

Autumn Budget Submission 2026

Executive Summary

The ask: A targeted rise in non-draught alcohol duty, delivered through a one off increase in the first financial year, and a long-term duty escalator, with pubs protected and supported through draught relief.

The fiscal benefit: An additional **£1.1 billion** for the Exchequer in the financial year 2027-2028, and £3.4 billion over the following five years (2028/29-2032/33) from a modest 2% above-inflation escalator on non-draught duty.

The wider benefit: This proposal would raise revenue, reduce alcohol harm, and support economic productivity, while helping to narrow the price gap between pubs and cheaper alcohol bought from supermarkets, off-licences, and online retailers.

Deliverability: This proposal can be delivered within the existing duty structure and draught relief introduced in 2023. It does not require wholesale redesign of the duty system.

Why now: In July 2026, Prime Minister Andy Burnham announced a 20% cut to business rates for pubs, clubs, and live venues, funded by higher taxation on businesses that 'do not make a positive contribution to local communities' – a clear statement that policy should distinguish between alcohol sold in ways that support local high streets and alcohol sold in ways that don't. IAS's proposal applies the same logic to duty.

IAS makes the following five recommendations to the Chancellor ahead of the Autumn Budget:

Immediate fiscal recommendations

1. **Increase alcohol duty on non-draught products by 10%, reflecting their greater economic and public health costs relative to on-trade and hospitality consumption.**
 - a) Research shows that a 10% reduction in off-trade alcohol sales could boost UK gross value added by £2.54 billion.
 - b) This distinction is supported by publicans themselves: 62% of publicans say supermarket alcohol is too cheap, and 60% want government action to close the price gap with pubs – more support than for any other single measure to ease pressure on their businesses.¹
 - c) This builds on the existing off-trade/draught duty distinction – no new legislation is required – and revenue raised could help fund both public

¹ IAS and Balance (2026), [Behind the bar: What publicans really think about alcohol policy](#).

health investment and further support for pubs, hospitality, and the high street.

- d) It could also reduce harm from rapid online delivery of alcohol, by increasing off-trade prices.
- 2. **Maintain or enhance draught relief to protect qualifying products sold in pubs and other on-trade settings**
 - a) This would narrow the price gap between draught alcohol served in pubs and alcohol sold predominantly through supermarkets, off-licenses and online retailers.
- 3. **Equalise cider duty rates with those of beer of the same strength (ABV).** 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, which is a clear driver of alcohol harm.

Supporting Commitments

- 4. **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 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 the lead-in period to release product from storage earlier than required to avoid paying new duty rates, a practice described by HMRC as ‘forestalling’.
- 5. **Contribute to the development of a cross-government alcohol strategy that supports economic growth, protects the NHS and improves health and wellbeing.**
 - 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.
 - 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.
 - c) IAS’s long-term vision [*‘A Healthier Future’*](#) – developed with over 40 of the country’s leading researchers, clinicians, and public health advocates – sets out a blueprint for how to tackle alcohol harm in the UK.

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.² With alcohol deaths at their third highest level on record 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 over £31 billion. We welcome the fact that the government did not cut or freeze (a cut in real terms) duty the last two Autumn Budgets, breaking with this damaging trend. However, decisions to keep alcohol duty in line with inflation does not undo the fact that cuts and freezes have made alcohol so much cheaper in recent years (in real-terms). These decisions contributed to alcohol becoming increasingly affordable, alongside subsequent increases in consumption, mortality, and other alcohol-related harms. 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.

Increasing alcohol duty for non-draught products predominantly sold in the off-trade would help the government's economic mission in three ways: 1) it would raise tax revenue for the government 2) it would divert consumer spending to much more productive industries, and 3) it would improve economic productivity by reducing the health harms of alcohol. Recent research has found that shifting spending from off-trade alcohol to other industries could boost UK Gross Value Added (GVA) by £2.54 billion, as money currently spent on largely imported off-trade alcohol is reallocated to more productive sectors. In fact, the study found that off-trade alcohol sales are one of the least productive industries.³ Additionally, 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.⁴

This distinction is also supported by publicans themselves. A 2026 IAS and Balance report that interviewed 200 publicans found that 62% considered supermarket and off-licence alcohol too cheap, while 60% supported government action to bring off-trade prices closer to pub prices. Separately, 51% identified lower duty on draught products as a measure they would like government to take to support pubs.⁵

While recent government policy – the 10 Year Health Plan and Road Safety Strategy – have set out important goals, neither of these include the most effective evidence-

² WHO (2023) [WHO factsheet on noncommunicable diseases](#).

³ Morris, D., Gillespie, D., James, M., Breeze, P., & Brennan, A. (2026). Modelling the economic effects of reducing the consumption of unhealthy commodities: An inter-sectoral input–output approach. *Addiction*, 121(6), 1398-1407.

⁴ 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.

⁵ IAS and Balance (2026), [Behind the bar: What publicans really think about alcohol policy](#).

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 and on people's lives. Setting 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.

These fiscal measures would therefore support the government's ambition to improve healthy life expectancy with a focus on prevention and reducing health inequalities, while also boosting economic growth.

The following detail sets out: the cost of alcohol harm and previous Treasury decisions; how much revenue could be raised with duty increases; how duty can cover the external cost of alcohol harm; why cider duty rates should be specifically targeted, how hospitality can be supported alongside public health; and how minimum unit pricing can complement duty increases.

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.⁶ In 2024, there were 9,809 deaths caused by conditions due exclusively to alcohol, the third highest number on record.⁷ 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.⁸ 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 – and we have already seen this play out.⁹ 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.¹⁰ **Figure 1** shows a strong long-term association between rising alcohol affordability and alcohol-specific mortality. This is consistent with wider evidence that price and affordability influence alcohol consumption and harm.

⁶ DHSC (2026), Public health profiles, [Alcohol Profile](#)

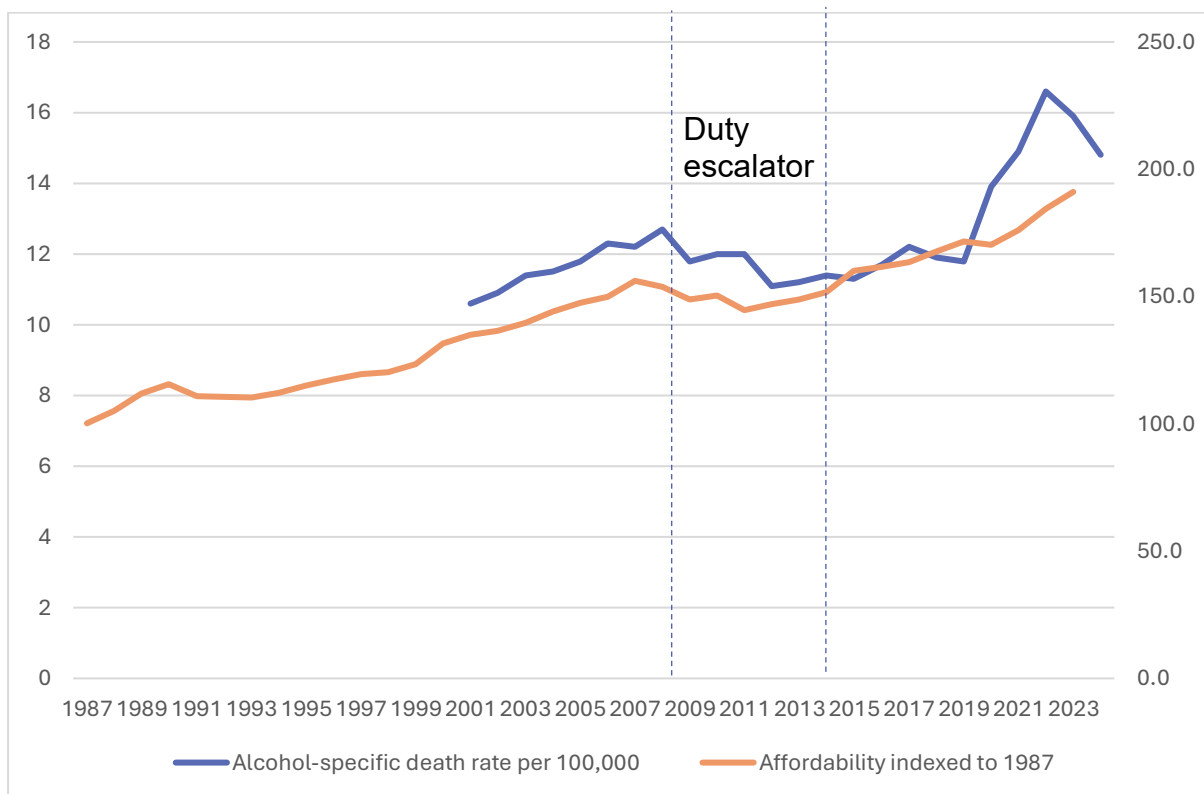
⁷ Office for National Statistics (2026), [Alcohol-specific deaths in the UK: registered in 2024](#)

⁸ Royal College of Psychiatrists (2020) [Addiction services not equipped to treat the 8 million people drinking at high risk during pandemic, warns Royal College](#)

⁹ IAS and Health Lumen (2022). [The COVID hangover: Addressing long-term health impacts of changes in alcohol consumption during the pandemic.](#)

¹⁰ UCL, [Alcohol in England, Alcohol Toolkit Study](#) (accessed August 2025).

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



Alcohol is a significant driver of premature mortality, affecting working age adults. 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 2024, the alcohol-specific death rate increased by:¹¹

- 28% in people aged 50-54
- 47% in people aged 55-59
- 51% in people aged 60-64
- 63% in people aged 65-69
- and 103% 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**.¹² Figures for Scotland, Wales, and Northern Ireland are more dated, but estimates range between £6.9 and £11.9 billion. Over £5 billion of the cost of harm in England 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, costs to social services £2.9 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

¹¹ ONS (2025), Alcohol-specific deaths in the UK

¹² Institute of Alcohol Studies (2024), [Cost of alcohol harm in England, Economy Factsheet](#).

death in England alone, with 153,000 *working* years of life lost.¹³ This will have profound consequences on economic productivity.

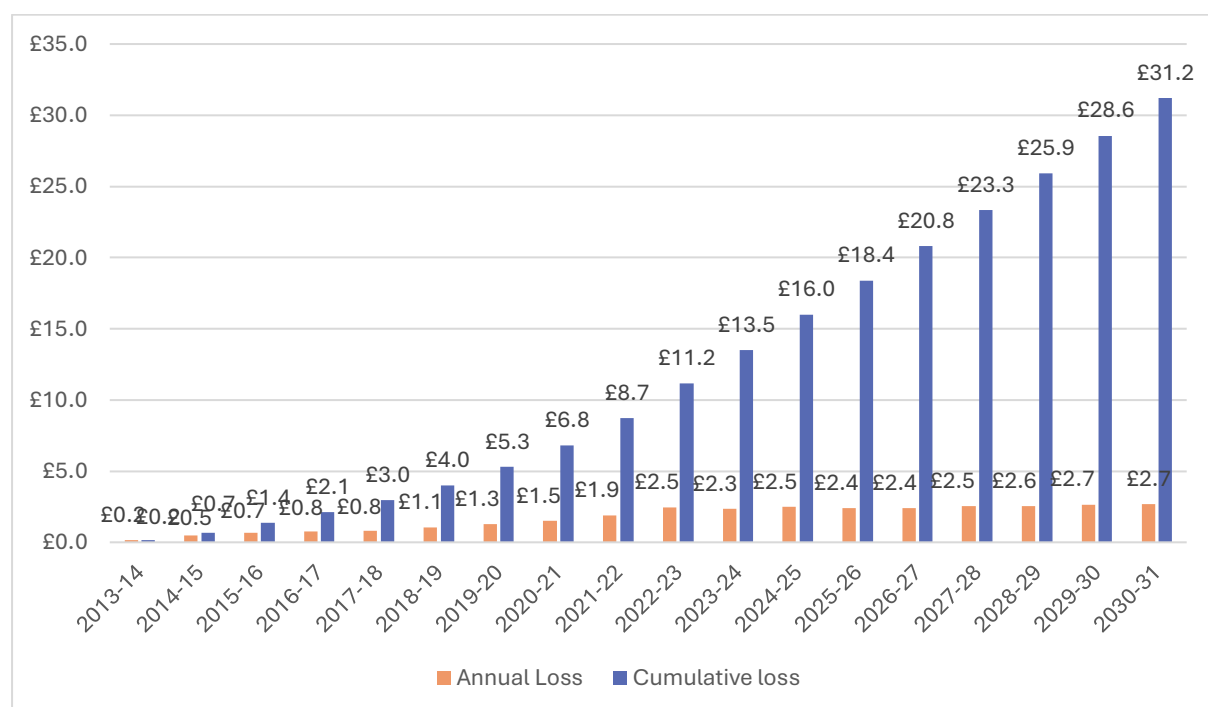
These external costs of alcohol harm dwarf the alcohol duty receipts that are collected by HMRC, which stood at £12.4 billion for the whole of the UK in 2025/26.¹⁴

Cumulative duty cuts have increased harm and reduced Treasury revenue

Previous governments cut alcohol duty rates in real terms at almost every Budget for more than a decade, 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 2030-31, the total cumulative foregone revenue will reach **£31.2 billion** (see **Figure 2**). In other words, if the previous governments 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 Treasury.

Figure 2: Cumulative and annual impact of alcohol duty cuts since 2012 on government finances (£billions)¹⁵



¹³ DHSC (2025), Public health profiles, [Alcohol Profile](#)

¹⁴ HMRC (2026), [Alcohol Bulletin commentary \(February 2026 to April 2026\)](#)

¹⁵ HM Treasury Spring Budget [2023](#) & [2024](#), HM Treasury Autumn Statement/Budget [2022](#), [2023](#) & [2024](#), HM Treasury Growth Plan [2022](#), [HMRC Alcohol Bulletin](#), and [IAS Autumn 2024 Budget Analysis](#).

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.¹⁶ 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.

Estimates from the Sheffield Addictions Research Group (SARG) lay bare the health 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 million¹⁷

Assessing industry claims about duty and revenue

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. Even using the most price-sensitive elasticity estimate in the academic literature ([a meta-analysis in *Addiction*](#) puts spirits elasticity at -0.8 , much higher than the OBR's own estimate of -0.2) a 10% rise in spirits' retail price would reduce consumption by around 8%. Yet duty typically makes up only a fifth to a third of retail price (for example, around 20% of the price of a bottle of whisky), so a 3.6% duty rise translates to a far smaller retail price increase, and a correspondingly small effect on volumes. This makes claims such as the Scotch Whisky Association's assertion that a 3.6% duty increase caused a 7% fall in spirits revenue (£150 million)¹⁸ arithmetically implausible: on the industry's own figures, *retail* prices would have had to rise by around 9% for that scale of volume loss to occur – nearly three times the actual duty increase. Claims by the SWA and the Wine & Spirit Trade Association (WSTA) often also ignore the effect of 'forestalling' – where producers temporarily advance the release of product from storage to pay duty at lower rates – and selectively compare short periods of receipts rather than the full year. Analysis in *Addiction* found no clear evidence of a longer-term impact of the 2023 duty reforms on receipts, beyond the effects of the 2022/23 cost-of-living crisis – contrary to industry claims.¹⁹

¹⁶ Hansard (2018) Alcoholic Drinks: Excise Duties: [Written question – 161163](#). [Accessed 2 November 2018]

¹⁷ 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

¹⁸ SWA (2025), [Chancellor Rachel Reeves announced an RPI inflation increase to alcohol duty](#).

¹⁹ Angus, C., & Schöley, J. (2025). Estimating recent trends in alcohol sales in the United Kingdom from alcohol duty revenue. *Addiction*, 120(10), 2134-2140.

This is consistent with the wider international evidence: the OECD's 2024 Revenue Statistics report concludes that demand for alcohol (like tobacco) is generally price-inelastic, meaning governments "may be able to increase tax rates... to generate higher revenues without significantly reducing demand" – the opposite of what Laffer curve arguments claim.²⁰

The spirits sector is likely to push for flat duty rates. This would be a mistake. Strength-based duty was the deliberate outcome of extensive consultation for the 2023 reform, and was backed by health organisations precisely because low-cost, high-strength products carry the greatest risk of harm. Harm rises with alcohol strength, and cheap, high-strength drinks are disproportionately linked to the heaviest drinking – so a system that taxes accordingly, in line with WHO guidance, is part of the reform's core public health achievement. The claim that there is no public health justification for higher duty on spirits is false: the rationale was made explicit during consultation and is backed by independent experts. Treating 'all alcohol as the same' ignores real differences in strength and drinking patterns, when the whole point is to target what heavy drinkers actually consume.

Modelling a new alcohol duty escalator

We have modelled the impact of a 10% increase in 2027/28 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 **£1.1 billion in 2027/28 alone**.

Reintroducing a modest but predictable duty escalator after a one-off increase could then generate substantial additional revenue and reduce harm 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 2028/29 to 2032/33 the effect compounds each year. A 2% real increase raises around £220 million in year one (from baseline non-draught receipts of £10.99 billion), and by year five the cumulative additional revenue is around £3.4 billion.

For comparison, if duty were only increased by RPI each year, *additional revenue* would be £0 in real terms. Analysis by the Alcohol Health Alliance indicates that this sum (£3.4 billion) is **enough to fund and sustain the salaries of over 35,000 nurses or police officers**.²¹

The first-year estimate of raising by 10% includes modelled behavioural responses and VAT. The five-year estimate is a simpler duty-only projection, excludes VAT and behavioural responses, and measures revenue above an RPI-only baseline. The estimates are therefore not directly comparable on a like-for-like methodological basis.

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

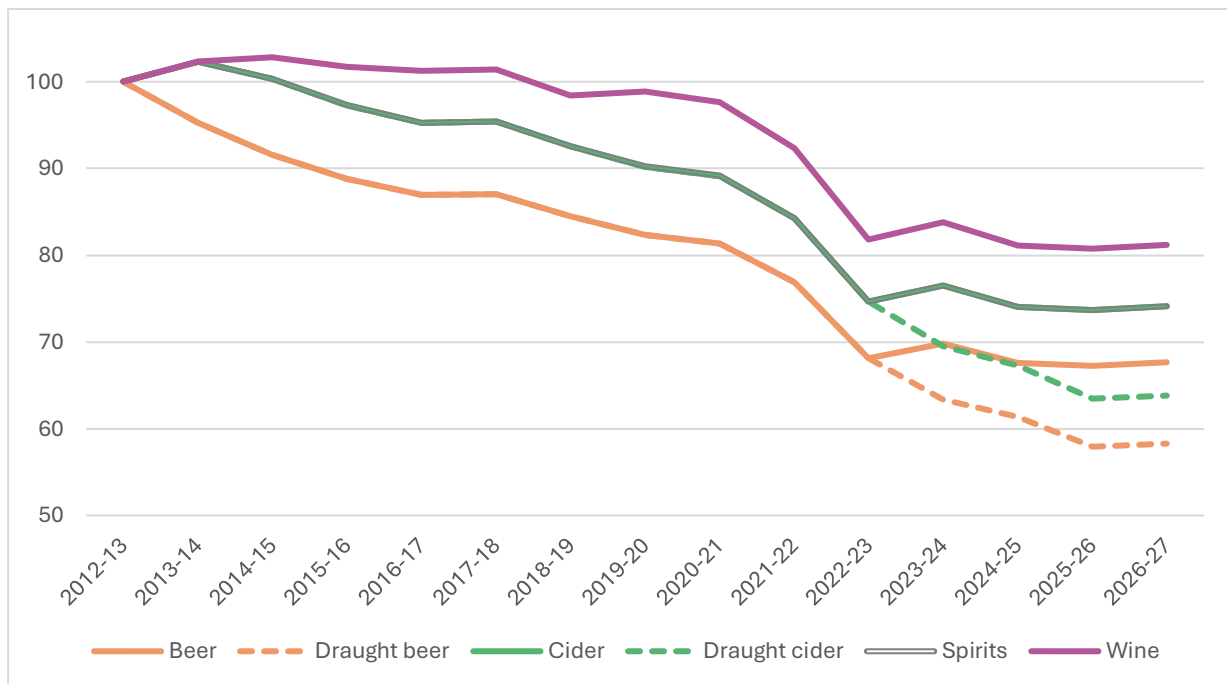
Current alcohol duty rates are set far too low. Again, due to successive freezes, rates have fallen significantly in real terms. In 2026/27 compared to 2012/13:

²⁰ OECD (2024), [Revenue Statistics: Health taxes in OECD countries 1965-2023](#).

²¹ Alcohol Health Alliance (2025) [Alcohol Duty Impact Calculator](#)

- Beer duty is 32% lower
- Draught beer duty is 42% lower
- Cider and spirits duty is 26% lower
- 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."²² This position is supported by the International Monetary Fund²³ and the Institute for Fiscal Studies (IFS).²⁴

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 £35, spirits £59, beer £39, and wine £42 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 (for standard strength products):

²² Corfe, Scott (2019). [Pour decisions? The case for reforming alcohol duty](#), Social Market Foundation.

²³ IMF (2023) [How To Design Excise Taxes on Alcoholic Beverages](#).

²⁴ Griffith, R., O'Connell, M., & Smith, K. (2017). [Design of optimal corrective taxes in the alcohol market](#), IFS Working Papers.

- Beer duty: 73% increase
- Cider duty: 237% increase
- Spirits duty: 74% increase
- Wine duty: 37% 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 reduce harm but also 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.

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 the Sheffield Addictions Research Group (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).²⁵

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.²⁶

The cider duty tax break represents a long-standing anomaly in the UK alcohol duty system, which is no longer justified as the cider industry has become increasingly dominated by large scale industrial production. 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.

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

²⁶ Corfe, Scott (2019). [Pour decisions? The case for reforming alcohol duty](#), Social Market Foundation.

Supporting hospitality, high streets, and pubs with duty changes

As previously mentioned, new research from SARG, published in *Addiction*, reinforces the case for targeting duty rises at the off-trade specifically. Using an input-output model of the UK economy, SARG found that a 10% reduction in off-trade alcohol spending would boost UK Gross Value Added (GVA) by £2.54 billion, as money currently spent on largely imported off-trade alcohol is reallocated to more productive sectors. The same is not true of the on-trade: a 10% reduction in pub and hospitality alcohol spending would cost the economy £2.68 billion in GVA, reflecting the sector's labour-intensive, domestically-integrated nature. Of the 105 sectors modelled, on-trade alcohol has the 8th-highest GVA multiplier – every £1 spent generates just over £3 of additional GVA – while off-trade alcohol sits in the bottom quarter. SARG concluded that duty reforms which specifically target the off-trade, such as the draught relief introduced in 2023, can deliver a genuine "win-win": improving public health while strengthening rather than harming UK economic output.²⁷

This approach also speaks directly to the government's devolution and high-street regeneration agenda: revenue raised from off-trade duty – the products doing the least to support the on-trade and the high street – can be used to back pubs, hospitality, and public health, while giving places more control over the tools to revive their high streets.

Across the board freezes to alcohol duty have also not helped pubs, as they help supermarkets maintain much lower prices on alcohol, driving people to consuming at home more.²⁸ Pub landlords have made it clear that cheap supermarket alcohol is one of the biggest threats to their business survival.²⁹ 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.³⁰

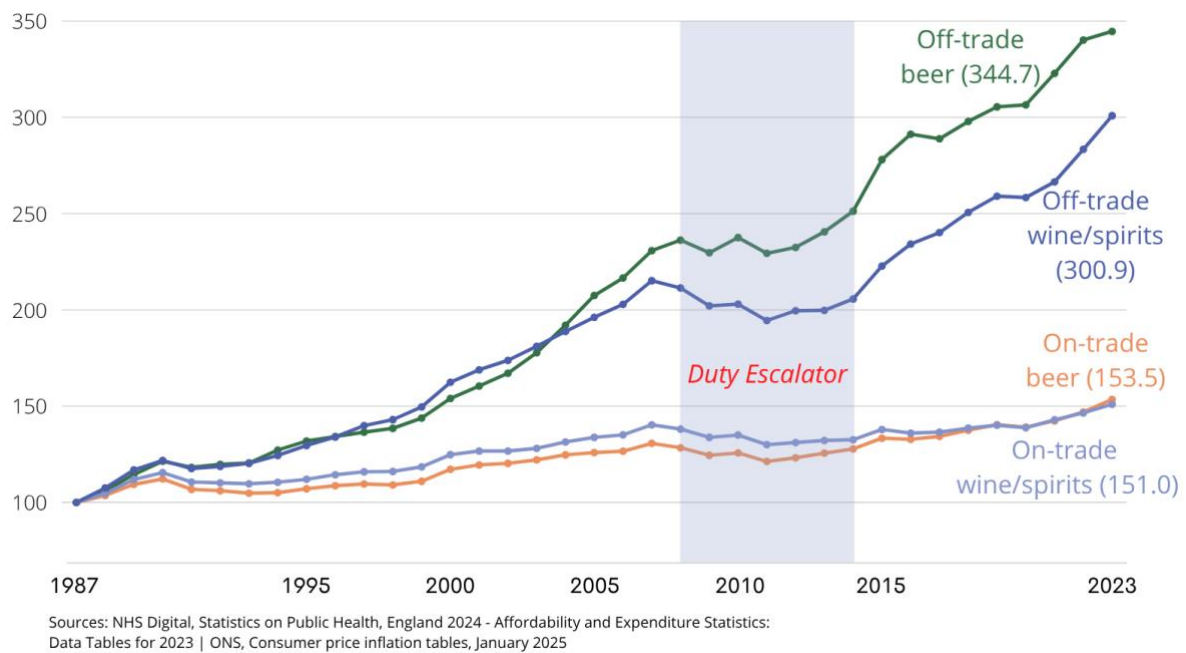
²⁷ Morris, D., Gillespie, D., James, M., Breeze, P., & Brennan, A. (2026). Modelling the economic effects of reducing the consumption of unhealthy commodities: An inter-sectoral input–output approach. *Addiction*, 121(6), 1398-1407.

²⁸ Roberts, J (2024). [Dispelling Six Industry Myths About Alcohol Taxation](#), Institute of Alcohol Studies.

²⁹ IAS and Balance (2026), [Behind the bar: What publicans really think about alcohol policy](#)

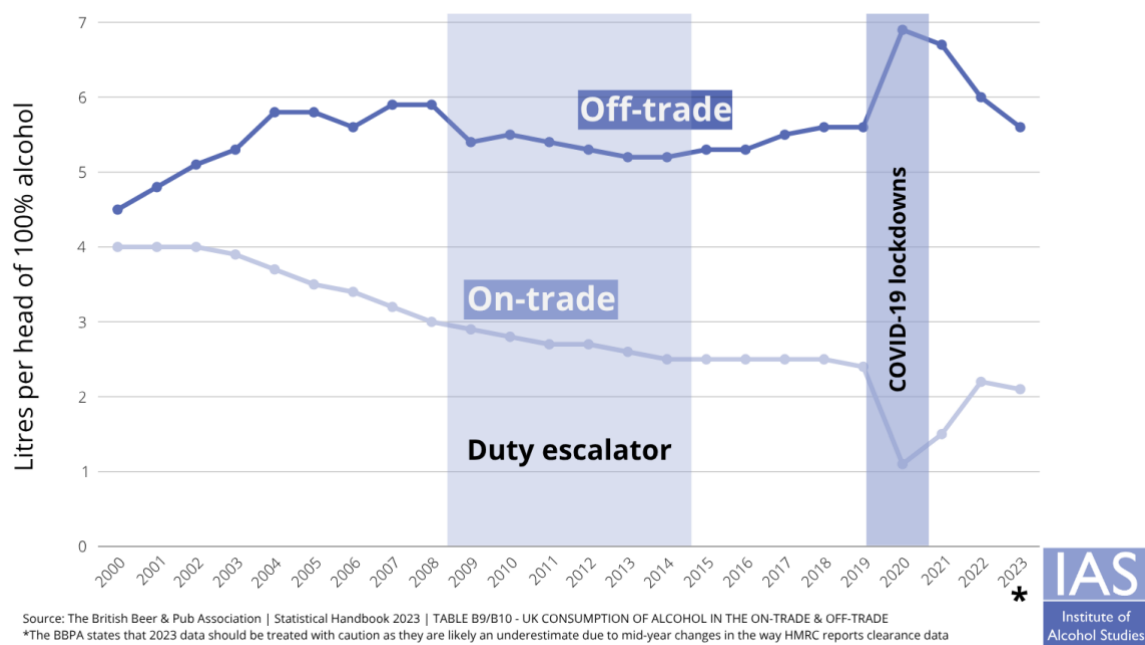
³⁰ Institute of Alcohol Studies (2025), [Price factsheet](#) [Accessed August 2025]

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



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.

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



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

1. **On-trade sales come with built-in safeguards.** Under the Licensing Act 2003, staff are legally responsible for what they sell and must not serve someone who's already drunk. Off-trade sales carry no such check at the point of delivery or consumption – nobody is watching how much gets poured, or when to stop.
2. **Off-trade alcohol is cheaper, and it's higher-risk drinkers buying it.** A pint in a pub costs roughly three times the supermarket price for the equivalent measure. Higher risk drinkers account for 32% of off-trade alcohol revenue, against 17% in the on-trade: if we want to target alcohol taxes at drinkers who are consuming at riskier levels, we should tax off-trade alcohol more.³¹
3. **Publicans and the economics agree.** There is strong support from the trade itself for treating on- and off-trade separately on pricing – because publicans are watching the same trend play out, with home drinking eroding both public health and the pub sector's viability. And the hospitality industry is a highly productive sector, whereas the off-trade sector is one of the least economically productive.

Minimum Unit Pricing

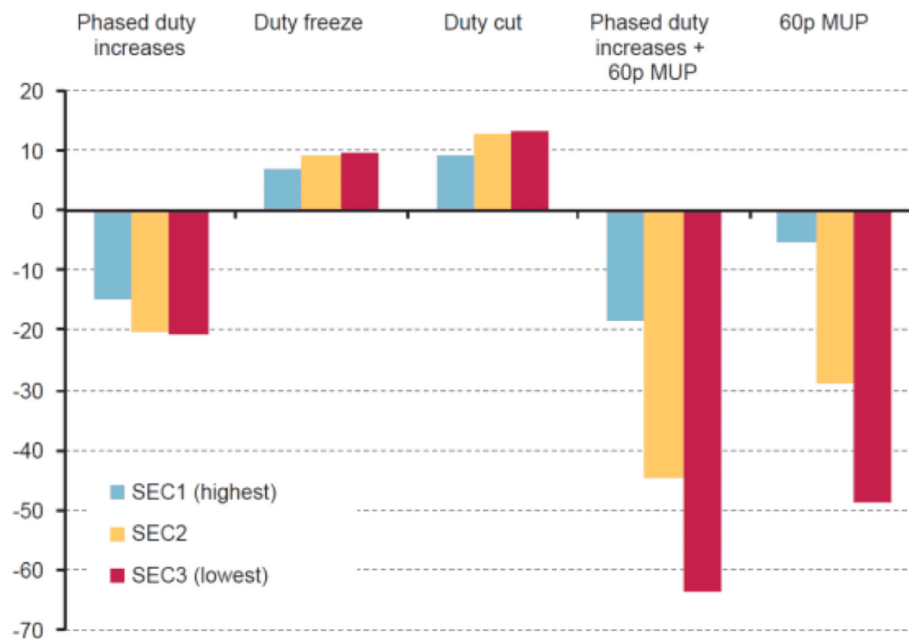
Alcohol duty increases will be most effective at tackling rates of harm when combined with minimum unit pricing (MUP). MUP is a targeted policy that raises the price of the cheapest, highest-strength products sold in the off-trade and drunk disproportionately by the heaviest drinkers. MUP is a 'safety net' mechanism, already in place with good outcomes in Scotland and Wales, to guard against industry practices such as bulk discounting, extreme short-term offers and other measures which lead to dangerously low prices on the shelf. There is evidence that duty increases are not fully passed onto the cheapest products on the market and MUP can protect against this practice.

As noted by Public Health England in its 2016 evidence review of alcohol policies, MUP and increased taxes both generate health gains, but MUP has a particular benefit in focussing the health gains on the lowest income groups, thereby narrowing health inequalities. 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 (**Figure 6** below).³²

³¹ Bhattacharya, Aveek, et al. "[How dependent is the alcohol industry on heavy drinking in England?](#)." *Addiction* 113.12 (2018): 2225-2232.

³² 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.³³

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.³⁴

The policy would also start to close the gap between on- and off-trade alcohol prices, which is why it is supported by publicans. In a recent IAS report that interviewed publicans, we found that 58% of publicans support MUP in England (79% in the North East), against just 14% opposed.³⁵

³³ Public Health Scotland. (2023). [Evaluating the impact of minimum unit pricing for alcohol in Scotland: Final report. A synthesis of the evidence](#)

³⁴ Social Market Foundation (2025) [The Price is Right: Minimum unit pricing for alcohol and the case for a windfall tax](#)

³⁵ IAS and Balance (2026), [Behind the bar: What publicans really think about alcohol policy](#).

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 mission is to advance the use of the best available evidence in public policy decisions on alcohol. Our vision is for a society where alcohol harm is rare and equal opportunities for good health and wellbeing exist for all. For more information, please visit www.ias.org.uk.

Appendix

Baseline = provisional 2025/26 receipts.

Year 1 policy = 10% nominal increase in non-draught duty (taking effect in 2027/28)

- Year 1 result = **£1.08 billion** in additional duty and VAT in 2027/28

Subsequent policy (for 5 years from 2028/29) = annual increases of RPI plus 2%

- 5 year result = **£3.4 billion** of additional duty relative to an RPI-only baseline between 2028/29 and 2032/33

Detailed 1-year modelling

The table below sets out the detailed modelling for a 10% increase in alcohol duty in 2027/28. The calculations begin with HMRC duty receipts (using available 2025/26 figures), adjusts for draught relief, and then estimates the static revenue gain from a 10% 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.

Using 2025/26 provisional duty figures to model 2027/28 revenue

	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	£3,452	£1,381	£2,071	£207	£2,278	£0.2178	-3.96%	£-90	£2,188	£117	£23
Cider	£295	£67.85	£227	£23	£250	£0.1002	-1.54%	£-4	£246	£19	£4
Wine	£4,628	£0	£4,628	£463	£5,091	£0.2954	-1.21%	£-62	£5,029	£401	£80

Spirits	£4,059	£0	£4,059	£406	£4,465	£0.3279	-0.97%	-£43	£4,422	£363	£73
Total	£12,434	£1,449	£10,985	£1,099	£12,084			-£199	£11,885	£899	£180
Total change in duty and VAT										£1,079	

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 from 2028/29 to 2032/33 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. The estimate uses non-draught duty receipts of approximately £10,985 million from the financial year 2025/2026.

Year	+2% increase	Extra duty (£millions)
2028/29	£11,205.06	£219.71
2029/30	£11,429.16	£443.81
2030/31	£11,657.74	£672.39
2031/32	£11,890.90	£905.55
2032/33	£12,128.71	£1,143.36
Total (5 years)		£3,385 ≈ £3.4bn