



RESET Alcohol

Principles of Alcohol Taxation

Why now?

- This document is demand-driven.
 - Largely by colleagues in finance ministries and related agencies.
- The stakes are high because alcohol consumption and its costs remain high in many countries.
- Taxes are woefully underutilized as a public health & fiscal tool.

For whom?

- All stakeholders: finance ministries+; legislators; int'l governmental organizations; civil society; academia, etc.

By whom?

- Expert health tax practitioners.

A simple mechanism:



How are we doing on alcohol excise taxes?

- Generally, not well...
- Excise tax rates are generally low.
 - As a result, prices are low and products are affordable.
 - Tax shares of prices are mostly low – average of 13.4% for beer and 24.8% for spirits compared to 42% for tobacco products.
- Tax structures are often flawed, including:
 - Over-reliance on ad valorem excise taxes; issues with tax base; no adjustments of specific taxes; and products are treated differently.

Economic costs of alcohol use

- ~2.6% of GDP
- A little more than 1/3 is direct costs (with direct healthcare costs of treating alcohol-attributable diseases the largest component).
- The remainder is lost economic productivity from morbidity (e.g., absenteeism and presenteeism) and premature mortality.

Source: Manthey J, Hassan SA, Carr S, Kilian C, Kuitunen-Paul S, Rehm J. What are the economic costs to society attributable to alcohol use? A systematic review and modelling study. *Pharmacoeconomics*. 2021 Jul;39(7):809-22.



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Overarching principles

The primary objective of increasing alcohol excise taxes is to improve population health and population health outcomes.

Governments should strive to have clear and simple definitions of an alcoholic beverage and product for the purposes of taxation and related regulation.

Alcohol taxation is best implemented within a comprehensive set of proven alcohol control interventions.



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Principles

Principle 1

Because consumption of alcohol (ethanol) is the direct cause of health and social harms, its measure should underpin the tax structure.

Tax structure starting point

- A specific tax based on the amount of alcohol.

Principle 2

Tax authorities should strive for consistency in how alcohol taxes are applied.

Principle 3

Governments should implement substantial and regular increases in alcohol excise taxes to consistently push prices up (especially compared to other goods) and drive alcohol consumption down.

Principle 4

When an ad valorem excise tax is used, it should be applied as closely as feasible to the retail price to have the greatest impact on the price paid by the consumer.

Principle 5

In cases where there is an ad valorem–only excise tax, governments should also use a minimum tax (in absolute value) that is updated for inflation and real income growth.

Principle 6

For no-/low-alcohol products, the same structural recommendations generally apply (for example, specific tax on alcohol volume).

What about unrecorded alcohol?

- Unrecorded alcohol is complex and largely country-specific.
- To date, however, there is little evidence of substantial substitution from licit to unrecorded alcohol when taxes increase.
- There are measures that governments can apply to greatly mitigate these challenges.



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Conclusions

Alcohol taxation

- Alcohol taxes work! They drive down consumption and prevalence.
- Several decades of country-level experience and related research demonstrate what we know as the best practices to date.
- We reserve the right to update these principles as governments gain more experience taxing these products more vigorously,
- And as researchers examine the implications of different policy decisions on both the public health and fiscal outcomes.



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Stronger Economies.

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Thank you!

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