Taxation as a Policy Lever to Reduce Harmful Drinking

IARD Members are committed to reducing harmful drinking and to contributing to the community in which they work, including through contributions to local and national economies through taxation.

The International Alliance for Responsible Drinking and its member companies believe that:

Any taxation of alcohol beverages should be part of a comprehensive fiscal and regulatory framework.

Taxation should be proportionate, appropriate for each local context, and consistent with World Trade Organization principles. Taxation should neither create market distortions nor exacerbate issues of harmful consumption.

Peer-reviewed studies have shown that the effects of increased taxation can vary across different types of drinkers [1-3]. Some scientific studies show the heaviest drinkers, including heavy episodic drinkers, are the least sensitive to pricing policies [4-8]. Disproportionate taxation may penalize moderate drinkers and those with limited disposable income [1-3, 8-10]. Particularly in countries where a large share of the alcohol market is unrecorded, taxation of the regulated alcohol sector may not significantly reduce harmful drinking [11-18].

To be effective, a regulatory framework, which includes taxation, must be accompanied by interventions aimed specifically at harmful drinking [19].

High levels of taxation may lead to unintended consequences, including growth in the unrecorded and illegal markets [11-13, 20-24]. Other potential outcomes may include tax evasion and corruption, illicit trade, and a resulting loss, rather than an increase, in government revenue [13, 14, 19, 25-29].

References


