Cider Duty in the Republic of Ireland

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Institute of Alcohol Studies

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Summary

- The Republic of Ireland's tax system ensures that white cider cannot be sold at extremely low prices
- There, cider above 6.0% ABV is taxed at a much higher rate, and overall, cider is taxed at a similar rate to beer
- As a result, cider is less associated with harmful drinking in the Republic of Ireland than in the UK

As the UK Government re-assesses the structure of cider duty in this country, there may be lessons to take from the Republic of Ireland, where taxes on strong cider are much higher, and as a result there is no market for the cheap 'white ciders' that cause such concern here. Moreover, these taxes have not undermined Ireland's thriving mainstream cider industry. Cross-national comparisons of alcohol policy are often problematic, because there are such substantial differences in culture and context. Yet if there is any country that can be plausibly compared to the UK, it is surely the Republic of Ireland, which we believe offers a positive model of how to tax cider.

The structure of cider tax in the UK and Republic of Ireland

Like the UK, the Republic of Ireland is bound by EU Directives that mean it can only tax cider and perry by volume rather than alcohol content. However, it avoids the perverse incentives of the UK system in three ways, as figure 1 shows.

Figure 1: Structure of UK and Irish cider duties[1]

Republic of Ireland

ABV	Rate per hectolitre)
<2.8%	€47.23
2.8-6.0%	€94.46
6.0%-8.5%	€218.44

UK

ABV	Rate (£ per hectolitre)
1.2-7.5%	£40.38
7.5-8.5%	£61.04

[1] Irish Tax & Customs, Excise Duty Rates. Available from: <http://www.revenue.ie/en/tax/excise/duties/excise-duty-rates.html>. HM Revenue & Customs, Alcohol Duty rates from 13 March 2017. Available from: <http://bit.ly/1CpaOff>. [Accessed 27 April 2017]

Firstly, it has narrower bands of duty. Whereas the UK charges a single rate of tax on all cider between 1.2% and 7.5% ABV, the Republic of Ireland has one rate for cider under 2.8%, another for cider between 2.8% and 6.0%, and a third between 6.0% and 8.5%. Secondly, it levies a substantially higher rate of tax on products in higher duty bands – the rate of tax on cider above 6.0% ABV is more than double the rate on cider below that threshold. By contrast, the UK duty rate on ciders above 7.5% ABV is just over 50% more than cider below that threshold. Thirdly, the rate of duty on cider is much higher in the Republic of Ireland, and much more comparable to other products, unlike the UK, where cider is taxed at a much lower rate than all other drinks.

Figure 2: Duty rate per unit – beer and cider, UK and Republic of Ireland[2]

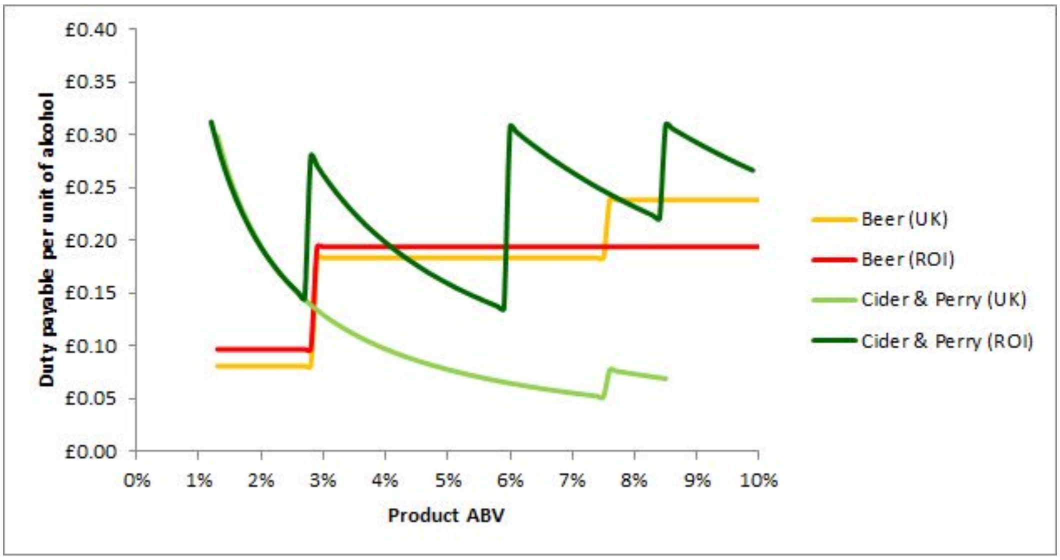


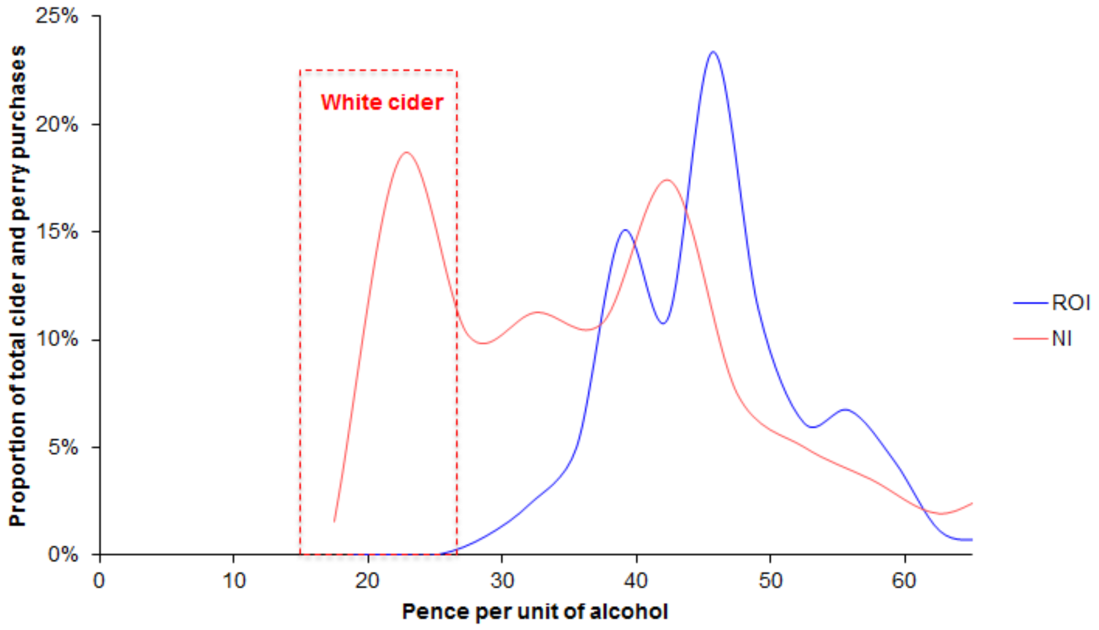
Figure 2 summarises how this translates to incentives for retailers in the UK and Republic of Ireland. The key point is that in the UK, 7.5% ABV cider attracts less duty per unit than any other alcoholic product, and a third of the rate of equivalent strength beer. By contrast, in the Republic of Ireland, cider duty per unit is lowest on products of 6.0% ABV. Moreover, this rate is not substantially lower than the one imposed on beer of similar strength.

The consequences of Republic of Ireland's cider tax regime

Given the cultural similarities between the Republic of Ireland and Northern Ireland, these tax differences can be treated as a sort of 'natural experiment'. Comparison of the cider markets of the two countries is striking – showing how the Republic of Ireland's tax regime prevents the development of a market for white cider.

[2] Holmes, J. (2017), Cheap cider and an alcohol duty system that incentivised harmful practice. Available from: <http://bit.ly/2raL04A>. [Accessed 27 April 2017]

Figure 3: Proportion of cider and perry sold by unit price – Northern Ireland and Republic of Ireland[3]



As figure 3 shows, extremely cheap cider accounts for a significant proportion of Northern Irish cider sales, but almost none of the market south of the border. Products sold for less than 25 pence per unit account for around 20% of all cider sales in Northern Ireland, but 0% in the Republic of Ireland.

The consequence of this is that there is a weaker association between cider and harmful drinking in the Republic of Ireland than in Northern Ireland. In the Republic of Ireland, harmful drinkers[4] consume 22 times more cider on average than moderate drinkers[5]. By contrast, in Northern Ireland, harmful drinkers consume 36 times more cider than moderate drinkers.[6]

It is worth noting that these tax measures have not impeded the Republic of Ireland's highly successful mainstream cider industry. Indeed, moderate drinkers are more likely to drink cider south of the border – it accounts for 9% of their alcohol consumption, compared to 2% in Northern Ireland.

[3] Unpublished analysis by Colin Angus, University of Sheffield of data from Health Survey for North Ireland 2010/11-2011/12; Living Costs and Food Survey 2001-09 (NI subsample); National Alcohol Diary Survey 2013; Nielsen off-trade price data. For methodological details see Angus, C. et al (2014), Model-based appraisal of minimum unit pricing for alcohol in Northern Ireland: An adaptation of the Sheffield Alcohol Policy model version 3. Sheffield: ScHARR, University of Sheffield; Angus, C. et al (2014), Model-based appraisal of minimum unit pricing for alcohol in the Republic of Ireland: An adaptation of the Sheffield Alcohol Policy model version 3. Sheffield: ScHARR, University of Sheffield
[4] Men consuming over 50 UK units per week, or women consuming over 35 UK units per week
[5] Men consuming over 21 UK units per week; women consuming 14 UK units per week
[6] Analysis by Colin Angus, op. cit.

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