



Alcohol: Tax, Price and Public Health

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The World Health Organisation's European Charter on Alcohol proposes that each Member State should:

"Promote health by controlling the availability, for example for young people, and influencing the price of alcoholic beverages, for instance by taxation"

The WHO Charter has been signed by all Member States of the EU, including the UK

Alcohol Taxes in the UK

There are two kinds of taxes on alcohol, excise duties, which vary with the different categories of alcoholic drink, and VAT, a uniform rate currently set at 17.5%. Excise duties are normally reviewed annually by the Chancellor of the Exchequer in his Budget.

Compared with other European countries, alcohol is relatively highly taxed in the UK.

Alcohol Taxes and Public Health

Although for reasons of raising tax revenue the UK is one of the high alcohol tax countries of Europe, tax is no longer consciously and deliberately employed as a means of controlling levels of alcohol consumption and related harm.

The last Conservative Government's public health strategy, 'Health of the Nation', which included the target of reducing the number of heavy drinkers in the population, did commit the Chancellor to taking health into account in setting excise duties each year. However, this commitment was discarded by the Labour Government which took office in 1997, and the National Alcohol Harm Reduction Strategy published in 2004 explicitly rejects tax as a means of tackling harm. The Strategy states:

The two main supply-side levers that are commonly cited as influencing harm are price and availability:

- *price is controlled by Government through levels of taxation; it is also governed by the laws of supply and demand – for example, price*

- *promotions; and*
- *availability is controlled through restrictions on suppliers (planning and licensing law) and individuals.*

There is a clear association between price, availability and consumption. But there is less sound evidence for the impact of introducing specific policies in a particular social and political context:

- *our analysis showed that the drivers of consumption are much more complex than merely price and availability;*
- *evidence suggested that using price as a key lever risked major unintended side effects;*
- *the majority of those who drink do so sensibly the majority of the time. Policies need to be publicly acceptable if they are to succeed; and*
- *measures to control price and availability are already built into the system.*

In arriving at these conclusions, the Government was rejecting the advice of virtually the whole scientific and public health community based on the accumulated international evidence that the price of alcohol is one of the principal influences on levels of alcohol consumption and harm, and, particularly in a high alcohol tax country like the UK, tax is a major determinant of price.

A range of studies have found that increasing the price of alcohol can reduce road accidents and fatalities; workplace injuries; deaths from cirrhosis of the liver; various kinds of violent crime, including assaults, rapes, robberies and homicide, and spouse and child abuse.¹

A recent illustration of the link between tax, price and health is provided by Finland, where in 2004 the Government reduced alcohol excise duty by an average of 33% in order to reduce the number of cheap imports from abroad. The result was an immediate 17% increase in alcohol-related mortality, equivalent to approximately 8 additional alcohol-related deaths per week.²

Excise Duty rates in the European Union³

Country	Spirits £ per 70cl bottle 40% ABV	Still wine £ per 75 cl bottle 11.5% ABV	Sparkling wine £ per 75 cl bottle	Beer £ per pint 5% ABV or 12° Plato	VAT rate %
Austria	1.9	0.00	0.00	0.10	20
Belgium	3.4	0.25	0.84	0.08	21
Cyprus	1.2	0.00	0.00	0.02	15
Czech Rep.	1.8	0.00	0.43	0.04	22
Denmark	3.9	0.43		0.13	25
Estonia	1.9	0.35	0.35	0.07	18
Finland	5.5	1.10	1.10	0.38	22
France	2.8	0.02	0.04	0.05	19.6
Germany	2.5	0.00	0.27	0.04	16
Greece	2.1	0.00	0.00	0.06	18
Hungary	1.6	0.00	0.24	0.09	25
Ireland	7.6	1.42	2.84	0.39	21
Italy	1.6	0.00	0.00	0.12	20
Latvia	1.8	0.22	0.22	0.03	18
Lithuania	1.8	0.23	0.23	0.04	18
Luxembourg	2.0	0.00	0.00	0.04	15
Malta	4.5	0.00	0.00	0.04	18
Netherlands	2.9	0.31	1.05	0.10	19
Poland	2.3	0.18	0.18	0.09	22
Portugal	1.8	0.00	0.00	0.06	21
Slovakia	1.5	0.00	0.33	0.07	19
Slovenia	1.4	0.00	0.00	0.14	20
Spain	1.6	0.00	0.00	0.04	16
Sweden	10.4	1.23	1.23	0.31	25
UK	5.5	1.25	1.65	0.38	17.5

Source: European Commission's Excise Duty Tables (Alcohol Beverages), published by Europa website (January 2006)

However, despite the relatively high level of the taxes in a European context, they are declining in real terms. Duties on spirits have not been increased since 1997, while those on beer and wine have been adjusted for inflation, they have not kept pace with the growth in personal incomes, so alcohol in general has become steadily more affordable.

Excise Duties In Pence 1973-2008³

Year	Beer	Wine	Spirits
1973	3.1	12	167
1974	4.0	21	185
1975	5.9	43	238
1976	6.8	49	265
1977	7.5	54	292
1978	7.5	54	292
1979	7.5	54	292
1980	9.1	6.1	332
1981	12.6	71	381
1982-Mar	14.3	80	405
1983-Mar	15.1	85	425
1984-Mar	16.8	68	433
1985-Mar	18.1	74	442
1986-Mar	18.1	74	442
1987-Mar	18.1	74	442
1988-Mar	18.9	77	442
1989-Mar	18.9	77	442
1990-Mar	20.4	83	486
1991-Mar	22.3	90	531
1992-Mar	23.4	94	555
1993-Mar	24.5	99	555
1993-Nov	23.2	101	555
1994-Nov	23.2	101	555
1995-Jan	24.0	105	577
1995-Nov	24.0	105	553
1996-Nov	24.0	105	532
1998-Jan	24.7	109	548
1999-Jan	25.5	112	548
1999-Mar	25.0	112	548
2000-Apr	26.4	116	548
2001-Mar	26.4	116	548
2002-Apr	26.4	116	548
2003-Apr	27.1	119	548
2004-Apr	27.9	123	548
2005-Mar	29.0	126	548
2006-Mar	29.0	129	548
2007-Mar	31.2	133	548
2008-Mar	34.0	146	598

Notes on the table:

Updated by IAS Mar 2008, based on BBPA Statistical handbook 2007 and HM Treasury figures
Beer - duty in pence per pint 3.9 per cent alcohol by volume up to 2006; 4% after that. There have been two changes in the way that excise duty was changed from a standard charge for beer of 10300 plato and an extra charge for per additional degree to a charge for each degree above 10000. In 1993 the basis was changed again to a charge for each per cent alcohol by volume.

Wine - duty in pence per 75cl bottle.

Spirits - duty in pence per 70cl bottle, 40 per cent.

Cheap Imports from Across the Channel

A major reason for the decline in the real value of excise duties has been the importation, legal and illegal, of cheap alcohol from across the Channel, arising from the UK's membership of the European Union.

Critics of the alcohol industry accuse it of exaggerating the problem and exploiting it for its own purposes, pointing out that, certainly in relation to beer, it is primarily the industry's own costs and profit margins, not alcohol taxes, that are responsible for higher prices in the UK.

Moreover, despite smuggling, the revenue collected from alcohol continues to increase year on year.

Revenue (Excise duties & VAT) collected from Alcoholic Drink in UK⁴

£million						
	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Beer	5349.2	5406.0	5531.1	5637.3	5874.7	5992.2
Spirits	2812.3	2858.0	2968.7	3403.7	3523.9	3587.2
Wine	3287.5	3595.6	3925.7	3992.1	4031.1	4398.7
Total	11449.0	11859.6	12425.6	13033.1	13429.7	13978.1

An important scientific review of this issue concludes:

"Taxation of alcohol is an effective mechanism for reducing alcohol problems...The notion that heavy or dependent drinkers are immune to the influence of price is demonstrably incorrect. Put simply, but with entire scientific accuracy, alcohol taxation is a readily available instrument which can be applied to save lives and avert alcohol-related suffering."⁵

Public health advocates have argued for many years that alcohol tax is an important means of controlling alcohol problems. For example:

British Medical Association: "...this meeting believes that the Government's failure to increase tax on tobacco and alcohol demonstrates its lack of commitment to the promotion of good health".⁶

Faculty of Public Health Medicine: "...the Government should deliberately adopt a policy of taxing alcoholic drinks so as to reduce consumption. At the very least alcohol prices should not be allowed to fall and should be revalorised for changes in price and then further revalorised for changes in income...Duties should be based on the alcohol content of the drink ... so that the duty on one unit of alcohol is similar for all drink types."⁷

Royal College of Psychiatrists: Government taxation policies should be intentionally employed in the interests of health, to ensure that per capita consumption (of alcohol) does not increase beyond the present level and is by stages brought back to an agreed lower level.⁸

Royal College of Physicians and the British Pediatric Association: the real price of alcohol should be regularly increased by taxation to provide a strong price disincentive for young people.⁹

All-Party Group of MPs: The link between alcohol and crime should be taken into

*'There is ample evidence that at the population level, alcohol consumption is responsive to price...many studies have concluded that heavier drinkers are more responsive to price than non-heavy drinkers. Other studies indicate that there is an inter-relation between price and income, with young males on lower incomes being more susceptible to price elasticity than those on higher incomes. However there are still considerable gaps in the evidence....'*¹²

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¹ Babor T et al, Alcohol: no ordinary commodity. Oxford Medical Publications, 2003

² Alcohol tax cuts and increase in alcohol-positive sudden deaths – a time-series intervention analysis – Koski, A; Sirén, R; Vuori, E; Poikolainen, K: Addiction, 102, 362-368, 2007

³ Alcohol Factsheet – September 2006: HM Revenue & Customs

⁴ BBPA Statistical Handbook 2005

⁵ G Edwards et al: Alcohol Policy and the Public Good. Oxford Medical Publications/WHO Europe 1994

⁶ BMA Resolution 1989

⁷ Alcohol and the Public Health. The Faculty of Public Health Medicine, Royal College of Physicians 1991

⁸ Alcohol – Our Favourite Drug. Royal College of Psychiatrists 1986

⁹ Alcohol and the Young. Report of a Joint Working Party. The Royal College of Physicians and the British Paediatric Association 1995, published by the Royal College of Physicians on behalf of the All-Party Group by Alcohol Concern

¹⁰ All-Party Group on Alcohol Misuse. Alcohol and Crime: Breaking the Link, House of Commons 1995

¹¹ Calling Time: The Nation's drinking as a major health issue. A report from the Academy of Medical Sciences, March 2004

¹² K Sewell: International Alcohol Policies: A Selected Literature Review. Scottish Executive Central Research Unit. Health and Community Research Programme. Research Findings No. 15, 2002