

Drinks Industry Group of Ireland | Pre-Budget submission

June 2025

**Reduce alcohol excise by 10% to start the process of
bringing it into line with lower EU levels and support
commercial viability and competitiveness**

Contents	Page
Executive Summary	3
1. Drinks Industry Group of Ireland	5
2. Recommendation for Budget 2026, 10% reduction in alcohol excise	5
3. The economic environment in 2025 and 2026	9
4. The drinks industry performance and difficulties	11
5. Substantial national and regional economic contribution	14
6. Ireland's very high alcohol excise	18
7. Cost of a 10% excise reduction	19
8. Summary and recommendation	21

Executive Summary

DIGI calls for Budget 26 to reduce alcohol excise by 10%. This should be part of a move towards the lower average EU alcohol excise norms.

The global economic growth rate is slowing and the Irish economy is now expected to perform worse in 2025 and 2026 than was expected only a few months ago. Expectations may further worsen depending on what happens with US industrial, trade and tariff policies. The Irish economy is very dependent on inward US foreign direct investment which is likely to be negatively affected by US policies. Future Irish economic development policy will have to focus more on indigenous industries such as drinks and tourism. Budget 26 should recognize the importance of the domestic market to distillers and craft brewers in the new tariff environment which restricts exports, and the need to boost viability in the domestic market for these and other hospitality/drinks enterprises.

Even before the current slowdown in economic growth and the impact of the changes in the US industrial, tariff and trade policies, the drinks sector, as recognized in the 2025 Programme for Government, has been facing severe economic and market difficulties, notably the impact of significantly higher costs of doing business, reduced margins and threats to commercial viability. The pre-Covid and pre-high inflation business model for much of the drinks industry has been decimated. The recent and current economic environment is having a particularly strong negative impact on drinks and hospitality enterprises in the regional and rural parts of the economy. Pub closures are significant and ongoing, and regional hospitality employment is declining. Rural pubs and other small drinks businesses need support to enhance commercial viability and prevent the rate of closure increasing.

Aggregate and average per adult alcohol consumption has declined over the long term and also, most recently, in 2024. The number of rural/regional public houses has declined. Regional (outside Dublin) hospitality employment between Q4 2023 and Q4 2024 has declined from 127.8k to 119.9k, a loss of 7,900 jobs. Between March 2024

and March 2025 the seasonally adjusted value of turnover in bars declined by 9.1% with a likely higher decline in regional and rural pubs.

The drinks industry includes beverages manufacturers, public houses, restaurants, hotels, off-licences, wholesalers and distributors and drinks tourism attractions. The industry accounts for tens of thousands of jobs and thousands of enterprises regionally spread around the country. It generates substantial indirect economic impact through the purchase of billions of euros of inputs of goods, services and agricultural products such as apples, barley and milk. It generates over €2 billion in exports which may face a severe threat from US tariffs. Hospitality directly employs 184.4k people (6.6% of total employment), 65% of which are located outside Dublin. It generates €2.7 billion in excise and gross Vat receipts. The drinks industry contributes significantly to the wider tourism sector.

The industry is a substantial economic asset but is penalized by high excise. Ireland has the second highest wine excise after Finland, the third highest beer excise in the EU 27 and UK (using the UK non-draught beer excise) behind Finland and the UK and the third highest spirits excise. Fifteen EU economies do not impose any excise on wine. On an overall composite alcohol excise level (measured by the unweighted average of the different beer, spirits and wine excise rates), Ireland is the second highest behind Finland. For example, Ireland's beer excise is 11.4 times that of Germany. Irish spirits excise is 4.4 times that of Spain. This relatively high alcohol excise is unjustified because Ireland is no longer a very high alcohol consumer by EU and OECD standards.

The minimum unit pricing regime for alcohol has removed any justification for using high excise rates as an instrument of public health policy.

The drinks industry is a substantial economic asset. The industry should be supported to cope with the current difficulties and to realise its potential by reducing the internationally high level of Irish alcohol excise.

1. Drinks Industry Group of Ireland

The Drinks Industry Group of Ireland (DIGI) is the umbrella organisation for the drinks industry. It is composed of manufacturers, distributors and both on-trade retailers (pubs, hotels and restaurants) and off-trade retailers (independent off-licences). Our members are:

- **Drinks Ireland**
- **Irish Hotels Federation**
- **Licensed Vintners Association**
- **National Off-Licence Association**
- **Restaurants Association of Ireland**
- **Vintners Federation of Ireland**

DIGI is concerned with the excise taxation and economic development aspects of the drinks industry. Through its research, DIGI seeks to highlight the significant economic and social contribution made by the industry and the negative effect of internationally very high alcohol excise tax. DIGI seeks to work with stakeholders to create conditions that ensure the industry's growth and the realisation of its full economic potential.

DIGI is mindful of its responsibility in relation to the issue of alcohol misuse in Ireland and is keen to play a meaningful role in addressing it. However, excise tax is an ineffective and unfair way to deliver responsible alcohol consumption especially with the operation of the Minimum Unit Price and the currently lower levels of average alcohol consumption.

DIGI has pledged to work with Government to deal with the misuse of alcohol on a range of measures.

2. Recommendation for Budget 2026: 10% reduction in alcohol excise

DIGI repeats its recommendation from previous budget submissions that Irish alcohol excise should be gradually reduced to the lower average EU levels. It recommends that Budget 2026 should reduce alcohol excise rates by 10%. This should be the first

stage in a longer term programme of bringing Ireland's alcohol excise into line with our partner countries in the EU and our closest neighbour, the UK. This is particularly appropriate because Ireland's average alcohol consumption is now broadly in line with the average EU and OECD situations as shown in Section 4 of this submission. This is a proportionate, reasonable and necessary reduction given current economic and public financial circumstances. A 10% reduction in alcohol excise would cost €123.5 million relative to the 2024 alcohol excise receipts. Our submission for Budget 25 sought a 7.5% excise reduction in each of Budgets 25 and 26. The recommendation for a 10% reduction in Budget 26 reflects the increased commercial difficulty facing the different elements of the drinks/hospitality industry, especially the regional and rural drinks and hospitality enterprises, and the higher level of immediate and medium-term macroeconomic uncertainty.

DIGI acknowledges previous Government support for the industry over the Covid and high energy cost/high inflation periods. However, Government is also adversely affecting the industry through a range of cost increasing policies. Budget 26 should also take into account the fundamentally changed macroeconomic environment, the lower expected economic growth, the uncertainty surrounding US trade policy, the likely lower contribution of inward American foreign direct investment, the weaknesses in the inward international tourism market and the increased future role of the domestic economy and indigenous sectors in Ireland's future economic growth.

In particular, Budget 26 should include measures to improve the commercial viability of drinks and hospitality enterprises which has significantly deteriorated over the past few years. Excise reduction is one of the measures available to the Government to support commercial viability and competitiveness in the drinks and hospitality sectors. DIGI recognises that there are other public policy measures, such as employer PRSI, taxation rates and labour market regulations which affect commercial viability but DIGI's concern is with alcohol excise and it's the negative impact on both enterprises and consumers.

The case for excise reduction

The primary reasons for the proposed alcohol excise reduction are;

- Economic growth projections have been revised downwards.
- Depending on US industrial, trade and tariff policies economic growth will be further reduced.
- The Irish economic environment in 2026 on both the supply and demand sides will be worse for the drinks and hospitality sectors than earlier envisaged.
- The threats to US foreign direct investment in Ireland will require an increased focus on indigenous sectors such as drinks and tourism as a source of economic growth and on the domestic market.
- As recognized by Government, the commercial model for drinks and hospitality enterprises has been decimated by the recent substantial increases in the cost of doing business.
- Lower excise rates would improve the commercial model and viability of drinks enterprises, enabling them to retain a larger share of customer receipts which will support investment and sustainability in the current higher cost environment. Excise is a substantial cost on drinks enterprises.
- Excise reduction should be part of the response to assist enterprises in responding to the large cost increases of recent years.
- Irish alcohol excise tax rates are very high relative to the great majority of EU economies. This is a self-imposed competitive disadvantage on Irish operators.
- High Irish alcohol excise rates reduce competitiveness and have a strong negative impact on the commercial viability of Irish drinks enterprises and on tourism competitiveness.
- Excise reduction will enable the sector to generate and sustain high levels of national and regional job creation, especially for young workers, into the future.
- Alcohol excise is a regressive tax which ignores ability to pay.
- High alcohol excise rates unfairly penalise moderate consumers of alcohol.

- The high excise and Vat impose a substantial burden on consumers and accounts for a large proportion of the price, as shown in Section 6.
- The tax induced higher prices give an incentive for out-of-state sourcing for both cross-border shoppers, for Irish tourists holidaying in low excise sun destinations and for Irish visitors to the UK who avail of the duty-free regime.

Excise and Health Policy

DIGI believes that alcohol excise is an ineffective and unnecessary instrument for the promotion of public health and its primary purpose is revenue generation.

DIGI accepts the need to reduce the societal and health impact of misuse of alcohol and has contributed to initiatives in this area. However, there is too much focus on the role of excise tax and insufficient emphasis on other public health measures such as education and health promotion. Average consumption of alcohol has been declining over the long term as shown in this submission and is now broadly in line with the EU and OECD average (Foley 2025, <https://www.drinksindustry.ie/assets/2025/Report-Estimate-of-Alcohol-Consumption-per-Adult-in-2024.pdf> and Health Research Board 2024, <https://www.hrb.ie/publication/alcohol-availability-affordability-related-harm-and-policy-in-ireland/>)

This consumption decline is driven by a range of factors including, demographic change, health awareness, growth of low and no alcohol products, other consumer behaviour changes and entertainment changes. The Tax Strategy Group 2023 report (<https://assets.gov.ie/static/documents/tsg-23-09-general-excise.pdf>) notes, with respect to patterns of alcohol consumption, “...it is unlikely that tax is the driving factor in consumption changes. In this regard, the consumption, and composition of consumption, of alcohol products is driven by factors such as personal disposable income, individual consumer preferences, the availability of alcohol products, the pricing strategies of retailers and publicans, and cultural changes.”

The introduction, in January 2022, of minimum unit pricing for alcohol clearly removes any justification for using excise to generate alcohol price increases. The main public health price-related issue with alcohol had been the low price of alcohol in the large multiples. A reduction of excise duties would not impact on public health objectives as it would be in conjunction with minimum unit pricing.

3. The economic environment in 2025 and 2026: uncertain and weaker

Global economic growth is slowing compared to previous projections. The April International Monetary Fund projected a global growth of 2.8% in 2025 and 3% in 2026. This compares to its projections in January of 3.3% for 2025 and 3.3% for 2026. For the group of advanced economies growth is currently projected at 1.4% in 2025 and 1.5% in 2026, compared with the January projections of 1.9% for 2025 and 1.8% for 2026.

The industrial, tariff and trade policies of the US has generated a high degree of uncertainty and, depending on developments in these policies, growth projections may be further lowered. Risks to the current global projections are tilted to the downside.

With its heavy dependence on US inward foreign direct investment, export performance and the US market, Ireland faces a particularly large exposure to US industrial, tariff and trade policies. Even if the very high US tariff levels announced, and then postponed, are not ultimately implemented, the expectation is still that Ireland will face a much more difficult trade and inward investment situation than before the election of President Trump. The drinks sector is currently contending with a 10% tariff on exports to the US, a weakened dollar and massive uncertainty.

This downside uncertainty is reflected in the macroeconomic analysis published in the Department of Finance's May Annual Progress Report (APR). Its main projections were prepared in March and assumed no new US tariffs. Even with this assumption, growth

in 2025 and 2026 is now expected to be lower than envisaged in the Autumn 2024 (Budget 25) projections.

Even with the May APR downgrading of the growth projections they are reasonably good. Consumption growth, which is important for the drinks and hospitality sectors, was 2.3% in 2024. It was expected to be 3.3% in 2025 and 2.9% in 2026 in the Autumn 2024 projections. The May projections reduced these to 2.8% in 2025 and 2.5% in 2026.

However, as already noted, these projections were prepared in March before the various USA tariff announcements. To take account of these, the Department of Finance produced an alternative scenario which includes the potential impact of the maintenance of the new 10% tariff over the 2025 and 2026 periods and various other consequential impacts.

On the alternative scenario, modified domestic demand volume is estimated to grow by just over 2% in 2025 and by 1.75% in 2026. This would be a cumulative downward revision of around 1.5 percentage points by end 2026 compared to the APR forecasts of 2.5% and 2.8% in 2025 and 2026 respectively. The 10% tariff has a significant negative effect.

In the alternative scenario employment is forecast to increase by 1.75% in 2025 and around 1% in 2026. This is equivalent to around 25,000 fewer jobs compared to the baseline scenario by end 2026. The eventual tariff situation may be worse from the Irish and EU perspectives than envisaged in the alternative scenario. In addition, the impact of reshoring, lower FDI inflows, reduced investment by existing US FDI projects and possibly sectoral tariffs all add to a worrying short and medium term future for the economy. It also suggests that increased focus should be placed on indigenous sectors such as the drinks and tourism sectors to compensate for a likely lower contribution from American FDI.

In line with the weaker economic performance, and the implications for FDI corporation tax revenue, DIGI recognizes that the public finances will be weaker than

envisaged a few months ago. A high priority must be given to measures which support and sustain economic activity and employment, which a reduced level of alcohol excise will do.

4. The drinks industry performance and difficulties

Difficulties due to the high costs of doing business

Even before the current slowdown in economic growth and the impact of the changes in the US industrial, tariff and trade policies the drinks sector has been facing severe economic difficulties, notably the impact of significantly higher costs of doing business, reduced margins and threats to commercial viability. The pre-Covid and pre-high inflation business model has been decimated.

The 2025 Programme for Government recognizes the difficulties facing the sector and states (page 14), “The Government will bring forward measures to support SMEs, in particular the retail and hospitality sectors, acknowledging the increased cost pressures on these sectors and this will entail changes to Vat, PRSI and other measures. These measures will be implemented as part of the normal budget process.”

The high excise and Vat impose a substantial burden on consumers and accounts for a large proportion of the price, as shown in Section 6. The tax induced higher prices give an incentive for out-of-state sourcing for cross-border shoppers, for Irish tourists holidaying in low excise sun destinations and for Irish visitors to the UK who avail of the duty-free regime.

Failte Ireland Tourism Barometer January 2025 shows the weak margin performance of hospitality enterprises

The [Failte Ireland January Tourism Barometer](#) illustrates the difficulties facing the hospitality sector and elements of the drinks industry. 44% of the overall tourism sector had a decline in operating margins in 2024 compared with 2023. For hotels, the decline proportion was 51%. For food and drinks enterprises the decline

proportion was 56%. Some 51% of food and drinks businesses experienced a decrease in revenue in 2024 compared with 2023.

Of pubs and bars 48% made a profit in 2024, 33% broke even and 19% made a loss. The CSO reports that overnight inward visitors decreased by 3.8% between April 2024 and April 2025 although there is currently some concern within the industry about the accuracy of these statistics. The March annual decline was 15.4%.

Declining consumption over the long term

The most generally used domestic and international indicator of aggregate alcohol consumption is the quantity of pure alcohol contained in the various beverages. Alcohol consumption is performing poorly. Total consumption decreased by 2.4% in 2024 and average per adult consumption declined by 4.5%. (Foley 2025)

Since 2001 the average per adult alcohol consumption has declined by 34%, or over one third from 14.44 LPA to 9.49 LPA in 2024. Average per adult consumption dropped below 10 LPA in 2023 and continued to drop further below 10 LPA in 2024, to 9.49 LPA.

Table 4.1. Total and average alcohol consumption 2023 and 2024

	2023	2024	% change 2023/2024
Total alcohol consumption LPA	42,464,444	41,453,846	-2.4
Average per adult alcohol consumption LPA	9.94	9.49	-4.5

Sources. CSO Population and Migration Estimates 2024. Revenue Commissioners, Alcohol Clearances data, Revenue Website, 2025.

The 2024 Health Research Board publication on alcohol noted that Ireland was ranked 16th of 38 OECD countries on per capita consumption of alcohol. It was lower than fourteen other EU countries and lower than the UK. Ireland is not now a high

alcohol consumption country by EU or OECD standards and is broadly in the middle of the ranking.

Bar sales performance

Recent bar sales performance has been poor. The latest CSO data refer to March 2025. Between March 2025 and March 2024 the seasonally adjusted value of turnover in bars declined by 9.1%. In addition, the 2024 annual level of volume of bar sales is still below the pre-Covid performances. The 2024 national volume of bar sales, based on CSO was 23.8% lower than 2019. There are differences in performance depending on the area, for example, large cities compared to rural areas. It is likely that pubs in regional and rural locations performed worse than the average national performance.

Table 4.2 Retail sales in Bars, % change in value of turnover March 2024 to March 2025

Value %
-9.1

Source: CSO

Off-licence sector

The off-licence sector has grown over the long-term, but this growth has been largely confined to the multiple retailers. As identified in previous DIGI submissions small independent off-licences have struggled in a difficult competitive environment and high excise taxes resulting in closures and employment declines. Thousands of jobs have been lost in the independent off-licence sector, a trend exacerbated by the high and increasing level of excise. Small enterprises are particularly hit by the working capital requirements needed to fund the high excise levels. The excise tax wedge is very high for off-licences because the excise per unit of alcohol is the same for both on and off-licence sellers but the price per unit is much lower in the off-licence than in the on-licence. Consequently, excise is a much larger proportion of the off-licence price than the on-licence price.

Excise has a large detrimental effect on the cash flow of the off-licences and other small drinks businesses. Given the difficulties with securing lines of credit in Ireland these cash flow issues have major implications for small Irish businesses which have had to delay investing in their companies as a result of this.

Decline in regional hospitality employment in 2024

As measured by the Labour Force Survey, employment in hospitality (AFS classification) between Q4 2023 and Q4 2024 increased from 183.1k to 184.4k but these conceals a very weak regional performance. Hospitality employment in Dublin increased from 55.3k to 64.5k in the period, an increase of 16.6% but employment outside Dublin decreased from 127.8k to 119.9k, a decline of 6.2%. The regional decline is all the more worrying because there are less other employment opportunities in the regions than in Dublin. The details of this significant and undesirable feature of recent performance is shown in Table 4.3

Table 4.3 Regional decline in hospitality employment Q4 2023 to Q4 2024

Area	Q4 2023 k persons	Q4 2024 k persons	% change
Dublin	55.3	64.5	+16.6
Regions (area outside Dublin)	127.8	119.9	-6.2
Total	183.1	184.4	+0.7

Source. derived from CSO LFS

Decline in pub numbers and restaurants

Between 2005 and 2023 the number of publican licences declined from 8,617 to 6,563, a decline of 2,054 or 23.8%. The number of public houses in Dublin declined by a small number, 22 or 2.8%. The number in the rest of the country declined by 2,032 or 25.9%. All 26 counties experienced declines in public house numbers in the 2005 to 2023 period. The largest decrease was Limerick with 35.6%. Seven counties had decreases

of 30% or higher. The second ranked county was Roscommon 31.9%. The other 30% and higher decreases were Cork, 31.4%, Tipperary 31.2%, Laois 30.6%, Clare 30.6% and Westmeath 30.0%. The lowest decrease was in Dublin with 2.8% and this was followed by Meath with a decrease of 6.7%. Wicklow had a decrease of 8.9% and all other counties were 12% or greater.

The licensed restaurant sector has also been hit hard by a substantial number of closures. The Restaurants Association of Ireland reports that 150 food-led businesses closed in the first three months of 2025 following substantial numbers of closures in the previous year.

Specific challenges facing rural hospitality and rural pubs

The overall hospitality and retail sectors face substantial business challenges as recognised by Government. The situation is particularly acute for rural and regional enterprises. Regional employment in hospitality has declined in the past year while Dublin hospitality employment has increased. Over the long term there has been a substantial decline on the number of regional and rural pubs in contrast to very little change in Dublin. Most rural pubs and other hospitality enterprises have very small catchment populations with limited discretionary spending power. Weak rural transport services have a negative impact on business volumes in rural locations. The range of inputs suppliers in rural areas is less than in high population urban areas which adds to cost pressures. International tourism which is important for regional and rural hospitality has not yet recovered to pre-Covid levels. Rural and regional enterprises tend to be smaller than in high population areas and suffer the associated cost penalties. Rural and regional hospitality enterprises have less scope to increase prices to compensate for cost increases.

The government has announced its intention to restore the 9% hospitality Vat rate. This is very welcome for those pubs and other enterprises which serve food but a high proportion of rural pubs do not serve food and consequently, the lower Vat rate will not provide any support to these rural pubs. These can be supported by the proposed

reduced level of alcohol excise. The VFI Members Survey for 2023 identified that 69.2% of responding members in a response of 514 public houses described themselves as traditional (drinks only) pubs and 30.8% described themselves as gastropubs.

Innovation and entrepreneurship

The entrepreneurs, managers and enterprises in the drinks and hospitality industry have displayed high levels of innovation and entrepreneurship in the past several years. The industry is characterised by product development, process development, business diversification, development of visitor centres, and business development. One example of this is the long term growth and development of the distilling sector which is now under threat from US trade policy. The innovative capacity of the drinks and wider hospitality sector places the sector in a good position to prosper in a supportive business environment.

5. Substantial national and regional economic contribution

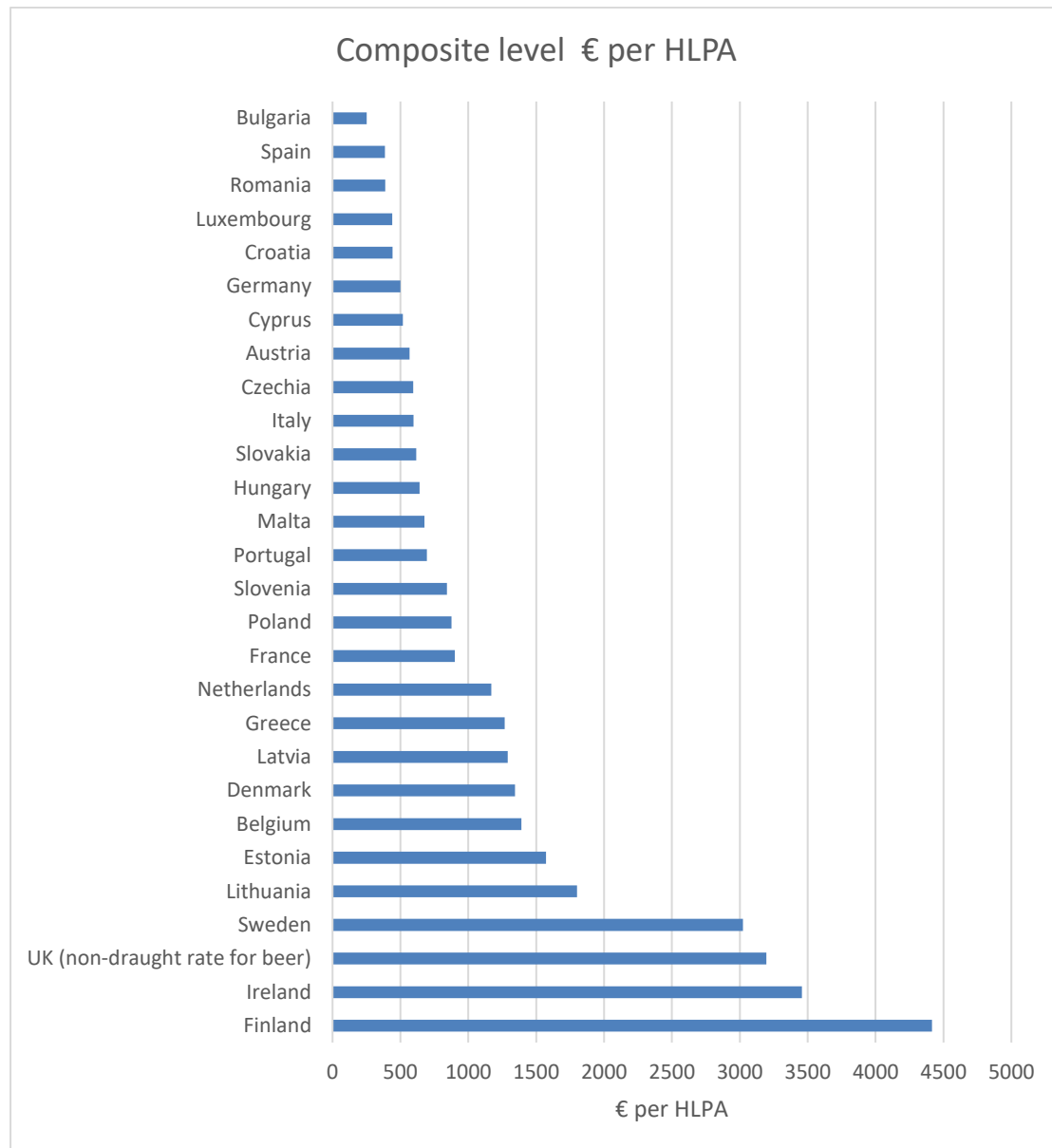
The economic contribution of the drinks sector and the wider hospitality sectors are substantial at the national, regional and local levels. The impact covers direct employment in manufacturers, public houses, restaurants, hotels, off-licences, wholesalers and visitor attractions, indirect employment through the purchase of billions of euros of goods, services and agricultural inputs and induced employment associated with the multiplier mechanism of these direct and indirect incomes. The drinks sector is an important element of the tourism product and is a substantial exporter. The main features of the drinks economic impact are identified below:

- There are different classifications and different employment totals for the hospitality sector. All the measures indicate a substantial employment contribution. The latest Labour Force Survey for Quarter 4 2024 reports hospitality employment (AFS, accommodation and food and beverage services) of 184.4k or 6.6% of total employment. The CSO “employee series from administrative data sources” reports an AFS employee total of 198.8k and a tourism total of 212.0k employees in March 2025. The AFS total is 7.9% of all employees.

- The distribution and services data from the CSO suggest a higher employment level of 222.7k persons engaged in AFS in 2019.
- 65% of these hospitality jobs were in regions outside Dublin.
- The hospitality sector employs a high proportion of part-time workers and provides necessary part-time employment opportunities to students, homemakers, farmers and those other full-time workers who seek additional earnings opportunities. It meets a significant demand for different types of atypical employment.
- AFS employment is relatively young,
- There were 20,213 enterprises in the AFS sector in 2022 and it is dominated by very small enterprises. 76.6% or 15,482 have less than 10 persons engaged. A further 19.5%, or 3,947 enterprises, have between 10 and 49 persons engaged. Only 3.5% of enterprises or 711 employ between 50 and 249 persons. Only 73 enterprises employ 250 persons or over, 0.4% of the total.
- In addition to the drinks related employment in AFS the drinks sector also generates 7,800 jobs in beverage manufacturing (CSO LFS Q4 2024), about 6,000 jobs in off-licences and additional jobs in visitor attractions and wholesale distribution.
- Total beverages (alcohol and soft drinks) exports of €2.1 billion in 2024 (Bord Bia data).
- Large trade surplus in beverages.
- 49% of beverage exports are whiskey, 18% are liqueurs, 15% are beer, 4% are cider and 1% is gin. Other products are 12%.
- The USA accounts for 41% of beverages exports.
- High domestic content in alcohol exports.
- Exceptional whiskey export performance over recent years.
- Substantial potential to increase alcohol exports.
- €1.235 billion excise receipts in 2024 from alcohol.
- Approximately €1.5 billion alcohol gross Vat receipts associated with drinks sales in 2024 (gross Vat on the final price).
- €2.7 billion in excise and Vat in 2024.
- Substantial purchases by drinks manufacturers of apples, barley and malted barley and milk.
- The bar (and other beverage service activities) sector has a wages and salaries bill of €720 million based on 2019 CSO data for the retail sector and spent €1.588 billion on total services and materials inputs. The latest data refer to 2022 but these do not separately identify the beverages sector and 2021 data are influenced by Covid.
- It provides an extensive and geographically spread network of enterprises
- Restaurants in 2019 paid out €1.346 billion in wages and salaries and had purchases of €2.625 billion.
- Hotels and similar accommodation had a wages bill of €1.208 billion and purchases of €2.358 billion.

6. Ireland's very high alcohol excise

Ireland has a very high level of alcohol excise tax in 2024 when compared with the large majority of the other 26 economies of the EU and the UK. The chart below illustrates the large gap between the countries at the high end of the excise level and the other countries.



Other features of Ireland's comparative position on alcohol excise are noted below.

- Ireland has the third highest beer excise in the EU 27 and UK (using the UK non-draught beer excise) behind Finland and the UK.
- Ireland has the third highest spirits excise in the EU 27 and UK behind Sweden and Finland.

- Ireland has the second highest wine excise after Finland.
- Fifteen EU economies do not impose any excise on wine. In addition, France and Malta have very low wine excise tax.
- On an overall composite alcohol excise level (measured by the unweighted average of the different beer, spirits and wine excise rates), Ireland is the second highest behind Finland.
- The magnitude of the differences in alcohol excise between Ireland and other EU economies is large. For example, Ireland's beer excise is 11.4 times that of Germany. Irish spirits excise is 4.4 times that of Spain.
- There is a substantial difference between the alcohol excise levels of the four highest alcohol taxed economies, Finland, Ireland, the UK and Sweden, and the remaining 24 countries.
- Finland's composite rate per HLPAs is 27.7% higher than Ireland's, €4415 compared to Ireland's €3458. Sweden's composite rate is 12.6% below the Irish rate. The UK composite rate is 7.6% below the Irish rate, using the non-draught beer rate.
- Lithuania has the fifth highest composite excise rate of €1801 and is 52.1% of the Irish rate.
- Germany's composite alcohol excise per HLPAs is €500 or 14.5% of the Irish level of €3458.
- France's composite level of €900 is 26.0% of the Irish level.
- Spain's composite rate is €386 or 11.2% of the Irish level.
- In Spain, the excise on an off-licence bottle of whiskey is €2.69 which is €9.23 lower than in Ireland.
- Vat is levied on excise and the other elements of the price of alcohol products. Usually the standard Vat rate is applied. However, some countries apply a lower rate than the standard rate on specific aspects of the alcohol market, notably alcohol products consumed in bars and restaurants. Ireland charges the standard rate. Ireland's standard Vat rate is relatively high by EU and UK standards. Of the 28 countries, Ireland's rate of 23% is exceeded by only six countries.

- These high excise and Vat levels are reflected in the high proportion of the consumer price accounted for by taxation in Ireland. On April 2025 (CSO) average prices (CSO data for stout and whiskey, wine based on own estimates), the Exchequer received in excise and Vat: €1.67 from every pint of stout costing €6.058, or 27.6 % of the price and €1.66 from every measure of whiskey costing €5.666 or 29.3% of the price, consumed in bars; €2.30 or 28.8% from every restaurant glass of wine costing €8.00; €17.01 or 62.4% of the price of a €27.243 off-licence bottle of whiskey; €5.25 or 47.7% of the price of an €11.00 off-licence bottle of wine. Excise accounted for €11.92 for an off-licence bottle of whiskey, €3.19 for a bottle of wine and 54cent for a pint of stout in a bar. The proportionate tax burden on off-licence products is particularly high. This is a large alcohol indirect tax burden on consumers.

7. Cost of a 10% excise reduction

Total alcohol excise receipts in 2024 were €1.235 billion. A 10% reduction, as sought in this year's submission, would cost €123.5 million relative to 2024 levels. Vat is charged on excise at the 23% rate, which amounts to €28.4 million. However, the main objective of the excise reduction is to improve the commercial viability of drinks enterprises and improve their operating margin. Consequently, if the price to the retail customer is unchanged there would not be the Vat loss. There are offsetting additional alcohol revenue benefits which are outlined below.

The excise reduction would be reflected in a lower price of product from suppliers to retailers who would keep the price unchanged and improve margins. The excise reduction would also reduce pressure for future price increases to sustain commercial viability. On the tentative assumption that the alcohol market sales turnover is about €8 billion, the €123.5 million would be 1.5% of turnover. On the assumption of about

10,000 retail outlets (bars and off-licences) the €123.5 million would be about €12.4k per enterprise.

Overall, a 10% excise reduction, if passed on to retailers would have a reasonable commercial sustainability impact. The introduction of MUP has increased the Vat yield from alcohol for the exchequer for each item which is now sold at the higher MUP. A reduction in alcohol excise will have a range of positive dynamic economic effects which will increase tax revenues and reduce the net cost of the measure, including:

- Sustaining enterprises in the drinks industry which will avoid job losses by improving the commercial model.
- Increasing enterprise competitiveness and industry confidence which will encourage growth and employment creation.
- Improving the tourism product.
- Reducing to a small extent the incentive to source alcohol from outside the State.
- Improvement in the perception of Ireland as a location for the drinks industry and will contribute to the location of investment projects in Ireland by existing drinks multinational enterprises and enhanced entrepreneurial and innovation activity.

8. Summary and recommendation

The drinks industry is a substantial national, regional and local economic and employment resource. It is an integral part of the wider hospitality and tourism sector. It also has a substantial exports performance. While it contains large multinational companies, the drinks industry is overwhelmingly a micro and small enterprise sector. The rural pub network is a desirable and extensive social networking infrastructure. It is an innovative sector with substantial product development and many new breweries and distilleries over the past several years. It has been at the forefront of visitor centre investment and development which have enhanced the tourism offering.

Unfortunately, the industry, in common with other sectors, as recognized by Government, faces substantial cost increasing threats, some of which are the direct result of Government policy. These are compounded by the fact that Ireland operates

a tax regime of very high alcohol excise tax rates compared to fellow EU member states.

Other countries support their indigenous drinks sectors, such as many countries with no excise on wine, but Ireland hinders its indigenous drinks enterprises with high excise tax.

Recent drinks industry performance includes a decline in total and average per adult consumption, rural/regional public house closures, a significant decline in the turnover of public houses and a decline in the regional total of hospitality employment. In addition to these issues, the Irish economy is now expected to perform worse in 2025 and 2026 than was expected only a few months ago. Expectations may further worsen depending on what happens with US industrial, trade and tariff policies.

Budget 26 should recognize the importance of the domestic market to distillers and craft brewers in the new tariff environment which restricts exports, and the need to boost viability in the domestic market for these and other hospitality/drinks enterprises.

Alcohol excise should be reduced by 10% in Budget 2026. This should be part of the effort to move towards the lower EU norms for alcohol excise. The proposed excise reduction would support drinks enterprises and consumers in what is likely to be a difficult economic and business environment.