (still)	£10.02	£10.39
Spirits & Wine	£25.67	£26.61
8.5% to 22%	£29.54	£30.62
Stronger than 22%	£32.79	£33.99

Table 2: Alcohol duty rates – qualifying draught products under 8.5%

ABV	Old rates	New rates from 01 Feb 2026
1.3% to 3.4%	£8.28	£8.58
3.5% to 8.4%		£19.45
Beer, spirits, wine and other fermented products	£18.76	
Cider (still) 3.5-8.4%	£8.63	£8.95

Since the introduction of Draught Relief in 2023, different decisions can now be taken on most on- and off-trade alcohol product duty rates.

Figure 1 shows how duty has changed in real terms since 2012, with the difference in on and off-trade duty shown clearly from 2022/23.

Figure 1: Real duty rates, indexed: 2012/13=100

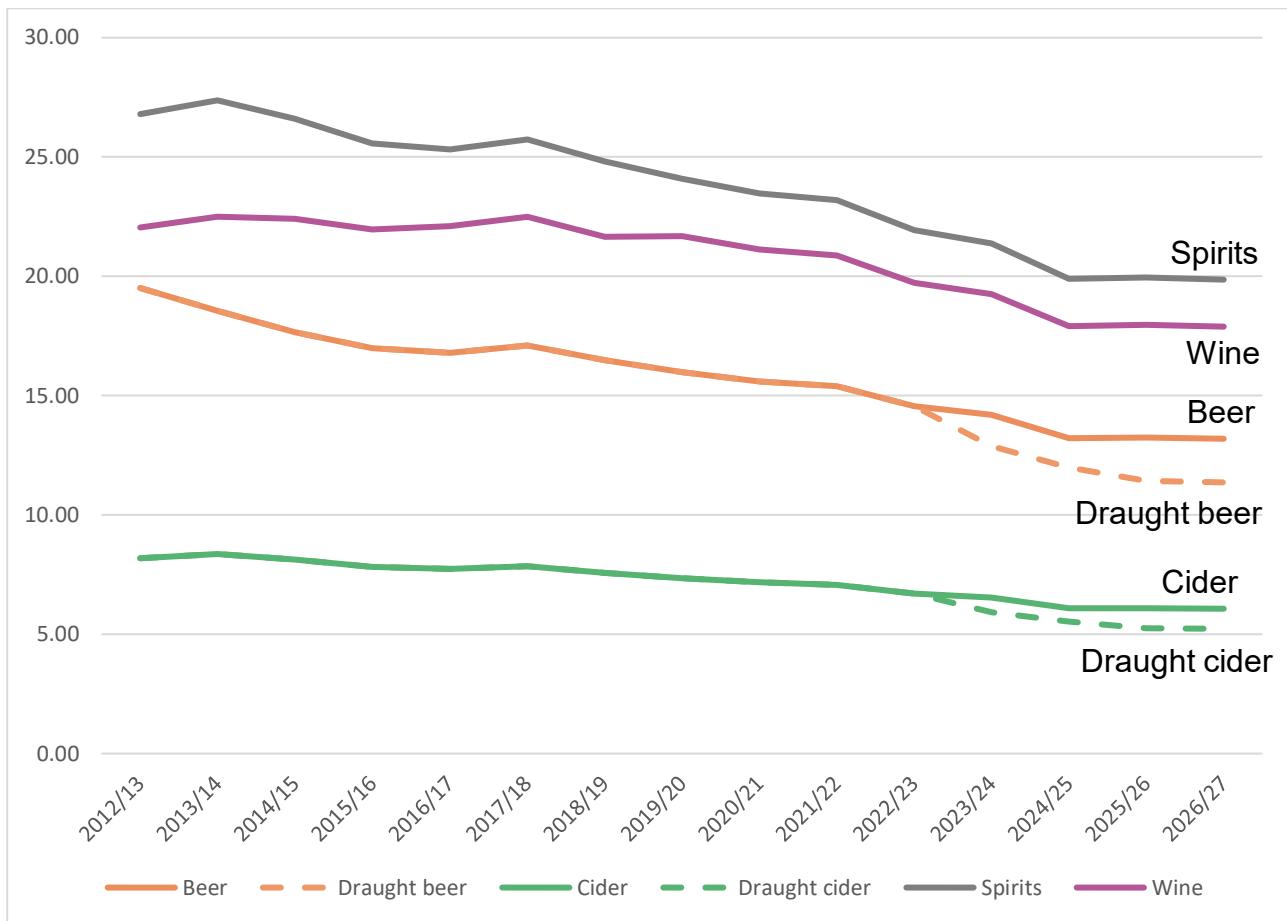
While keeping most duty in line with inflation will slow the rising affordability of off-trade products, it falls well short of undoing the last decade of cuts and freezes. In 2026/27, in real terms, compared to 2012-13:

- Beer duty will be 32% lower
- Draught beer duty will be 42% lower
- Cider and spirits duty will be 26% lower
- Draught cider duty will be 36% lower
- Wine duty will be 19% lower

Compared to 2012 prices, the rate that each litre of pure alcohol is taxed has fallen significantly across all products, as Figure 2 highlights. The figure also draws attention to how little cider is taxed per unit compared to the same strength beer. It is also generally agreed that higher strength alcohol such as spirits should be taxed at a higher rate per unit of alcohol, as these products are disproportionately consumed by higher risk drinkers.⁴

⁴ Griffith, R., O'Connell, M., & Smith, K. (2020). [Tackling heavy drinking through tax reform and minimum unit pricing](#). The Institute for Fiscal Studies.

Figure 2: Alcohol duty rates per litre of pure alcohol – adjusted to 2012 prices



Licensing reforms to back “the great British pub”

The Chancellor also announced the publication of the National Licensing Policy Framework⁵, stating that:

“I will support the great British pub through our new national licensing framework – encouraging councils to back our pubs and to back late-night venues with greater freedoms.”

The Framework is the result of a fast-tracked and industry-dominated Taskforce process that was looking at how the hospitality industry could grow. IAS has written about its position and concerns previously.⁶ After the government agreed to many of the Taskforce’s proposals, it launched a call for evidence. The analysis of responses shows that there was broad disagreement with most of the proposals.⁷ One of the headline ideas of ‘economic growth’ being a licensing objective was opposed by almost all respondents from public health, resident groups, local councils, and the police, only being supported by hospitality and trade bodies.

⁵ DBT (2025), [National Licensing Policy Framework for the hospitality and leisure sectors \(web version\)](#).

⁶ IAS (2025), [Deregulating alcohol licensing: how the government’s proposals risk undermining public health and democracy](#).

⁷ Home Office and the Department of Business and Trade (2025), [Licensing Reform Programme: call for evidence Analysis of responses to questions relating to policy announcements](#).

The Framework itself clarifies that it “applies exclusively to on-trade premises”, which public health groups had pushed for, and that if there is inconsistency between the Framework and Licensing Act (or section 182 Guidance), the Act has primacy. Therefore, it is unclear how the government intends for the Framework to be used and how much of a threat to public health it remains. One concern is that the government will appoint a ‘Retail and Hospitality Envoy’ to champion these businesses and ease “regulatory burden”; yet it is unclear how this envoy will interact with stakeholders and affect licensing.

IAS recommends that the government uses this opportunity to split the licensing of on- and off-trade premises. As cheap and highly available off-trade alcohol is the main driver of rising alcohol-related chronic diseases across the country, a new licensing system should be established to reduce the availability of off-trade alcohol, especially rapid online deliveries, which are particularly responsible for very harmful drinking. Minimum unit pricing could also be introduced as a mandatory licensing condition on off-trade premises, which would not only save lives by reducing off-trade consumption, but also support the on-trade by closing the gap in price between on- and off-trade products.

OBR forecasts and industry misinformation

The OBR – which officially analyses policy decisions made at the Budget – has published forecasts for how much the government should expect to raise in alcohol duty in the coming years. It expects £11.9 billion to be raised in 2025/26, a 5.1% decline on 2024/25, and then an average 3.4% rise each year “largely driven by increases to the duty rate that more than offset the impact of lower in-year and forecast consumption”.

Table 3: OBR alcohol duty revenue forecasts from Budget 2025

£ billion	Forecast - £ billion					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
2024/25 revenue	12.5	11.9	12.3	12.8	13.2	13.7

The OBR expects alcohol sales to sharply decline and then remain flat, which it attributes to higher alcohol prices, a reduction in drinking among younger age groups, and people substituting alcohol with no- and low-alcohol alternatives. On this latter point, IAS would urge caution. These products may form part of a trend towards increased abstinence and attempted moderation, but there is very limited robust evidence that these products are driving that trend, rather than producers developing these drinks in response to the trend. Such products are still a tiny fraction of the overall alcohol market, so are unlikely to reduce harm by very much unless they substitute a significant amount of alcohol sales.

Various alcohol industry trade groups have been critical of the OBR’s recent alcohol duty forecasts, arguing that they consistently overestimate the revenue that duty increases will generate. Bodies such as the Wine and Spirit Trade Association (WSTA)⁸ and the Scotch Whisky Association (SWA)⁹ have previously claimed that the OBR underestimates how strongly consumers change their behaviour in response to price rises, leading to repeated forecast errors and lower-than-expected receipts. They point to recent falls in alcohol duty revenue following duty increases as evidence that the OBR’s modelling of demand elasticity and market behaviour is flawed. However, as has been widely reported on, there is far more expectation on the OBR’s forecasts being highly accurate than there is on other

⁸ WSTA (2025), [Briefing: Alcohol Duty and Budget 2024](#).

⁹ SWA (2025), [Chancellor Rachel Reeves announced an RPI inflation increase to alcohol duty](#).

forecasting. As *The Guardian* has stated: “We can’t predict the weather next year, but apparently the public finances in 2029 can be judged with pinpoint accuracy.”¹⁰ The OBR has also highlighted this, writing that: “Point forecasts such as those that the OBR is required to produce are highly unlikely to ever be very accurate relative to measured outturns... the series of very large economic shocks experienced in recent years has made forecasting accurately a particular challenge... We are no better equipped to see into the future than other forecasters.”¹¹ The inaccuracy of forecasts is self-evident when looking at the OBR’s previous forecasts.

Table 3: OBR alcohol duty revenue forecasts from Budgets 2023-2025

Budget year	Forecast - £ billion					
	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
Autumn 2025	11.9	12.3	12.8	13.2	13.7	14.1
Autumn 2024	13.1	13.8	14.5	15.2	15.9	-
Autumn 2023	14.4	15.3	16.2	17.1	-	-

Industry criticism of OBR forecasts fits a pattern of making spurious and unsubstantiated claims that increasing alcohol duty leads to reductions in Treasury revenue. For instance, the WSTA stated that: “Despite a duty increase on 1st February, Government receipts from alcohol duty are £300 million less so far this financial year...we’re the wrong side of the Laffer curve.”¹² And the SWA claimed that: “Revenue from spirits has fallen since the previous 3.6% increase to spirits duty last year, reducing revenue by 7% compared to 2024/25, or £150m.”¹³

This is a clear example of misinformation. Firstly, a 3.6% increase in duty is nothing like a 3.6% increase in retail price, because duty makes up a fraction of product price, e.g. 29% of a £1.50 can of 4.5% beer, or 20% of a £30 bottle of whisky. A 3.6% increase in duty only affects that small fraction of product price, and only if the alcohol producer fully passes it on to consumers.



Secondly, people would have to be massively more price-sensitive than any academic study has ever found for their claim to make any sense. The OBR states that spirits elasticity is -0.2 , which means a 1% increase in retail price leads to a 0.2% fall in consumption.¹⁴ But, giving these trade bodies the benefit of the doubt and avoiding the

¹⁰ The Guardian (2025), [The Guardian view on OBR v the Treasury: ministers have embraced the theatre of errors](#).

¹¹ OBR (2025), [Forecast evaluation report](#).

¹² WSTA (2025), [Budget 2025: WSTA in Westminster](#).

¹³ SWA (2025), [Chancellor Rachel Reeves announced an RPI inflation increase to alcohol duty](#).

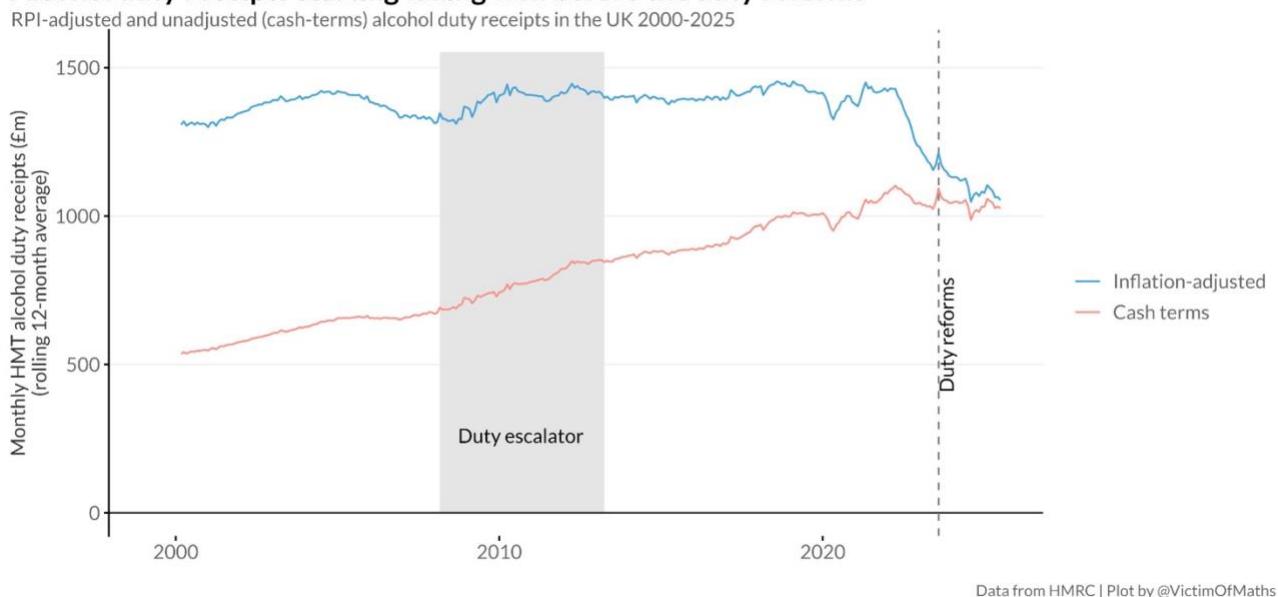
¹⁴ OBR (2024), [Supplementary forecast information release: Alcohol duty elasticities](#).

OBR's figures, let's instead use this [meta-analysis in *Addiction*](#), which estimates it at -0.8 (more price sensitive). That means that for a 10% increase in retail price, consumption falls by 8%. So for the SWA to be correct about the 7% fall in spirits revenue being because of a 3.6% increase in duty – and using the much more price sensitive figures – the retail price of spirits would have to increase by about 9%. The alternative is that every academic study on the subject is wrong by massive orders of magnitude. There is simply no plausible combination of price changes and consumer behaviour that could turn a 3.6% duty rate rise into a 7% collapse in revenue.

So why is Treasury revenue falling? A recent study in *Addiction* looked at expected alcohol duty receipts compared to actual receipts and found that they have been below the historical trend since 2002, with a deficit of £10.3 billion from 2022-2025 and comparatively larger deficits for wine and spirits.¹⁵ The researchers concluded that the cost of living crisis in 2022/23 is the reason why and that “there is no clear evidence of a longer-term impact of the [alcohol duty] reforms on duty receipts, rather than a continuation of pre-reform trends, contrary to claims made by the alcohol industry”. Co-author Professor Colin Angus of the Sheffield Addictions Research Group (SARG) also published data showing that Treasury revenue rose in both cash and real terms during the alcohol duty escalator, which was the only period in recent history where duty rates were consistently increased above inflation, and real-terms revenue flatlined over the following decade.

Figure 3: Alcohol duty receipts 2000-2025

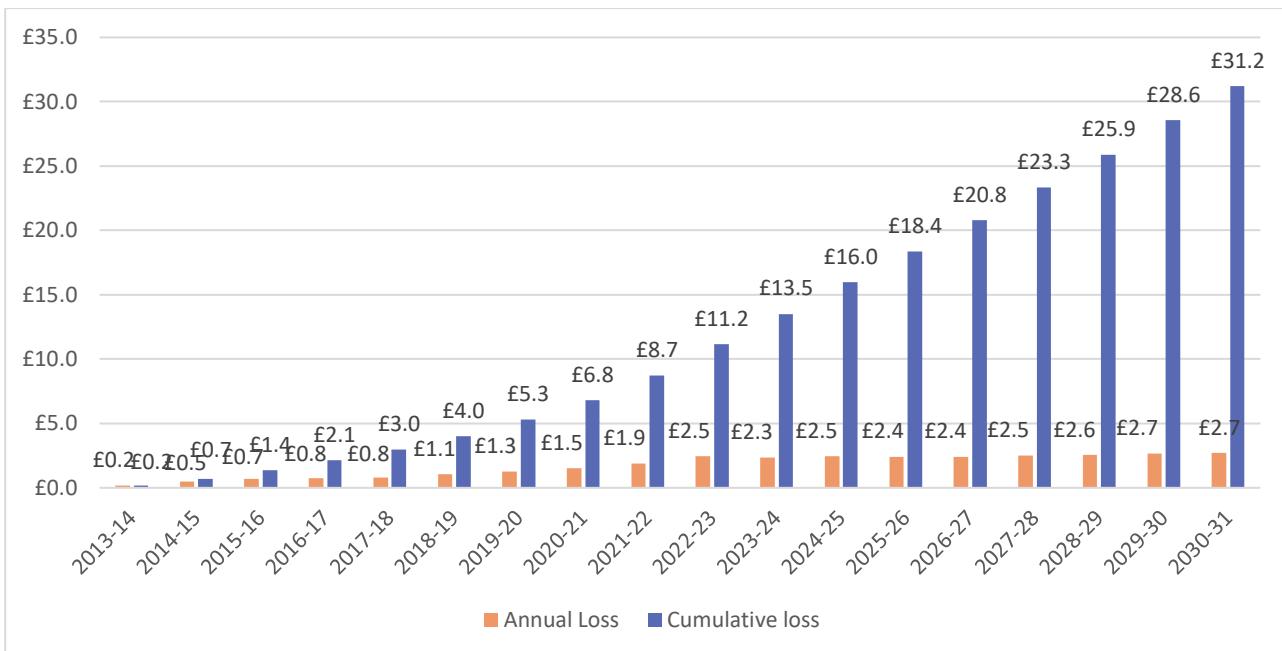
Alcohol duty receipts starting falling well before the duty reforms



Numerous government decisions to freeze and cut duty over the past decade have cost billions in lost revenue. By 2030/31, the total cumulative foregone revenue will reach **£31.2 billion**. In other words, if the 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 £31.2 billion for the public finances.

¹⁵ Angus, C., & Schöley, J. (2025). [Estimating recent trends in alcohol sales in the United Kingdom from alcohol duty revenue](#). *Addiction*.

Figure 3: Cumulative and annual impact of alcohol duty cuts since 2012 on government finances (£billions)¹⁶



These costs are based on the OBR's 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.¹⁷ 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. Therefore, even if duty is increased by inflation in all future years, the cost of freezes and cuts over the past decade will continue to increase the cumulative lost revenue. This calculation is also 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.

No ordinary commodity

Although these economic claims by trade bodies are provably wrong, ultimately public health groups recommend increases in alcohol duty in order to reduce alcohol consumption and subsequent harm. Therefore, there could well be a reduction in Treasury revenue. Yet alcohol is no ordinary commodity, it has a far wider impact than many other products. If drinking were to fall and the health harms with it, the economic productivity of the UK would increase, with fewer people going to work hungover, fewer people off work sick from alcohol, and fewer people of working age dying from alcohol. Few other products have such a negative effect on economic productivity: IAS has estimated that alcohol harm costs society in England over £27 billion¹⁸, and DHSC estimates that 485 thousand years of life were lost in 2023 due to premature death from alcohol¹⁹. A reduction in alcohol consumption, sales, and possibly Treasury revenue, could move consumer spending across to far less harmful products, or products that have a positive societal impact. And, as the Fraser of Allander Institute has argued, with the government reinvesting duty

¹⁶ HM Treasury [Spring Budget 2023](#), [Autumn Budget 2024](#), HM Treasury [Autumn Statement 2022](#), HM Treasury [Growth Plan 2022](#), HRMC [Alcohol Bulletin](#) and [IAS Spring Budget Analysis 2023](#).

¹⁷ Hansard (2018) Alcoholic Drinks: Excise Duties: [Written question – 161163](#). [Accessed 2 November 2018]

¹⁸ IAS (2024), [Economy Factsheet](#), Cost of alcohol to society in England in 2021/22.

¹⁹ DHSC (2025), [Alcohol Profiles](#).

revenue there would likely be “a “double dividend”, simultaneously increasing economic activity while reducing alcohol consumption and improving health”.²⁰

Recommendations to better protect public health

Several institutions have called for alcohol duty to be linked to the social costs of alcohol. The Social Market Foundation 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.”²¹ This position is supported by the International Monetary Fund²² and the Institute for Fiscal Studies (IFS)²³. In fact, in a 2017 working paper, the IFS published optimal off-trade alcohol duty rates to cover the cost of harm (for cider £25.40, spirits £42.60, beer £28.30, and wine £30.40 per litre of ethanol). 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 type because of the different associated harms of different products. Using these inflation-adjusted rates, 2026/27 off-trade duty rates would have to increase by the following:

- Beer duty: 68% increase
- Cider duty: 227% increase
- Spirits duty: 68% increase
- Wine duty: 34% 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 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.

There are several areas where the alcohol duty system could be improved to help protect public health and reduce alcohol harm:

1. **Raise alcohol duty above inflation each year, targeting off-trade alcohol.**
 - a. This will help tackle the rising affordability of alcohol, which has become 27% more affordable since 2012.²⁴
2. **Ultimately, develop a mechanism that ensures alcohol duty rates cover the external cost of alcohol harm to society and incentivises alcohol producers to reduce harm.**
3. **Equalise cider duty rates with that of beer of the same strength (ABV).**
 - a. Cider is still being treated preferentially, with a rate less than half that of beer for the 3.5-8.4% ABV band, in which most common ciders fall.
 - b. Modelling by SARG estimates that aligning cider and beer duty rates within the 3.5-8.4% ABV range to match the rates applied to wine and spirits within that strength band could avoid almost 75,000 deaths between 2023-2042,

²⁰ Fraser of Allander Institute (2018), [The economic impact of changes in alcohol consumption in the UK](#).

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

²² IMF (2023) [How To Design Excise Taxes on Alcoholic Beverages](#).

²³ Griffith, R., O'Connell, M., & Smith, K. (2017). [Design of optimal corrective taxes in the alcohol market](#), IFS Working Papers.

²⁴ NHS Digital (2024), [Affordability of Alcohol](#), Statistics on Public Health, England 2023.

saving over 2 million years of life lost, avoiding 700,000 hospital admissions, and saving the NHS £1.4 billion.²⁵

4. **Separate the licensing of on- and off-trade licensed premises, seizing the opportunity of the licensing reforms, particularly to tackle the harmful impact of off-trade alcohol e.g. rapid online deliveries.**
 - a. In addition, introduce minimum unit pricing in England as a mandatory licensing condition in the off-trade.

You can find the charts used in this publication on our website [here](#), particularly under the Price and Consumption topics.

²⁵ 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