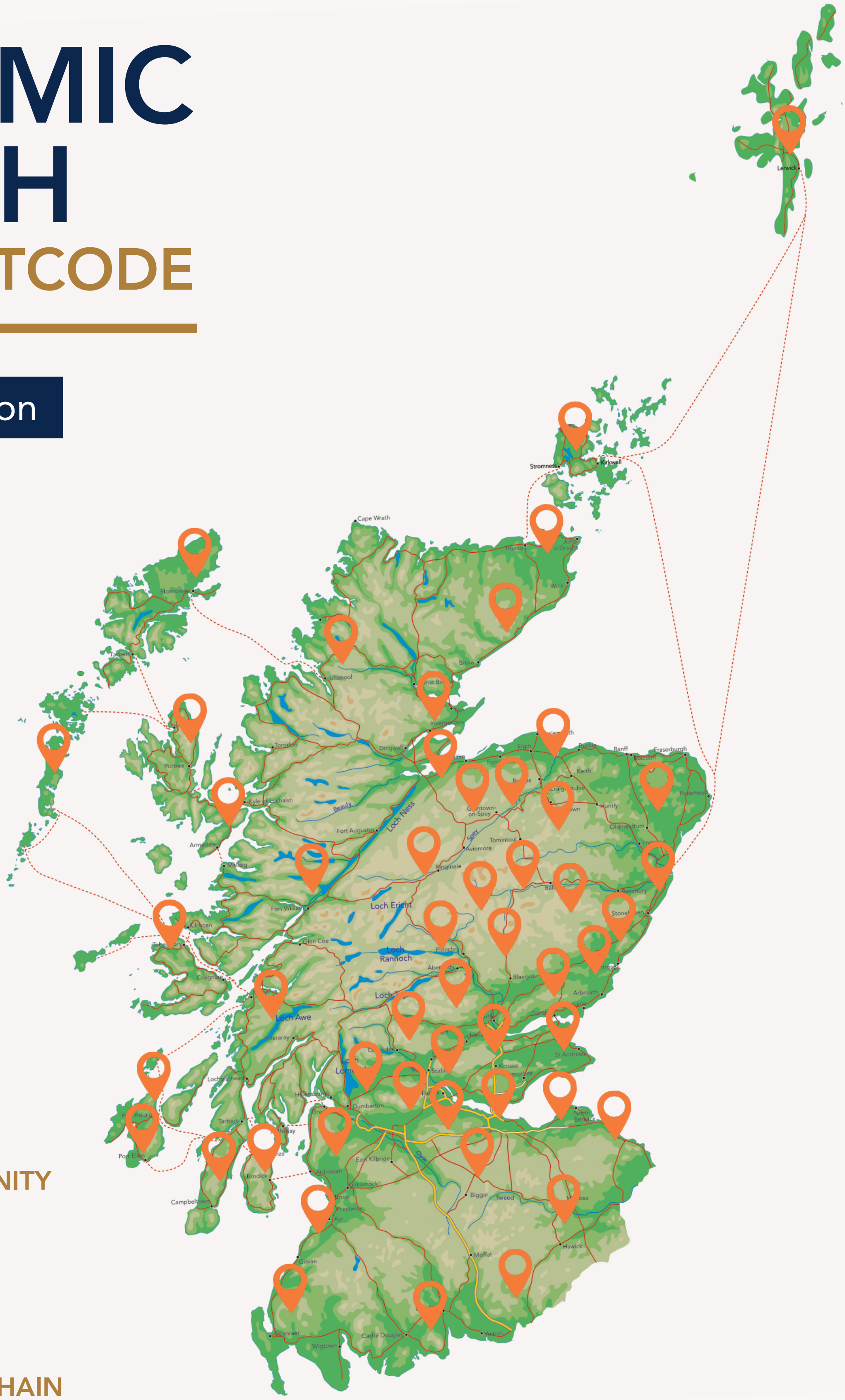
ECONOMIC GROWTH
IN EVERY POSTCODE

SWA Budget Submission

SEPTEMBER 2026



- JOBS IN EVERY COMMUNITY
- INVESTING IN GROWTH
- BOOSTING UK SUPPLY CHAIN

CUT SPIRITS DUTY | RAISE REVENUE | BOOST THE NATION

Foreword

Mark Kent, SWA Chief Executive

The Scotch Whisky industry contributes £7.1 billion annually in gross value added to the UK economy and supports over 65,000 jobs through our extensive domestic supply chain encompassing agriculture, packaging, logistics, retail and hospitality. Scotch Whisky also plays a major role in the tourism industry and the UK's soft power strategy, as the UK's largest food and drink export, worth £5.4 billion in 2025.

We greatly appreciate the efforts of UK Government trade teams, both in the UK and in embassies around the world, to collaborate with the SWA and our members to support exports. This partnership has led to significant recent successes, not least the removal of tariffs in the United States on UK whiskies and the implementation of the UK-India trade deal, initially halving tariffs on Scotch Whisky.

However, with a new Prime Minister at No.10 and Chancellor at HM Treasury, our member companies are united in their view that to maximise this global opportunity, and to bring back the benefits to Britain, domestic policies need to nurture this foundation for recovery and growth. Our industry still faces headwinds at home, with a difficult domestic business environment, caused by increased regulation and costs, including NICs, EPR and, of course, excise duty. Jobs are being shed, investment paused, and the significant UK-wide economic contribution jeopardised.

There is one short-term boost which the UK Government can take to support the industry now – **cut spirits duty in the Autumn Budget on 28 October.**

The current strength-based alcohol duty system, introduced in 2023, maintained and increased the tax disparity between spirits and other alcohol categories. Consumers who choose to enjoy a dram of whisky or a spirit-based cocktail – often containing only 1 or 2 measures, equivalent to 1 or 2 units of alcohol – are consuming less alcohol than the 2.6 units found in an average-strength pint, yet spirits are taxed up to four times more.

Alcohol duty on spirits has increased by 17% over the past three years, harming the industry and its supply chain, as well as failing to raise more revenue. This hits Scotland particularly hard, as it produces 70% of all UK spirits.

HM Treasury are evaluating the system at the moment, and we are calling on them to address the inherent imbalances and deliver a rational system based on alcohol content. As a first step, **alcohol duty on spirits should be cut at the 2026 Budget**, which real-world data shows would increase government revenue.

Taking this step would give the country a welcome boost and be an early proof point that the UK Government is serious about supporting growth in every postcode across the country, from the Western Isles to East Lothian, and also provide a boost to our important hospitality sector, strengthening the social fabric of our local communities.

HOW DO OUR BUDGET ASKS STACK UP TO THE CHANCELLOR'S BUDGET PRIORITIES?

FISCAL DISCIPLINE

Time and time again, reducing the tax burden on Scotch Whisky and other spirits has increased government revenue. Conversely, recent tax increases have reduced revenue.

GIVE A BIT MORE BREATHING SPACE

Cutting duty on Scotch Whisky and others spirits will enable consumers to support hospitality businesses across the country - consumers who are already disadvantaged due to high levels of excise duty.

BACK BRITISH BUSINESS BY DESIGN

Scotch Whisky is iconic, and the UK's largest food and drink export. But the UK is vital too, as the industry's 5th largest global market. You can't back a more home-grown success story - from grain to glass.

GROWTH IN EVERY POSTCODE

The industry supports over 65,000 jobs across the UK. In Scotland, the industry reaches agriculture, packaging, logistics, tourism, retail and hospitality, generating growth across communities and sectors.

BOOST LEVELS OF INVESTMENT

With support in the Budget, Scotch Whisky producers can re-invest in the UK economy, securing jobs and increasing CapEx.

CUT SPIRITS DUTY.
RAISE REVENUE.
BOOST THE NATION.

The Scotch Whisky industry, with the support of home governments, has secured important gains in overseas market access, but the UK tax burden has risen to unsustainable levels. It must not rise again.

The evidence from the post-2023 duty regime is increasingly clear: spirits have become relatively more expensive, volumes have weakened, and receipts have fallen significantly short of the official forecasts.

We want the Chancellor to:

Cut spirits duty at the 2026 Budget and commit to no further widening of the duty gap between spirits and other alcohol categories.

Since August 2023, spirits duty has increased by 17%.

To put that in context, that is more than duty increased between 1997 and 2010 – the last time Labour were in power. As Chancellor, Gordon Brown froze spirits duty from 1997 to 2007. Conventional HM Treasury thinking, which persists today, will tell you that this will lose the government revenue. But between 1998/99 and 2007/08, spirits revenue increased by 44% - from £1.6bn to £2.4bn.

And this is not the only example. Time and time again, by reducing the tax burden on Scotch Whisky and other spirits, revenue has increased:

- Spirits duty was cut by 2% in 2015. The result? Spirits revenue increased by 4% in 2015/16.
- Spirits duty was frozen between 2017 and 2022. The result? Spirits revenue increased by 20%.

The result of the 17% increase to duty over the past three years? Revenue fell by £94m in 2025/26 compared to 2024/25.

Not only that, but revenue has significantly under-performed against forecasts.

Alcohol duty receipts in 2028/29 will be around £1.8bn lower than originally forecast in November 2023, the first forecast after the alcohol duty reforms were introduced. That is a 29% revision in just three years.

Yet, ask HM Treasury and they will say anything but a duty increase in the Budget will lead to a reduction in revenue.

Follow the facts. Reducing the tax burden on Scotch Whisky and other spirits will lead to increased revenue.

65%

of people believe the current duty system is unfair for Scotch Whisky

FOLLOW THE FACTS.

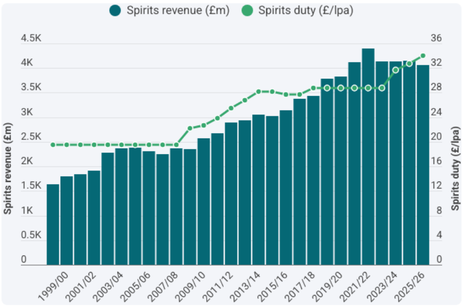
Three decades of data cannot be wrong.

Recent duty increases have reduced government revenue, while previous cuts and freezes have generated more revenue and stimulated growth.

We want the Chancellor to put real-world revenue performance at the heart of his decisions on 28 October, and not simply follow the "tax up, revenue up" dogma of old.

Three decades of evidence

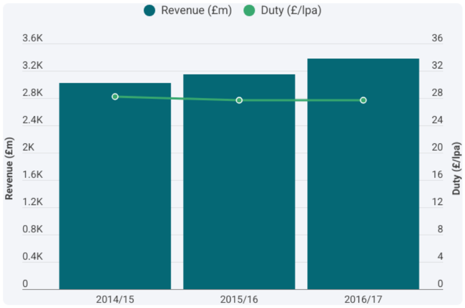
Spirits duty revenue has consistently grown at a faster rate when spirits duty has been frozen or cut.



Source: HM Revenue & Customs (HMRC) Fiscal Data Archive

Cuts generate revenue growth

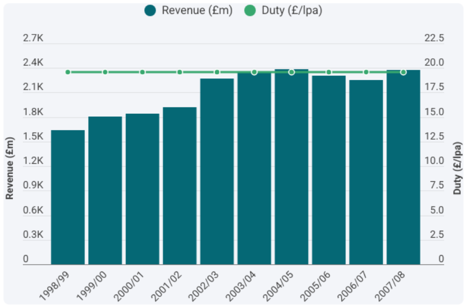
The 2% cut to spirits duty in 2015 led to a 4% increase in spirits revenue in 2016/17



Source: HM Revenue & Customs (HMRC) Fiscal Data Archive

The Gordon Brown approach

Spirits revenue increased by 44% between 1998/99 and 2007/08, from £1.6bn to £2.4bn, while spirits duty remained frozen at £19.56 per lpa.



Source: HM Revenue & Customs (HMRC) Fiscal Data Archive

We want the Chancellor to:

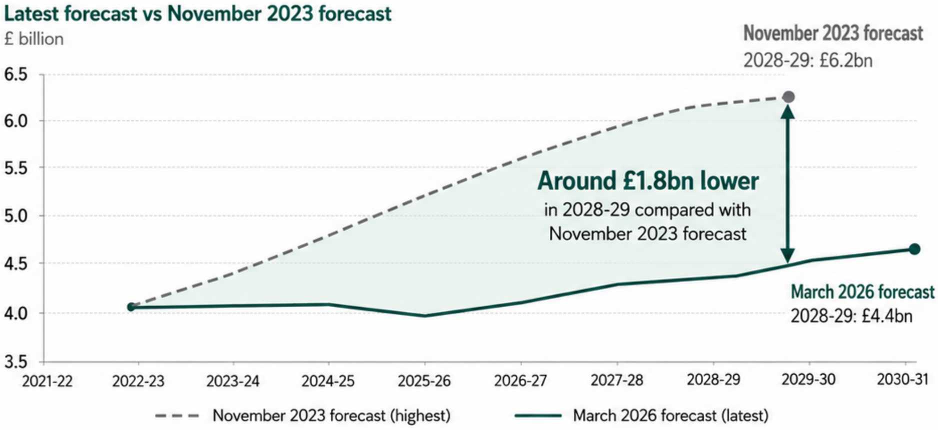
Put real-world revenue performance at the heart of future duty decisions, recognising that forecasts have not accurately predicted outturn, frequently undervaluing the benefit of a more supportive tax environment.

Official forecasts for spirits duty receipts have been revised down sharply

Successive forecasts have substantially reduced expected receipts compared with November 2023

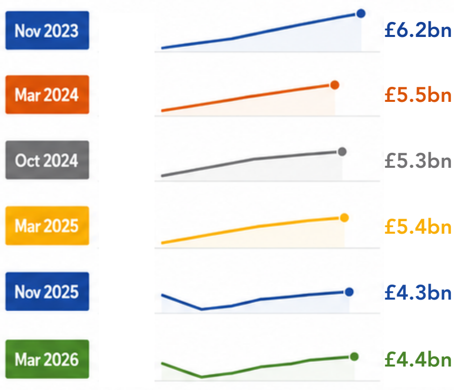
Latest forecast vs November 2023 forecast

£ billion



How OBR forecasts have changed over time

Forecast for 2028-29, £ billion



All charts share the same y-axis scale (3.5 to 6.5 £ billion).

OBR's latest forecast for 2028-29 (£4.4bn) is around £1.8bn lower than in November 2023 (£6.2bn)
A 29% downward revision.

Down £1.8bn by 2028-29

5 of 5 subsequent forecasts are lower

Sharp downward revisions across the forecast horizon

Note: Forecasts shown for financial years. Values may not sum due to rounding.
Source: Office for Budget Responsibility (OBR)

CORRECTING STRUCTURAL DISTORTIONS.

The alcohol duty reforms, implemented by the previous government, were supposed to simplify the system, make it more economically rational and reduce administrative burdens. The SWA's June 2026 submission to the HM Treasury evaluation of the system, supported by Flint Global analysis, concluded that the system has instead reinforced and widened the pre-existing disparity between spirits and other categories.

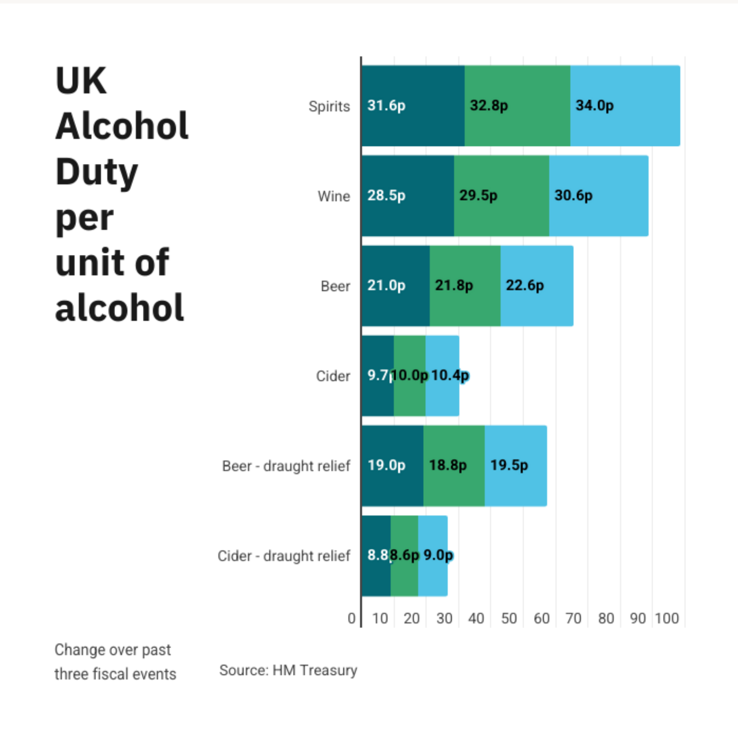
That matters not only for the Scotch Whisky industry. It matters for hospitality, for consumers, for Scotland's economy and for the Exchequer. A competitive, stable home market is essential if producers are to convert recent trade wins into new investment, exports and jobs.

We want the Chancellor to:

Use the alcohol duty evaluation to begin correcting the structural distortions that penalise Scotch Whisky and other UK spirits over the course of this Parliament. As an initial step towards a fairer duty system, all duty rates in the 3.5% to 8.4% abv band should be equalised.

The 2023 reforms were presented as a move to a simpler, more economically rational system. The evidence now points in the opposite direction for spirits. Flint Global found that the new regime inherited much of the complexity of the old system and further increased the disparity between the taxation of spirits and other alcohol categories.

Duty is now £33.99 per litre of pure alcohol on spirits, compared with £30.62 for wine, £19.45 for draught beer and £10.39 for cider. 40% abv Scotch Whisky therefore pays about 1.7 times the duty per litre of alcohol paid by draught beer, up from 1.5 times before reform.



Those tax differences have put industry, and consumers of spirits, under more financial strain. After controlling for underlying producer costs, off-trade spirits prices have risen by close to 18% relative to beer since August 2023.

In the on-trade, the cost-adjusted spirits-to-beer price ratio has risen by around 17%, while spirits have also risen by around 5% relative to wine.

With the HM Treasury evaluation of the reformed system underway, the Autumn Budget should be the first step to addressing the distortions faced by spirits producers over the course of the Parliament.

A BROKEN MODEL FOR SCOTLAND.

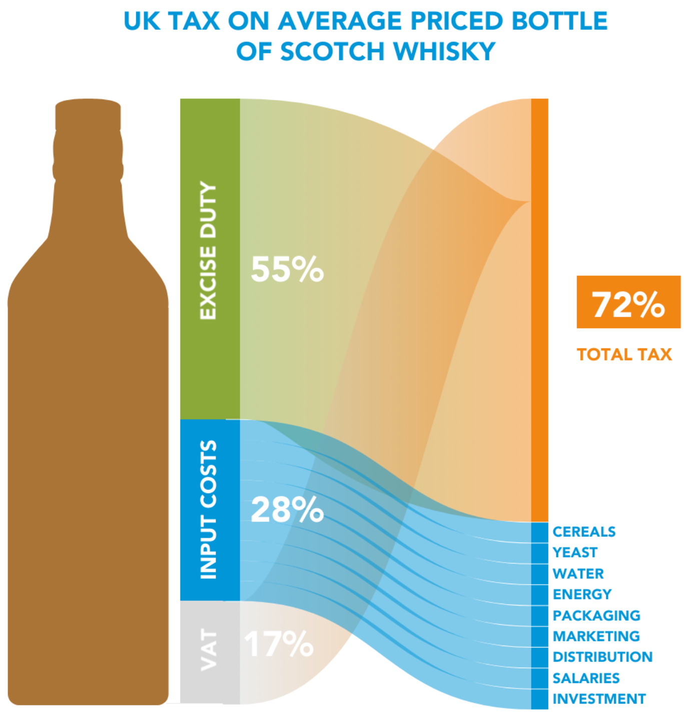
The duty imbalance lands particularly heavily on Scotland. More than 70% of UK spirits are produced in Scotland, and Scotch Whisky alone supports more than 41,000 jobs in Scotland and around 25,000 elsewhere in the UK. The industry contributes £7.1bn in gross value added to the UK economy and supports extensive supply chains in agriculture, packaging, logistics, retail, hospitality and tourism.

Around 90% of the industry's barley requirement is sourced in Scotland. Distilleries and visitor centres attracted 2.7m visits in 2024, bringing spending into rural and island communities as well as Scotland's cities. Scotch Whisky also remains one of the UK's most internationally successful goods exports, worth £5.4bn in 2025.

A domestic tax system that places spirits at a structural disadvantage therefore has consequences far beyond our member companies. It affects investment decisions, supply-chain demand, hospitality margins, tourism and the competitiveness of a flagship UK sector - the majority centred on the Scottish economy

A duty cut in 2026 would provide an immediate boost for the industry, and Scotland. Then the HM Treasury evaluation can create a genuinely rational system that reduces arbitrary distinctions and narrows the gap between categories.

As an initial step towards a fairer duty system, all duty rates in the 3.5% to 8.4% abv band should be equalised. Spirits, like Scotch Whisky, currently pay an 18% premium on RTDs in this band vs beer, and a 156% premium vs cider, for the same amount of alcohol.



PUBS CAN'T SURVIVE ON BEER ALONE.

Spirits, including Scotch Whisky, are essential to the profitability of hospitality businesses. 38% of alcohol profits (£5.7bn) in UK hospitality businesses are from spirits, which account for only 18% of the units of alcohol.

But the introduction of 'draught relief' has cut spirits out of efforts to support the hospitality sector and, as a result, widened the competitive disadvantage for Scotch Whisky in pubs, bars and restaurants, because standard spirits cannot realistically access the relief through their normal 70-100cl bottle dispense mechanism.

Here is an example of the unfairness of the system. A 25ml measure of Scotch Whisky at 40% ABV contains one unit of alcohol and attracts around 34p of duty. By contrast, a pint of 6.7% cider contains about 3.8 units but, under 'draught relief' rates, can attract the same 34p of duty. A consumer can therefore purchase almost four times the alcohol content for the same duty.

We want the Chancellor to:

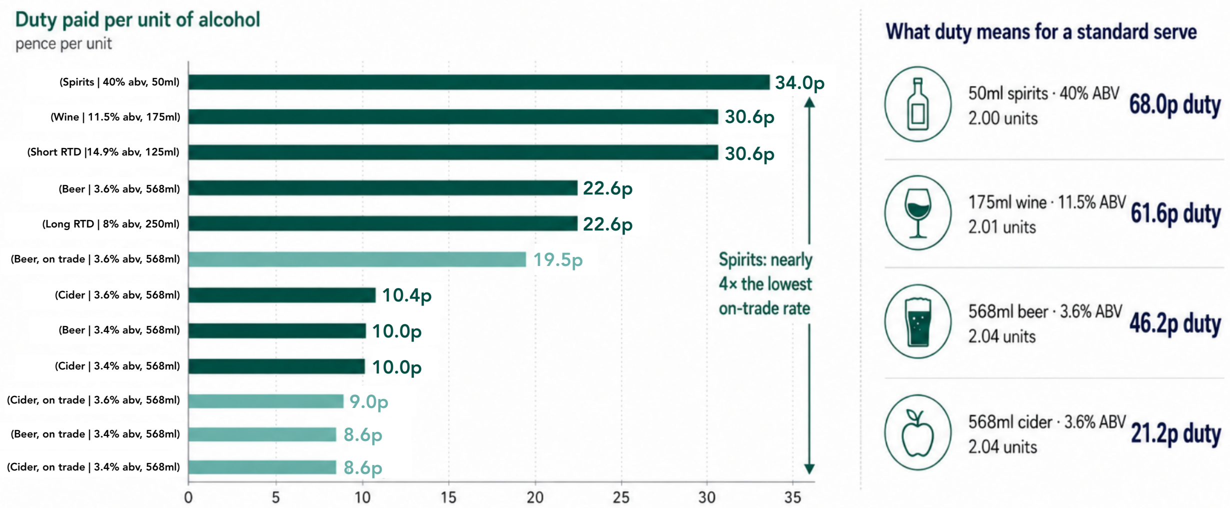
Address Draught Relief so that spirits like Scotch Whisky are not excluded in practice from support available to other alcohol categories in the on-trade — either by ending the distortion or by developing an equivalent route for spirits through their usual dispensing mechanism.

'Draught relief' also creates cliff-edges. A beer reformulated from 3.7% to 3.4% ABV can receive a tax reduction of up to 60% for an 8% reduction in alcohol content. Yet that 3.4% ABV pint still contains 1.93 units of alcohol, almost as much as a double measure (50ml) of Scotch Whisky which contains 2 units. The beer has 19p of excise duty applied, while the Scotch Whisky has 68p applied - a 241% premium. **That is not a rational relationship between alcohol content and tax.**

Pubs cannot survive on beer alone. The Autumn Budget should not make this situation worse.

A cut to spirits duty will reduce the competitive disadvantage faced by spirits producers and spirits consumers – and turbo charge the government's support for the hospitality sector.

Each of these drinks contain around 2 units of alcohol - but vastly different taxation

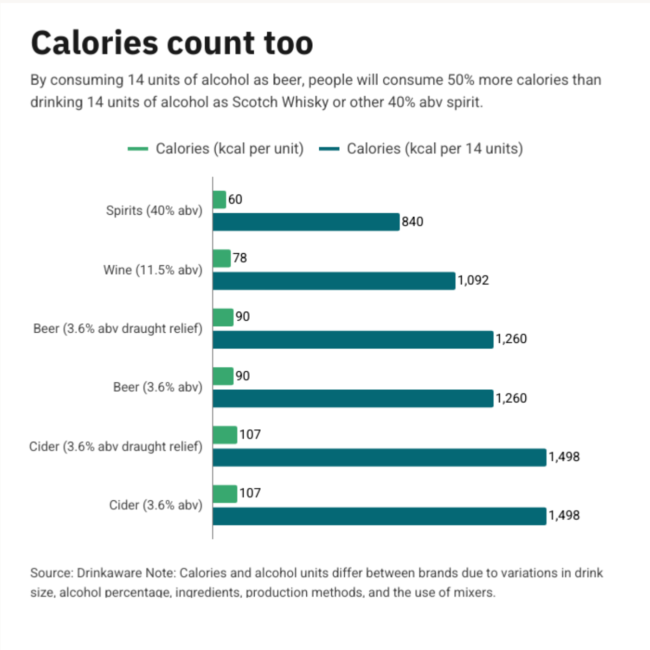


CALORIES COUNT TOO.

Spirits are typically consumed in significantly smaller measures than beer or wine, and premium products are often associated with moderation, quality, and tourism-led experiences rather than high-volume, high-calorie consumption.

The reformed duty system does not take into account the high-calorie consumption associated with high volume drinks like beer and cider.

For example, 14 units of alcohol, as set out in the Chief Medical Officers' low-risk consumption guidelines, consumed as cider is around 1500 kcal. 14 units of alcohol as Scotch Whisky is over 40% less, at around 840 kcal.

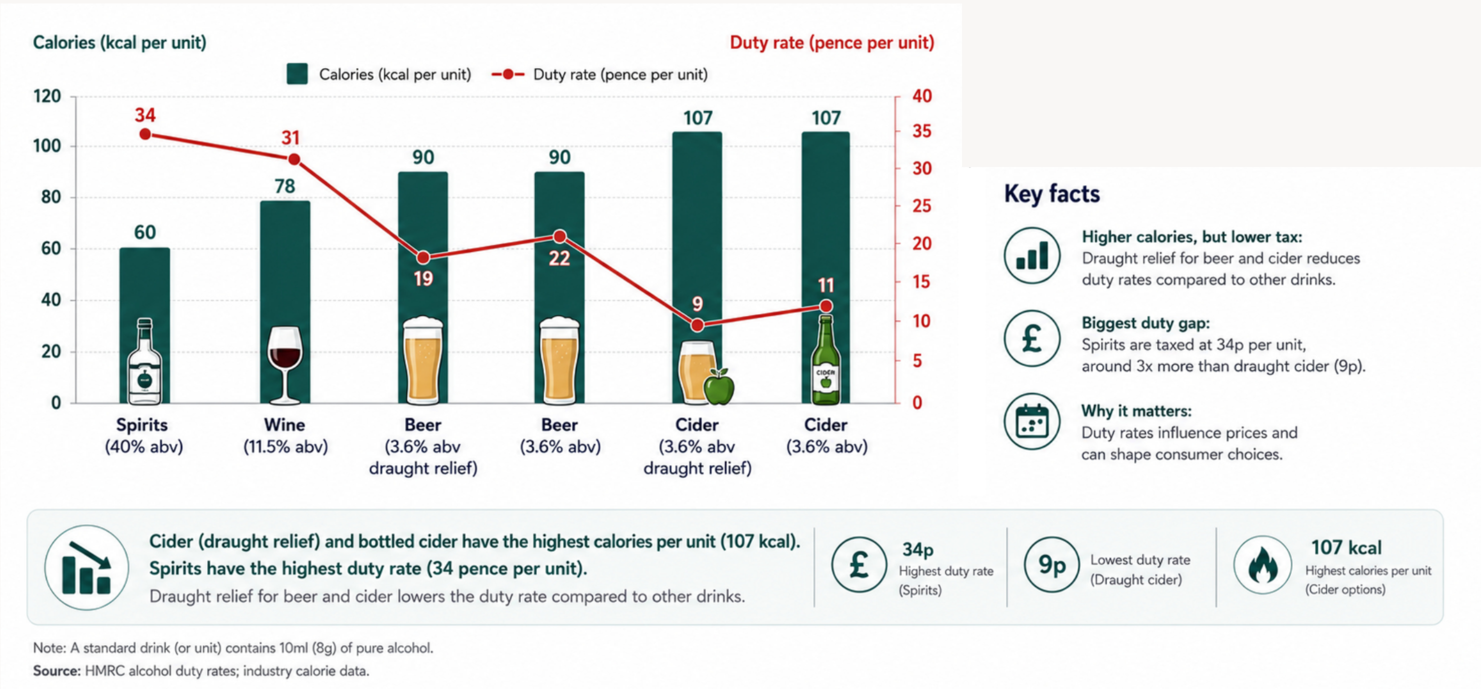


Despite being the most calorific alcohol category, cider is the least taxed.

The same is true of beer - despite containing 50% more calories than spirits like Scotch Whisky, beer is taxed 34% less than spirits per unit of alcohol, rising to 43% less in the on-trade under 'draught relief'.

This imbalance is, ultimately, a further consequence of the duty system's fixation on alcoholic strength, rather alcohol content which takes into account the volume of alcoholic drinks.

Calories count too, and the typical volume of alcoholic beverages should be taken into account in deciding the future of a truly fair alcohol duty system.



TURN TRADE WINS INTO DOMESTIC GROWTH.

The international picture has improved significantly in the last few months. The 10% US tariff imposed in April 2025 damaged trade in Scotch Whisky’s most valuable market, with 2025 export volumes to the United States falling 15%, so the lifting of tariffs is extremely positive. Tariffs in India have been halved and strong growth continues in that vibrant and critical market. China also cut its tariff on Scotch Whisky from 10% to 5%. These are all, clearly, welcome developments and will help the industry – but not overnight.

These gains show what government and industry can achieve together. But their value will be harder to realise if producers face an ever-rising tax burden at home. The right policy mix is to pair ambitious trade policy with a stable domestic environment that gives producers confidence to invest in production, people and place.

The 2026 Budget should help turn trade wins into domestic growth by cutting spirits duty and committing to reform the structural disadvantages exposed by the Treasury evaluation.

Why UK tax rates matter to exports...

April 2026 - Karnataka, India

State excise reforms explicitly pointed to the UK's £33.99/LPA spirits duty rate when benchmarking and defending a proposal to increase its own effective spirits excise towards ₹2,000/LPA.

January 2024 - Vietnam

UK government officials in Vietnam inform the industry that the *"decision has therefore been taken to pause lobbying efforts on hybrid/specific tax methodologies"* due to the UK's new duty system.

10% > 0%

The 10% tariff on Scotch Whisky and other UK whiskies has now returned to zero in the US - a big win in the most valuable market for Scotch Whisky in the world.

150% > 75%

The UK-India free trade agreement has now come into force, cutting the 150% tariff in half and now on a path to 40% over the next 10 years.

10% > 5%

The 10% tariff in China was halved to 5% at the start of the year - boosting a growing market for Scotch Whisky.

The Scotch Whisky Association

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#SpiritsSuperTax