

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

1. Ayyagari, P., et al., *Understanding the heterogeneity in price elasticities in the demand for alcohol for older individuals*. Health Economics, 2011.
2. Manning, W., L. Blumberg, and L. Moulton, *The demand for alcohol: The differential response to price*. Journal of Health Economics, 1995. **14**: p. 123-148.
3. Wagenaar, A.C., M.J. Salois, and K.A. Komro, *Effects of beverage alcohol price and tax levels on drinking: A meta-analysis of 1003 estimates from 112 studies*. Addiction, 2009. **104**(2): p. 179-190.
4. Nelson, J.P., *Does heavy drinking by adults respond to higher alcohol prices and taxes? A survey and assessment*. Economic Analysis and Policy, 2013. **43**(3): p. 265-291.
5. Nelson, J.P., *Gender differences in alcohol demand: A systematic review of the role of prices and taxes*. Health economics, 2014. **23**(10): p. 1260-1280.

6. Nelson, J.P., *Binge drinking and alcohol prices: A systematic review of age-related results from econometric studies, natural experiments and field studies*. Health Economics Review, 2015. **5**(6).
7. Byrnes, J., et al., *Can harms associated with high-intensity drinking be reduced by increasing the price of alcohol?* Drug Alcohol Rev, 2013. **32**(1): p. 27-30.
8. O'May, F., et al., *The families and friends of heavy drinkers: Caught in the cross-fire of policy change?* Drug and Alcohol Review, 2017. **36**(2): p. 192-199.
9. Kenkel, D.S., *Drinking, driving and deterrence: The effectiveness and social costs of alternative policies*. Journal of Law and Economics, 1993. **36**(2): p. 877-914.
10. Kenkel, D.S., *New estimates of the optimal tax on alcohol*. Economic Inquiry, 1996. **34**(2): p. 296-319.
11. Lachenmeier, D.W., B.J. Taylor, and J. Rehm, *Alcohol under the radar: Do we have policy options regarding unrecorded alcohol?* International Journal of Drug Policy, 2011. **22**(2): p. 153-160.
12. Gill, J., et al., *Alcohol purchasing by ill heavy drinkers; cheap alcohol is no single commodity*. Public Health. **129**(12): p. 1571-1578.
13. Karlsson, T. and E. Osterberg, *Alcohol affordability and cross-border trade in alcohol*. 2009, Swedish National Institute of Public Health, National Institute for Health and Welfare: Helsinki. p. 35.
14. Room, R., et al., *What happened to alcohol consumption and problems in the Nordic countries when alcohol taxes were decreased and borders opened?* International Journal of Alcohol and Drug Research, 2013. **2**(1): p. 77-87.
15. Lang, K., et al., *The composition of surrogate and illegal alcohol products in Estonia*. Alcohol and Alcoholism, 2006. **41**(4): p. 446-50.
16. Lachenmeier, D.W., et al., *Association between quality of cheap and unrecorded alcohol products and public health consequences in Poland*. Alcoholism: Clinical and Experimental Research, 2009. **33**: p. 1757 –1769.
17. Pärna, K. and D.A. Leon, *Surrogate alcohol drinking in Estonia*. Alcoholism: Clinical and Experimental Research, 2011. **35**(8): p. 1454-1457.
18. Wei, S., et al., *Comparison of patterns of use of unrecorded and recorded spirits: Survey of adult drinkers in rural central China*. International Journal of Environmental Research and Public Health, 2017. **14**(10): p. 1099.
19. World Health Organization (WHO), *Global strategy to reduce the harmful use of alcohol*. 2010, Author: Geneva.
20. Nordlund, S. and E. Osterberg, *Unrecorded alcohol consumption: Its economics and its effects on alcohol control in the Nordic countries*. Addiction, 2000. **95**(Suppl 4): p. S551-S564.
21. Pärna, K., et al., *A rapid situation assessment of the market for surrogate and illegal alcohols in Tallinn, Estonia*. International Journal of Public Health, 2007. **52**: p. 402–410.
22. Stickley, A., et al., *Alcohol poisoning in Russia and the countries in the European part of the former Soviet Union, 1970-2002*. European Journal of Public Health, 2007. **17**: p. 444-449.
23. Lachenmeier, D.W., J. Rehm, and G. Gmel, *Surrogate alcohol: What do we know and where do we go?* Alcoholism: Clinical and Experimental Research, 2007. **31**(10): p. 1613-1624.
24. McKee, M., et al., *The composition of surrogate alcohols consumed in Russia*. Alcoholism: Clinical and Experimental Research, 2005. **29**(10): p. 1884-1888.
25. Makela, P., et al., *Changes in volume of drinking after changes in alcohol taxes and travellers' allowances: Results from a panel study*. Addiction, 2008. **103**(2): p. 181-191.

26. Rabinovich, L., et al., *The affordability of alcoholic beverages in the European Union: Understanding the link between alcohol affordability, consumption and harms*. 2009, RAND Corporation: Santa Monica, CA.
27. Alavaikko, M. and E. Österberg, *The influence of economic interests on alcohol control policy: A case study from Finland*. *Addiction*, 2000. **95**(Suppl. 4): p. S565-S579.
28. Andreasson, S., et al., *Estimates of harm associated with changes in Swedish alcohol policy: Results from past and present estimates*. *Addiction*, 2006. **101**(8): p. 1096-1105.
29. Nordlund, S., *The influence of EU on alcohol policy in a non-EU country*. *Journal of Substance Use*, 2007. **12**: p. 405-418.