

Karnataka

Karnataka's new AIB policy misleading, claims beverage industry

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With AIB, beer sales logged a growth rate of 41.32 per cent in the first-half (April to September) this year in comparison to the corresponding period in 2025. Express Illustration

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BENGALURU: Karnataka's newly introduced 'alcohol in beverage' (AIB) policy has come under flak by the Confederation of Indian Alcoholic Beverage Companies (CIABC), the apex body of the Indian alcoholic beverage industry.

"Any policy framework that implicitly presents beer or other lower-ABV alcoholic beverages as 'safer', 'lighter' or less harmful simply because their 'alcohol by volume' (ABV) is lower, risks misleading consumers and distorting the market," stated Director General, CIABC, Anant Iyer, in response to the just-released first half-yearly report on sales of beer and IML, and excise revenue in Karnataka, post implementation of the AIB policy.

The policy implemented in Karnataka on May 11, has drastically reduced Maximum Retail Price (MRP) on lager beers with five per cent alcohol v/v content and some premium Indian Made Liquor (IML) brands, including Scotch whiskey.

With AIB, beer sales logged a growth rate of 41.32 per cent in the first-half (April to September) this year in comparison to the corresponding period in 2025. IML sales registered a 1.14 per cent growth in the first-half this year in comparison to 2025.

The total excise revenue collection has increased by 13.39 per cent in the first-half in comparison to last year, with the department collecting Rs 22,191.63cr as against Rs 19,570.23cr in the same period last year. The annual Excise revenue target for 2026-27 has been pegged at Rs 45,000 crore.

"The debate over alcohol taxation in India must begin with one simple, scientifically relevant fact, that alcohol is alcohol. Beer, wine, ready-to-drink beverages and spirits may come in different bottles, serving sizes and strengths, but they share one fundamental ingredient --ethanol.

The AIB taxation policy in Karnataka highlights an important lacuna that a tax structure that facilitates beer sales, while generating relatively limited incremental revenue, may not be an efficient excise model," said Iyer.

"The issue becomes more relevant because the revised excise structure has simultaneously increased the tax burden on IML.

With IML volumes virtually stagnant, the significant increase in IML revenue indicates that the revenue gain is coming primarily from higher revenue realisation from the existing consumer base (taxing the mass consumer) rather than any meaningful expansion in volumes,” he added.

“The objective of an excise policy cannot be evaluated merely by showing that total revenue has increased. The outcome from Karnataka should force policymakers to seriously think before replicating a similar AIB taxation model in other states.

State governments need to implement a more balanced, equitable and sustainable excise framework with the objective to support healthy growth across categories, ensure long-term revenue sustainability, and avoid disproportionate taxation of a particular category,” said the CIABC chief.

Meanwhile, the Brewers Association of India (BAI) has congratulated the Karnataka government for implementing the “progressive” AIB taxation framework so successfully.

“Alcohol content-based tax is the gold standard of alcohol taxation all over the world, and recommended by the World Health Organization (WHO) as a tool to reduce harmful use of alcohol. However, the rate of taxation needs to hit the sweet spot to optimize the economic goal of maximizing revenues and public health goals of encouraging milder alcoholic beverages, and the Karnataka government seems to have done that very well,” said Vinod Giri, Director General, BAI.

EXPLAINING ABV

A 255ml of beer at 5% ABV, 98ml of wine at 13% ABV and 30ml of spirits at 42.8% ABV each deliver approximately 12.7ml of pure alcohol. That puts to rest the simplistic assumption that a lower ABV automatically means significantly lower alcohol exposure. Average spirits consumption is stated at approximately 150-160ml per occasion, translating at 42.8% ABV into around 70ml of pure alcohol. The implication is difficult to ignore: despite having a much lower ABV, beer can result in comparable, and in consumption, even higher pure alcohol intake than spirits because it is consumed in substantially larger volumes.

Beverages

alcohol in beverage

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