



Alcohol taxation: the brief overview

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- Why alcohol taxation and pricing policies?
- Key terms & issues
- Alcohol taxation around the world :
key examples from countries/regions
- Industry's arguments & counter-arguments
- The way forward

Why alcohol taxation and pricing policies?

- Price is one of main factors associated to alcohol consumption (Law of demand)
 - The higher price, the less demand for drinking
- One of the most effective and cost-effective control measures
- Impacts to alcohol consumption and related harms
 - Drinking, Excessive drinking
 - Alcohol-related accidents, STDs, suicide, violence, drug use, crime and misbehavior
 - Heavy drinkers, young people
- Government tool for revenue generation
 - Excise tax revenue, other tax revenue

Key terms & issues

- Policy
 - Tax, Sale tax, Value Added Tax, Custom tax, Excise tax
 - Earmarked tax, Dedicated tax, Surcharged tax
 - Minimum pricing
 - Ban on the sale of below cost
- Purpose of taxation policy
 - To control alcohol consumption
 - To generate government revenue
 - Mixed, but
 - To prevent drinking initiation

Key terms & issues

- Tax & Price
 - Excise taxation methods
 - Uniform taxation
(Specific taxation, Ad Valorem taxation, Unitary taxation)
 - Combination tax
(Mixed specific and ad valorem taxation, Ad Valorem with specific floor taxation, one plus one, two chosen one)
 - Tax rate, tax base
 - Price elasticity, tax elasticity
- Related issues
 - Unrecorded alcohol
 - Trade agreements
 - Shifted in drinking preference

	(Wagenaar 2009)	(Sornpaisarn 20013)
	Price & Tax elasticity	Price elasticity
	High income countries	Low & middle income countries
Beer	-0.46	-0.50
wine	-0.69	-0.79
Spirit	-0.80	
Total	-0.51	-0.64

Key terms & issues

- Key summary on alcohol taxation

	Consumption	Harms	Tax revenue	Remark
Specific taxation (SP)	Reduce consumption	Reduced related harms	Increase tax revenue	<ul style="list-style-type: none">• may promote low alcohol content beverage• may encourage drinking initiation (in settings where high prevalence of lifetime abstainers)
Ad Valorem taxation (AV)	Increase consumption	No, when compared to SP	Increase tax revenue	<ul style="list-style-type: none">• may promote low cost beverage
Unitary taxation	May increase consumption	No, when compared to SP	Increase tax revenue	<ul style="list-style-type: none">• may promote cheap high alcohol content

Key terms & issues

- Key summary on alcohol taxation

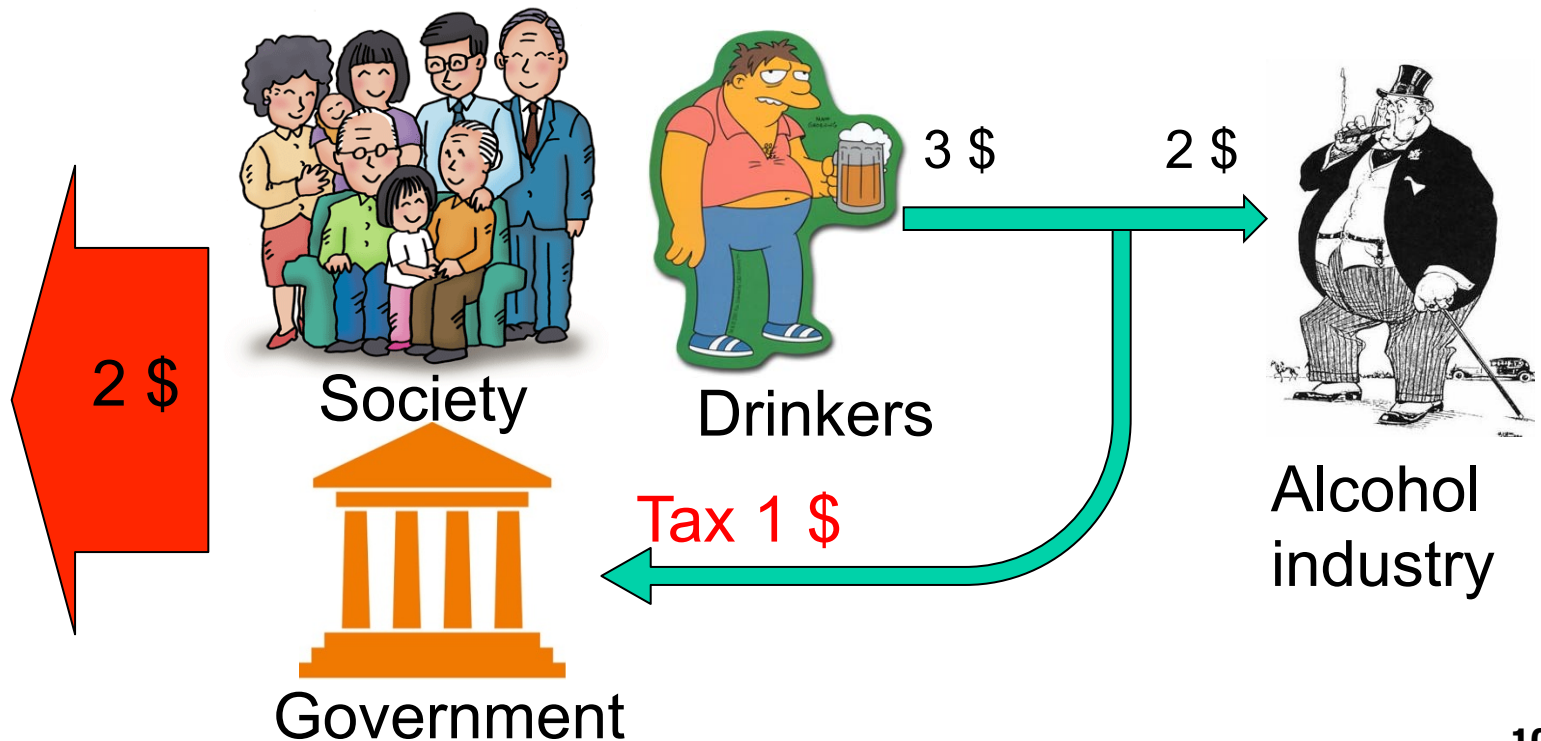
	Consumption	Harms	Tax revenue	Remark
Mixed specific and ad valorem taxation (MSA)	<ul style="list-style-type: none"> • depend on MSA that favor specific or ad valorem taxation 			<ul style="list-style-type: none"> • Less effective than SP in controlling consumption (as it promotes lower cost beverages) • May prevent drinking initiation • May promote production of medium content
Ad Valorem with specific floor taxation	Lower overall consumption	Reduce traffic deaths	Higher tax revenue	<ul style="list-style-type: none"> • higher average tax rate • may prevent drinking initiation
Minimum pricing	<ul style="list-style-type: none"> • Reduce consumption • Reduce harms among heavy drinkers and the poor 		Depend on type of taxation	<ul style="list-style-type: none"> • affect sale of low priced products

Alcohol taxation around the world : Thailand

- Drinking context :
 - Low drinker prevalence
 - Quite high volume drinking per occasion
- Taxation model :
 - Ad Valorem with specific floor or 2-Chosen-1 taxation
 - In 2013, the excise tax reform 1) shift the method to one-plus-one taxation 2) change the tax base to the last whole sale price
- Challenging issues
 - The optimal tax rate to prevent drinking initiation
 - The surcharged tax to ThaiHealth and the sustainable funding for alcohol

Gain or loss: social cost study of alcohol-related harms in Thailand 2006

Cost	Thousand million baht
Revenue from excise tax of alcohol	70.34
Alcohol harm cost	150.07
Total	-70.73



Alcohol taxation around the world : USA, Canada, UK, Australia, New Zealand

- Drinking context :
 - High drinker prevalence
 - Mature market
- Taxation model :
 - Most countries implement specific taxation
 - The increase in tax rate may resulting in reducing injury deaths
- Minimum pricing
 - In Canada, the increase in minimum price related to 1) consumption reduction 2) reduction of alcohol related hospital admission and deaths
 - In Scotland, as the Act was passed in 2012, there was a strong technical evidence support

Alcohol taxation around the world : Africa

- Drinking context :
 - high consumption of homemade alcohol
- Taxation model : vary across African countries
 - Most countries employ alcohol excise taxation that levied on a specific rate base, while many countries implement ad valorem rates
 - The tax increase & unrecorded consumption
- Challenging issues
 - Implementation of taxation alone and effectiveness of taxation

Tax and price : arguments

- Smuggling, illegal and unrecorded product
- Tax rise will hurt the poor/ potential regressivity
- The rise of taxation will bring the government revenue down
- People will drink anyway
- No one support alcohol taxation

Argument : The rise of taxation brings the government revenue down.

(Increasing tax will lead to an increase in price. Once the price is increased, the consumption falls; then, the government revenue will be decreased.)

What evidence says?	Policy feasibility	Counter argument(s)
<p>The increase in taxation will help reducing an overall amount of alcohol consumption in society.</p>	<p>The increase in taxation will effectively help reducing an overall amount of alcohol consumption in society when the government has implemented the monitoring and control measures for the supply of alcohol.</p>	<p>It's a win-win situation. Given an appropriate rise in tax rates, the rise of taxation help bringing up the government revenue and bring down consumption. The less alcohol consumed; the less alcohol-related impacts. The less impacts; the less government spending on health and society.</p>

Argument : The rise of taxation hurts the poor.

(The poor are more likely to be drinkers. Increasing tax will lead to an increase in price. Once the price is increased, it is less likely for the poor to get the same amount of alcohol consumed; so, they have to pay more.)

What evidence says?	Policy feasibility	Counter argument(s)
<p>The poor and young people are more sensitive to price changes. Therefore, the higher price the less they consume (both quantity and/or frequency)</p> <p>In high income countries, the poorer are more likely to drink more. In low and middle income countries, drinkers who are poor are more likely to get poorer.</p> <p>Both HIC and LMIC, the poorer is relatively poor in coping with alcohol-related problems.</p>	<p>The rise in alcohol taxation will make it less affordable for the poor and young people to buy alcohol.</p> <p>The less they afford; the less they consume, then the less related problems.</p> <p>The less amount consumed per drinking occasion, the less acute problems from alcohol.</p>	<p>The rise of taxation brings benefits to the poor.</p> <p>Given that the poor can't afford the same amount the consume, the tax rise may help protecting them to get poorer and help protecting them from acute problems .</p> <p>The regressivity may be offset by the progressivity of other component of the tax system .</p>

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The way forward

- Conclusion
 - Variety of drinking contexts and taxation method
 - Sophisticated issues that need strong technical evidence to support for the better & effective taxation
- Our way forward
 - Context-specific movements
(country, drinking culture & pattern, excise tax law, etc)
 - Technical and policy support
 - Tide up with other issues
(alcohol & tobacco, trade agreement, NCDs)

Thank you

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