



DIGI

Tax on Alcohol in Europe: Where Does Ireland Rank?

A RESEARCH REPORT COMMISSIONED BY
THE DRINKS INDUSTRY GROUP OF IRELAND

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KEY FINDINGS

EXCISE TAX ON ALCOHOL IN



BEER

IRELAND HAS 2ND HIGHEST EXCISE TAX IN THE EU ON BEER



IRELAND'S EXCISE RATE ON BEER IS 1000% HIGHER THAN IN GERMANY, LUXEMBOURG AND SPAIN



STOUT

IRELAND'S EXCISE RATE ON STOUT IS 300% HIGHER THAN BELGIUM & AUSTRIA

22 EU COUNTRIES PAY LESS THAN 50% OF IRELAND'S EXCISE RATE ON STOUT



WINE



WITH THE HIGHEST
AN EXCISE TAX
S IN THE EU ON WINE



1/2
OF ALL
OTHER



HAVE NO
EXCISE
ON



SPIRITS

IRELAND HAS THE
3RD HIGHEST
EXCISE IN THE EU
TAX ON SPIRITS

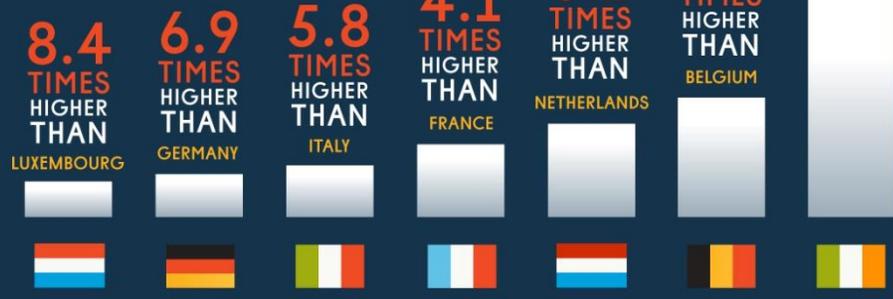


IRELAND'S EXCISE
RATE IS
26% HIGHER
THAN IN THE
UK



OVERALL EXCISE

IRELAND'S
EXCISE RATE IS



COMMENTARY ON FINDINGS BY DIGI

Ireland has the second highest excise tax on alcohol in the European Union. We have the highest wine excise, the second highest beer excise (behind Finland) and the third highest spirits excise (behind Sweden and Finland).

These findings are among the most shocking in a new report examining excise tax across the EU. Commissioned by the Drinks Industry Group of Ireland (DIGI) and authored by Dublin City University economist Anthony Foley, the research was undertaken to find Ireland's overall place in the wider 'league table' of EU excise tax rates; and to use the data recorded to inform new, progressive policies in the hospitality sector and drinks industry.

Ireland's excise tax, clearly, is unusually high. 22 of our EU peers impose an excise rate on beer that is less than half of Ireland's. If we applied Germany's rate to a pint of lager served here, excise would be 5 cents instead of 55 cents, a direct reduction of 50 cents. 14 of the 28 EU member states impose no excise on wine, yet we impose one that is 25 percent higher than any other EU country.

This high rate of excise tax is punitive, not just for consumers, but for our producers and retailers. In the long term, it is likely to damage the competitiveness and earning potential of the hospitality sector and along with it, the economic prosperity of under-developed rural Ireland.

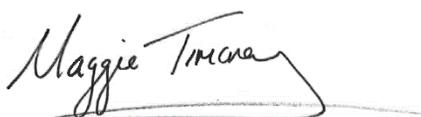
The hospitality sector has a truly nationwide presence and forms the bedrock of many communities. In total, the drinks and hospitality sector - including drinks businesses, hotels, restaurants, and sector manufacturers, retailers and distributors - employs almost 210,000 people across the country, making up 10 percent of all jobs, and exports over €1.25 billion worth of produce.

Difficult times are ahead for Ireland. Certainly the impact of Brexit cannot be overstated. UK tourists make up 40 percent of our total visitors; with the fall in the value of sterling, there were 49,000 fewer between December 2016 and February 2017 compared to the same period in the previous year. This number may well drop further as the full impacts of EU withdrawal materialise.

Unless preventative steps are taken, fewer UK holidaymakers in Ireland, and other inevitable Brexit fallout, will have harmful effects on our hospitality businesses. A high excise tax risks further hamstringing a sector that is already one of the country's most imperilled.

As we take on serious economic and political challenges, we need to ensure that our indigenous industries, and rural Ireland with them, are advantaged to the greatest degree possible.

DIGI, through the Support Your Local campaign, believes that the Government should be reviewing the taxation policy levers that could be used to support this vital sector. We will be formally making our proposals in the coming weeks.



Maggie Timoney
Chairperson
Drinks Industry Group of Ireland

ABOUT DIGI

The Drinks Industry Group of Ireland (DIGI) is the umbrella organisation for the drinks industry in Ireland. DIGI's membership spans brewers, distillers, distributors and the retail sectors (both the on-trade – pubs, hotels, restaurants – and the independent off-licence sector). Its members include:

- Alcohol Beverage Federation of Ireland
- Irish Hotels Federation
- Licensed Vintners Association
- National Off-Licence Association
- Restaurants Association of Ireland
- Vintners Federation of Ireland

Almost 92,000 jobs across the country are dependent on the drinks industry alone. It buys over €1.1bn of Irish produce annually, exports goods worth over €1.25bn, and provides to the state over €2.3bn worth of excise and VAT income, as well as hundreds of millions in income tax, PRSI receipts and tax on profits every year. It is also a vital element of Ireland's wider hospitality sector and internationally renowned tourism offering.

DIGI, through its Support Your Local campaign, seeks to highlight the significant financial and social contribution made by the drinks industry, and work with stakeholders to create conditions that ensure the industry's stability and continued growth.

ABOUT EXCISE TAX AND VAT

In Ireland, alcohol is subject to two types of expenditure tax: excise and VAT.

Excise is a specific tax levied per unit of alcohol in a drink. It is not affected by the retail price of the product, so the same quantity of a particular drink will have the same excise tax regardless of where it is sold.

VAT is charged as a percentage of a good or service's selling value or price. Ireland's rate of VAT is currently 23 percent. A rate of 9 percent is charged on certain goods and services, including food and drink (but excluding alcohol).

Ireland's excise tax is very high, meaning alcohol is more expensive here than in many other EU countries. As the price of alcohol increases, the absolute amount of VAT increases with it.



INTRODUCTION AND OBJECTIVE

This report examines the comparative international position of Irish alcohol excise taxation within the EU (up to date January 2017). As is shown by the data presented in the report, Ireland has a very high level of alcohol excise tax in 2017 when compared with the large majority of the other 27 economies of the EU.

On the composite indicator (average excise rates across the three beverages of beer, spirits and wine) only Finland has higher average alcohol excise than Ireland. Sweden has an excise level which is close to the Irish level. These three are followed by the UK which is also a high alcohol excise economy and is also relatively close to the Irish level. The UK level is 83.7% of the Irish level. The rest of the EU economies have very much lower levels of excise than these four of Finland, Ireland, Sweden and the UK.

Ireland has, of January 2017, out of all EU countries (except the UK which relates to March 2017)

- The **highest wine excise** in the EU 28
- The **second highest beer excise** in the EU 28 behind Finland
- The **third highest spirits excise** in the EU 28 after Sweden and Finland
- The **second highest overall composite alcohol excise level**¹ Ireland's level is 148.1% higher than the fifth ranked country of Denmark and is substantially higher than all those other EU economies which have lower excise levels than Denmark.

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. Fourteen EU economies do not impose any excise on wine. Up to 2016, there were 15 EU countries without a wine excise, but in January 2016 Greece introduced a low wine excise rate.

¹ Measured by the unweighted average of the different beer, spirits and wine excise rates



DATA

The data are from the excise tables compiled by the European Spirits Association which are themselves derived from the excise tables of the EU Commission.

The data in this report refer to the position as of January 2017, except for the UK which has been updated in this report for the changes in the March 2017 UK budget. The main indicator used is excise in euro per hectolitre of pure alcohol (HPLA). The European spirits data cover beer, wine, spirits and intermediate products. Data are not available in this source for cider. The discussion focuses on the familiar three categories of beer, wine and spirits. A cider comparison with the UK is included.

The excise levels are available for the three different individual beverage groups. There is no single composite comparative excise rate for alcohol as a whole. Such an indicator would be useful for summary comparisons. For example Ireland's spirits excise is 111.4% higher than Denmark's. In wine, Ireland's excise level is 172.5 % higher than the Danish level and in beer Ireland is 199.9% higher than the Danish level. There is no overall total alcohol excise rate with which to compare the two countries.

One such indicator is a weighted average of the different beverages excise level (weighted by the share of each beverage group in overall national alcohol consumption). Detailed up-to-date comparable information on consumption mix is not readily available. In any event, a weighted index would partly reflect the pattern of consumption and not exclusively the different rates. In this report a "composite" alcohol excise level has been calculated using the arithmetic average of the excise levels of the three beverage groups. While inexact, it gives a useful indication of the relative national overall alcohol excise level. The composite alcohol excise measure for Ireland is 148.1% higher than Denmark.

The EU excise tables' euro-denominated excise levels for January 2017 for non-euro countries are based on the October 2016 exchange rates as required by EU regulations. Changes in exchange rates influence the excise position of Ireland relative to those countries which have not adopted the euro. For some non-euro countries the excise gap is so large that short-term exchange rate changes will not materially affect Ireland's relative position. However, this is not the case for the UK and Sweden which are both in the top four country group of excise levels and are close to the Irish level. The particular exchange rate can alter the relative position of Ireland compared to these two countries. Finland

uses the euro and this issue does not arise. For current comparisons in this report we use the more appropriate, relatively current exchange rate for both Sweden and the UK, which is defined as the average level in February 2017.



TYPES OF ALCOHOL TAXATION

Alcohol is subject to two types of expenditure tax, VAT and excise. The VAT is an ad valorem tax which is charged as a percent (currently 23% in Ireland since the 2012 Budget) of the selling value or price. As the price of alcohol increases the absolute amount of the VAT rises automatically as VAT is levied on the value/price of the product. All the different types of beverages are charged the same VAT rate in most countries. Some countries operate a reduced VAT rate for wine. In addition to the usual VAT and excise, some countries have additional taxes on alcohol, such as environment-related packaging or bottle charges. These additional taxes are not included in this analysis.

Excise tax is a specific tax which is based on the quantity of alcohol in the beverage. It is an absolute amount of money per unit of alcohol contained in the beverage. It is not affected by the price of the product. For example, the same quantity of a particular beverage attracts the same excise charge whether sold in an off-licence or consumed within a public house or other bar, although the monetary value of the purchase is higher in the public house. Different priced bottles of wine are charged the same excise amount. VAT is charged on the excise amount. Consequently, an Irish excise increase directly causes price to rise by the excise and a further 23% of the excise increase, if passed on by the supplier/retailer.

Ireland has a relatively high VAT rate. However, the differences in VAT rates are much less than in alcohol excise. Only six countries have a VAT rate in excess of 23% which is the Irish rate. These are Sweden, Croatia, Denmark, Finland, Greece and Hungary. Another two countries are at 23% with Ireland, Portugal and Poland. Nineteen countries have VAT rates which are less than 23%.

TABLE 1 EU VAT RATES ON ALCOHOL

RATE	NUMBER OF EU 28 MEMBER STATES
ABOVE 23%	6 Member States
23%	3 Member States (including Ireland)
BELOW 23%	19 Member States

SOURCE: Desk-based Research

* Portugal is listed as 23% because all beverages are 23%, except wine which is 13%.

There are different excise levels for the individual beverages categories. In all 28 EU countries, the spirits excise per HPLA is the highest of the three categories.

As already noted, 14 of the 28 EU members do not impose excise on wine. These are Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Hungary, Italy, Luxembourg, Portugal, Romania, Slovakia, Slovenia and Spain. Of the 15 which do have a wine excise, France has a very low rate of €34 per HPLA, Greece has a rate of €189 and Malta has a rate of €191. This compares with the Irish rate of €3,862.

This report examines the current (defined as January 2017 for 27 countries and March 2017 for the UK) comparative level of alcohol excise in the EU. There are several other taxation issues which are not examined, including comparative changes in the levels over time, the comparative role or share of excise in alcohol prices in the different countries, the role of alcohol excise relative to earnings or average incomes or the changes over time in the tax proportion of Irish and international alcohol prices.

As noted, alcohol excise is a specific or absolute amount of money tax per product (depending on the alcohol characteristics of the beverage). Consequently, one might expect low-income economies to operate low absolute alcohol excise rates which could still result in an internationally comparable or high excise share of the price. For example, a low-income economy would be characterised by lower cost of living, lower earnings and lower prices, other things being equal, than a high-income economy. Application of the same absolute excise rates would result in a much larger impact on the low-income economy price of alcohol than in the high-income economy. However, several high income economies, such as Germany, Denmark, France, the Netherlands and Belgium, also have low alcohol excise rates.

The report presents data on the league position of Ireland relative to other EU economies, the magnitude of the differences in excise rates between Ireland and other EU economies, the actual excise on a small sample of drinks products, and the impact on Irish prices using the lower German excise levels.

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IRELAND'S COMPARATIVE RANKING IN EXCISE

The comparative position of Ireland relative to the EU 28 is presented in Table 2. The only countries comparable to Ireland in terms of high levels of alcohol excise are the UK and the two Nordic countries, Sweden and Finland.

TABLE 2 EU ALCOHOL TAX RATES (EXCISE), EURO PER HPLA, 2017, ALPHABETICAL ORDER

MEMBER STATE	SPIRITS	WINE	BEER	COMPOSITE LEVEL	RANK
Austria	1200	0	500	567	18
Belgium	2993	681	501	1392	6
Bulgaria	562	0	192	251	28
Croatia	706	0	533	413	=24
Cyprus	957	0	600	519	20
Czech	1055	0	296	450	23
Denmark	2014	1417	752	1394	5
Estonia	2172	1018	830	1340	7
Finland	4555	3082	3205	3614	1
France	1738	34	741	838	11
Germany	1303	0	197	500	21
Greece	2550	189	1250	1330	8
Hungary	1082	0	526	536	19
Ireland	4257	3862	2255	3458	2

MEMBER STATE	SPIRITS	WINE	BEER	COMPOSITE LEVEL	RANK
Italy	1036	0	755	597	16
Latvia	1400	673	420	831	12
Lithuania	1354	708	336	799	13
Luxembourg	1041	0	198	413	=24
Malta	1400	186	483	690	15
Netherlands	1686	803	759	1083	9
Poland	1329	335	454	706	14
Portugal	1368	0	412	593	17
Romania	743	0	185	309	27
Slovakia	1080	0	359	480	22
Slovenia	1320	0	1210	843	10
Spain	959	0	199	386	26
Sweden	5451	2512	2132	3365	3
UK	3370	3078	2238	2895	4
IRELAND'S RANK	3	1	2	2	2

SOURCE: Spirits Europe, Summary of EU Member States, Brussels (Excise rates as of January 2017 except for UK which includes the March 2017 changes), the exchange rates are those of October 2016 as used in the EU excise tables, except for the UK and Sweden for which we use February 2017 average rates. Composite level is the unweighted average of the three rates. The beer data refer to a 5% ABV.

The ranking position of Ireland is summarised in Table 3. Ireland has the highest wine excise of the 28 EU members. Ireland has the second highest beer excise (but the UK rate is very close to the Irish rate) and the third highest spirits excise. On the composite indicator Ireland has the second highest alcohol excise of the 28 EU members behind Finland.

TABLE 3 IRELAND'S POSITION IN TERMS OF ALCOHOL TAXATION RATES (EXCISE), 2017

CATEGORY	POSITION
Wine	Highest in EU 28
Beer	Second highest in EU 28
Spirits	Third highest in EU 28
Composite Indicator	Second highest in EU 28

The UK excise levels denominated in euro have been significantly influenced by the recent decline in the value of Sterling. For example, the UK beer excise in Sterling is £1,908 per HLP. At an exchange rate of £0.7367 (the October 2015 EU excise table rate) this is equivalent to €2,590. However, at the February 2017 rate of 0.85273 the £1,908 is equivalent to €2,238.

The data in Table 2 are shown again in Table 4 in order of magnitude of the composite excise rate. This further illustrates the gap between the top four countries, including Ireland, and the rest of the EU. Only nine of 28 countries have a composite rate of more than €1,000. Only four countries have a composite rate of more than €2,000 and only three, including Ireland, have a rate of more than €3,000.

TABLE 4 EU ALCOHOL TAX RATES (EXCISE), EURO PER HLP, 2017, LEVEL AND RANK ORDER

MEMBER STATE	COMPOSITE LEVEL (€ PER HLP)	RANK OF COMPOSITE LEVEL
Finland	3614	1
Ireland	3458	2
Sweden	3365	3
UK	2895	4
Denmark	1394	5
Belgium	1392	6
Estonia	1340	7
Greece	1330	8
Netherlands	1083	9
Slovenia	843	10
France	838	11
Latvia	831	12
Lithuania	799	13
Poland	706	14
Malta	690	15
Italy	597	16
Portugal	593	17
Austria	567	18
Hungary	536	19
Cyprus	519	20
Germany	500	21
Slovakia	480	22
Czech	450	23
Croatia	413	=24

MEMBER STATE	COMPOSITE LEVEL (€ PER HHPA)	RANK OF COMPOSITE LEVEL
Luxembourg	413	=24
Spain	386	26
Romania	309	27
Bulgaria	251	28

SOURCE: As for Table 2

As noted in the data section, the international sources on alcohol excise do not contain comprehensive cider data. The following data for cider refer to Ireland and the UK. The excise in both countries is levied by hectolitre of product depending on different alcohol strength bands.

The 2017 UK excise rate per hectoliter of product for still cider and perry up to 7.5% alcohol content is £40.38, or €47.35 at the February 2017 exchange rate. The 2017 Irish rate per hectolitre of still cider and perry product is €94.46 for alcohol strengths between 2.9% and 5.9%. Consequently, for cider up to 6% alcohol by volume category, the Irish excise rate is 99.5% greater than the UK rate.

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QUANTITATIVE DIFFERENCES IN EXCISE

The previous section identified Ireland's high placing in the EU alcohol excise league table. The high Irish alcohol taxation levels compared with the large majority of the EU 28 are more clearly illustrated when comparing the levels between the different economies instead of the ranking.

In Table 5 below, we compare the other EU countries to Ireland by magnitude. Ireland is expressed as 100 and the other countries are expressed relative to Ireland. As Finland is the only country with a larger composite rate than Ireland, it is the only country with a figure greater than 100. Sweden is close to the Irish level at 97.3% of the Irish level. The UK composite rate is 83.7% of the Irish rate. After the UK there is a substantial decline in national composite rates. The next highest country is Denmark, and its rate is only 40.3% of the Irish composite rate. Nineteen EU economies have a composite rate which is less than one quarter of the Irish rate.

TABLE 5 EU ALCOHOL TAX RATES (EXCISE), EURO PER HPLA, 2017, LEVEL AND POSITION RELATIVE TO IRELAND

MEMBER STATE	COMPOSITE LEVEL (€ PER HPLA)	POSITION OF COMPOSITE LEVEL RELATIVE TO IRELAND (100)
Finland	3614	104.5
Ireland	3458	100
Sweden	3365	97.3
UK	2895	83.7
Denmark	1394	40.3
Belgium	1392	40.3
Estonia	1340	38.8
Greece	1330	38.5

MEMBER STATE	COMPOSITE LEVEL (€ PER HPLA)	POSITION OF COMPOSITE LEVEL RELATIVE TO IRELAND (100)
Netherlands	1083	31.3
Slovenia	843	24.4
France	838	24.2
Latvia	831	24.0
Lithuania	799	23.1
Poland	706	20.4
Malta	690	20.0
Italy	597	17.3
Portugal	593	17.1
Austria	567	16.4
Hungary	536	15.5
Cyprus	519	15.0
Germany	500	14.5
Slovakia	480	13.9
Czech	450	13.0
Croatia	413	11.9
Luxembourg	413	11.9
Spain	386	11.2
Romania	309	8.9
Bulgaria	251	7.3

SOURCE: As for Table 2

The main points from the quantitative aspect of the comparison are as follows:

- Finland's composite rate is 4.5% higher than Ireland's, €3,614 compared to €3,458. Sweden's composite rate is 2.7% below the Irish rate and the UK rate is 16.3% below the Irish rate.
- Denmark and Belgium are the next highest composite rate but are substantially lower and are only 40.3% of the Irish level. In money terms, Denmark and Belgium have an average €1,394 and €1,392 excise per hectolitre of pure alcohol respectively, compared to Ireland's €3,458.
- The top four alcohol excise levels per HPLA, of €3,614 to €2,895 (Finland, Ireland, Sweden and the UK), are substantially higher than the next four highest countries €1,394 to €1,330 (Denmark, Belgium, Estonia and Greece).
- Germany's composite alcohol excise per HPLA is €500, or 14.5% of the Irish level.
- France's composite level of €838 is 24.2% of the Irish level.
- Referring to the individual drinks excise levels which are presented in Table 2, we see that Ireland's beer excise tax is 4.5 times the level of Austria, 11.4 times the level of Germany, almost 3 times the level of the Netherlands and 11.3 times the level of Spain.

- Ireland's wine excise tax is 5.7 times the level of Belgium and 2.7% times the level of Denmark.
- Ireland's spirits excise tax of €4,257 is 2.4 times the level of France which is €1,738, and 4.1 times the level of Italy.
- Ireland's beer excise is very close to the UK level, €2,255 in Ireland and €2,238 in the UK (the Irish rate is 0.8% higher); Ireland's spirit excise is much higher than the UK, €4,257 compared to €3,370 (the Irish rate is 26% higher); and Ireland's wine excise is €3,862 compared to €3,078 in the UK (the Irish rate is 25% higher). Ireland's cider excise is almost double that of the UK.

We now present estimates of the excise levied on a selection of drinks in the different countries. The estimates are derived from multiplying the actual Irish excise per drink (to the nearest cent) by the ratio of the excise per HPLA of Ireland and the other country. Due to rounding the ratios of the Irish/other countries' actual excise per drink, ratios are not exactly the same as the ratios of the excise in € per HPLA. The reference is to Irish measures of drinks, such as a pint. These measures are not used in other countries. Consequently the comparison is with excise per pint, for example, in Ireland with a drink of the same size in the other EU countries, even if such measures are not actually used. This, of course, compares like with like in terms of amount of excise. There are also difficulties in specifying the size of a glass of wine. There are small, medium and large glasses. We use the 187 ml size which is the size of a small bottle in a bar, and the size for which the CSO publishes the average price. The details of the excise per drink are in Table 6.

The estimates are rounded to the nearest cent. The rounding process results in some anomalies. The UK excise for beer is €2,238 per HPLA and the Irish rate is €2,255. The Irish rate is 0.8% higher than the UK and on a league table basis is higher than the UK, although by very little. The Irish excise per pint is €0.55. The ratio of the UK to Ireland beer excise per HPLA multiplied by the 55 cent per pint results in a UK excise per pint of €0.546 which is rounded to 55 cent. This is the same as the Irish excise per pint of beer as compared to slightly below as per the HPLA measure.

The features of the excise per drink data mirror (except for the rounding implication) the earlier findings related to league position and quantitative differences related to the excise per HPLA indicator. These excise amounts relate only to excise and do not include the VAT which would be charged on the excise.

The Irish wine position in the table stands out. Fourteen EU countries do not charge excise on wine. Ireland's rate per 187ml glass is 80 cent. As already shown, this is the highest in the EU. Finland and the UK follow, each with 64 cent, and Sweden is 52 cent. However, the next highest country, Denmark, is only 29 cent. Estonia is next with 21 cent. The other eight countries with a wine excise charge less than 20 cent per glass. As already noted, 14 countries have no excise on a glass of wine.

Every country charges a beer excise but there is a large range, from 78 cent a pint to 5 cent. 21 countries have a beer excise per pint of lager of less than 20 cent. The Irish level is 55 cent. Every country charges a spirits excise. The excise per half glass ranges from 64 cent to 8 cent which is narrower than the beer range. The Irish level is 60 cent. 16 countries have a whiskey excise of less than 20 cent per half glass. Excise charges on off-licence purchases of bottles of wine or whiskey are very large because of the amount of alcohol in a bottle. They range from €15.26 to €1.98. The wine off-licence excise per bottle ranges from €3.19 (Ireland) to zero.

TABLE 6 EU ALCOHOL TAX RATES (EXCISE) ON VARIOUS DRINKS, €, 2017

MEMBER STATE	STANDARD MEASURE OF WHISKEY IN A BAR	PINT OF LAGER IN A BAR	PINT OF STOUT IN A BAR	GLASS OF WINE (187ml) IN A BAR / RESTAURANT	BOTTLE OF WHISKEY (70cl) IN AN OFF-LICENCE	BOTTLE OF WINE (75cl) IN AN OFF-LICENCE
Finland	0.64	0.78	0.77	0.64	12.75	2.55
Ireland	0.60	0.55	0.54	0.80	11.92	3.19
Sweden	0.77	0.52	0.51	0.52	15.26	2.07
UK	0.47	0.55	0.54	0.64	9.44	2.54
Denmark	0.28	0.18	0.18	0.29	5.64	1.17
Belgium	0.42	0.12	0.12	0.14	8.38	0.56
Estonia	0.31	0.20	0.20	0.21	6.08	0.84
Greece	0.36	0.30	0.30	0.04	7.14	0.16
Netherlands	0.24	0.19	0.18	0.17	4.72	0.66
Slovenia	0.19	0.30	0.29	0	3.70	0
France	0.24	0.18	0.18	0.01	4.87	0.03
Latvia	0.20	0.10	0.10	0.14	3.92	0.56
Lithuania	0.19	0.08	0.08	0.15	3.79	0.58
Poland	0.19	0.11	0.11	0.07	3.72	0.28
Malta	0.20	0.12	0.12	0.04	3.92	0.15
Italy	0.15	0.18	0.18	0	2.90	0
Portugal	0.19	0.10	0.10	0	3.83	0
Austria	0.17	0.12	0.12	0	3.36	0
Hungary	0.15	0.13	0.13	0	3.03	0
Cyprus	0.13	0.15	0.14	0	2.68	0
Germany	0.18	0.05	0.05	0	3.65	0
Slovakia	0.15	0.09	0.09	0	3.02	0
Czech	0.15	0.07	0.07	0	2.95	0
Croatia	0.10	0.13	0.13	0	1.98	0
Luxembourg	0.15	0.05	0.05	0	2.91	0
Spain	0.14	0.05	0.05	0	2.69	0
Romania	0.10	0.05	0.04	0	2.08	0
Bulgaria	0.8	0.05	0.05	0	1.57	0

SOURCE: As for Table 2. Derived as follows, the ratio of a country's excise per HPLA to Ireland's rate was multiplied by the Irish drink specific euro excise. The Irish excise was rounded to nearest cent and the individual country excise levels were also rounded.

6



IMPACT ON PRICE

The Irish/other EU countries' excise gap is very wide as has been shown in this report. This has a substantial effect on Irish alcohol prices. We illustrate this by applying German excise levels to Irish alcohol products and identifying the price effect.

Although some other countries operate excise rates which are closer to Ireland, Germany is used because it is the largest economy in the EU and is generally acknowledged as being well managed from the economic and public financial perspectives. It is also a very large incoming tourism market for Ireland. The details are presented in Table 7. Of course, the same exercise can be done for all of the other countries.

TABLE 7 IMPACT OF APPLYING GERMAN EXCISE RATES TO IRISH PRICES, €, % IMPACT 2017

ALCOHOL PRODUCT	PRICE	IRISH EXCISE	GERMAN EXCISE	EXCISE DIFFERENCE	PRICE REDUCTION	% PRICE REDUCTION
Pint of stout in a bar	4.37	0.54	0.05	0.49	0.60	13.7%
Pint of lager in a bar	4.74	0.55	0.05	0.50	0.62	13.1%
Standard measure of whiskey in a bar	4.18	0.60	0.18	0.42	0.52	12.4%
Glass of wine (187ml) in a bar / restaurant	5.38	0.80	0	0.80	0.98	18.2%
Bottle of whiskey (70cl) in an off-licence	26.62	11.92	3.65	8.27	10.17	38.2%
Bottle of wine (75cl) in an off-licence	10.30	3.19	0	3.19	3.92	38.1%

SOURCE: Average alcohol prices from CSO; refer to January 2017 except for wine which refers to November 2016. Figures rounded to nearest cent in each box.

Application of the German beer excise rate to Ireland would reduce excise on an on-licence pint of stout to 5 cent instead of 54 cent, a direct reduction of 49 cent. This increases to a reduction of 60 cent when VAT on the excise is accounted for. The 60 cent reduction is a 13.7% decrease on the current price of a pint. On a pint of lager, using the same methodology, the price reduction would be 13.1%. A measure of whiskey in a bar would have a price reduction of 12.4% or 52 cent if the German excise levels applied in Ireland. A 187 ml glass/bottle of wine in a bar/restaurant would have a price reduction of 18.2%. Application of the German spirits excise rate to Ireland on an off-licence bottle of whiskey would reduce excise to €3.65 from €11.92 giving a price a reduction of €10.17, or 38.2% including the VAT impact. Germany does not impose excise on wine. An off-licence bottle of wine priced at €10.30 would have a drop in price of 38.1%, or €3.92, if the German zero rate applied in Ireland.



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SUMMARY

The analysis shows that Ireland has very high alcohol excise rates compared to other EU countries.

On the “league table” basis, Ireland has the highest wine excise rate, the second highest beer excise rate and the third highest spirits rate in the EU. On the composite indicator, used in the report, Ireland has the second highest average alcohol excise rate. More importantly, the quantitative or monetary gap between Ireland and the large majority of other EU economies on alcohol excise is substantial. Fourteen EU economies have no excise on wine while Ireland has the highest excise on wine in the EU.

- Finland's composite rate is 4.5% higher than Ireland's, €3,614 compared to €3,458. Sweden's composite rate is 2.7% below the Irish rate and the UK rate is 16.3% below the Irish rate.
- Denmark and Belgium are the next highest composite rate but are substantially lower and are only 40.3% of the Irish level. In money terms, Denmark and Belgium have an average €1,394 and €1,392 excise per hectolitre of pure alcohol respectively, compared to Ireland's €3,458.
- The top four alcohol excise levels per HLP per HPLA of €3,614 to €2,895 (Finland, Ireland, Sweden and the UK) are substantially higher than the next four highest countries, €1,394 to €1,330 (Denmark, Belgium, Estonia and Greece).
- Germany's composite alcohol excise per HLP per HPLA is €500, or 14.5% of the Irish level.
- France's composite level of €838 is 24.2% of the Irish level.
- Referring to the individual drinks excise levels which are presented in Table 2, we see that Ireland's beer excise is 4.5 times the level of Austria, 11.4 times the level of Germany, almost 3 times the level of the Netherlands, and 11.3 times the level of Spain.
- Ireland's wine excise tax is 5.7 times the level of Belgium and 2.7 times the level of Denmark.
- Ireland's spirits excise tax of €4,257 is 2.4 times the level of France which is €1,738, and 4.1 times the level of Italy.
- Ireland's beer excise is very close to the UK level, €2,255 in Ireland and €2,238 in the UK (the Irish rate is 0.8% higher); Ireland's spirit excise is much higher than the UK, €4,257 compared to €3,370 (the Irish rate is 26% higher); and Ireland's wine excise is €3,862 compared to €3,078 in the UK (the Irish rate is 25% higher). Ireland's cider excise is almost double that of the UK.

Application of the German beer excise rate to Ireland would reduce excise on an on-licence pint of stout to 5 cent instead of 54 cent, a direct reduction of 49 cent. This increases to a reduction of 60 cent when VAT on the excise is accounted for. The 60 cent reduction is a 13.7% decrease on the current price of a pint. On a pint of lager, using the same methodology, the price reduction would be 13.1%. A measure of whiskey in a bar would have a price reduction of 12.4% or 52 cent if the German excise levels applied in Ireland. There would be a price reduction of 18.2% on a 187 ml glass of wine in a bar/restaurant. Application of the German spirits excise rate to Ireland on an off-licence bottle of whiskey would reduce excise to €3.65 from €11.92 giving a price a reduction of €10.17, or 38.2% including the VAT impact. Germany does not impose excise on wine and an off-licence bottle of wine priced at €10.30 would have a drop in price of 38.1%, or €3.92, if the German zero rate applied in Ireland.

Ireland, along with Sweden, Finland and the UK are high alcohol excise countries by EU standards. The size of the excise gap between these four countries and the other 24 EU countries is substantial. While Ireland is a low-tax economy in terms of corporation tax and tax as a share of GDP (and still relatively low when using GNP due to the interpretation issues associated with GDP), this is not the case in alcohol excise tax. Ireland is a high alcohol tax economy in 2017 compared to the large majority of EU member states. The gap between the group of high alcohol tax economies of Ireland, Finland, Sweden and the UK and the other EU economies is substantial.

NOTES

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