

# Alcohol and Sugar-Sweetened Beverages taxation in Europe

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Conference on health tax reforms:  
Challenges and lessons learnt

Vienna, Austria

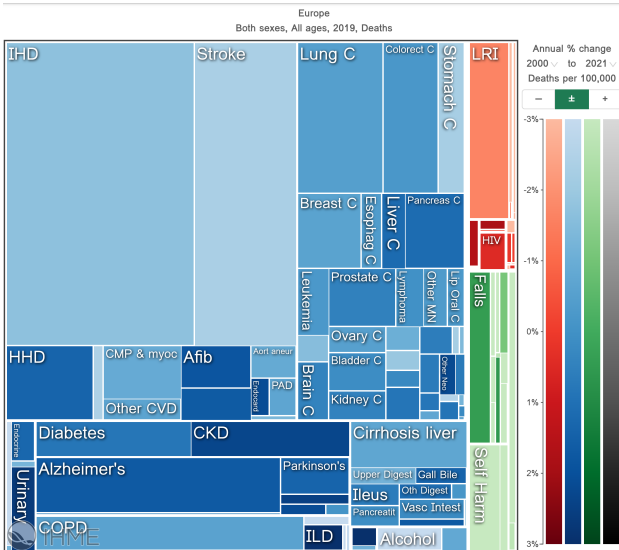
June 24, 2024



**Why  
alcohol  
and SSBs**



# NCDs are the leading cause of mortality in Europe



90.47% of all deaths caused by NCDs (blue)

- Premature
- Preventable

**NCD: Non Communicable Diseases (in blue)**

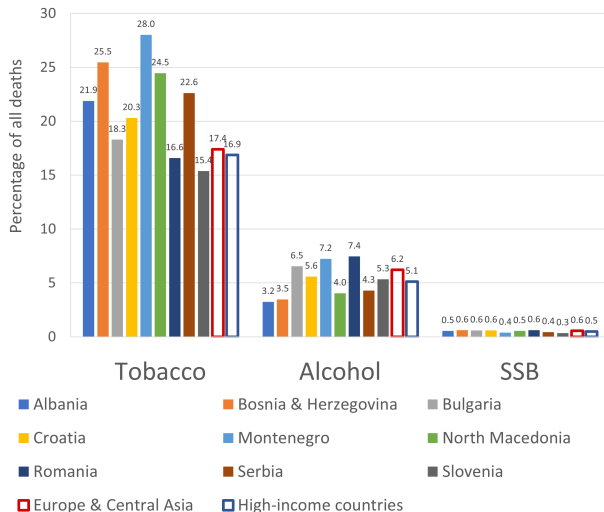
**Communicable, maternal, neonatal and nutritional diseases (red)**

**Injuries (green)**

- IHD: Ischemic Heart Disease
- C: Cancer
- COPD: Chronic Obstructive Pulmonary Disease
- CKD: Chronic Kidney Disease
- HHD: Hypertensive Heart Disease
- CMP: Cardiomyopathy

Source Institute for Health Metrics, University of Washington

# Tobacco and alcohol are the two main risk factors



- Higher burden of Tobacco & Alcohol in Europe and Central Asia (T: 17.4%, A: 6.2%)
- SSB has a burden (0.6%) **much lower** than Tobacco and Alcohol
- Alcohol: Romania (7.4%), Montenegro (7.2%)



# How to design?

Easy to go wrong



# World Bank: Knowledge Notes on Health Taxes [1, 2, 3, 4]

## 1 Tax design <sup>[1]</sup>

- Success of health taxes depends on **type** (specific, ad valorem, mixed), **structure** (uniform, varying with alcohol/sugar), and **rates**
  - ✓ Consensus sees **specific taxes as preferable** to ad valorem taxes for all products
  - ✓ Mixed structure with higher weight on specific component: expensive products
- Alcohol consumption has two different dimensions: **volume** of alcohol consumed and **patterns** of consumption, especially heavy or binge drinking
  - ✓ Make **alcohol content the base** for the specific tax (e.g. Euro per liter per ABV)

## 2 Health taxes result in **progressive** (not regressive) outcomes, once **behavioral responses** to price shocks are accounted for

## 3 **Actions** countries can take for improving health tax outcomes:

- Diagnostics and analysis
- Excise tax strategy (design and implementation)
- Modelling (evaluation)
- Monitoring and surveillance
- Capacity building

# World Bank: Knowledge Notes on Health Taxes [1, 2, 3, 4]

## 4 Tax revenues [2]

- Are **efficient** (easy to implement, generate revenue quickly, limited distortion to general economic activities) and fiscally **progressive**
- Tobacco and alcohol excise taxes generate an average of **0.6 and 0.3** percent of GDP in tax revenue, respectively.
- **SSB** taxes generate significantly **less revenue** than tobacco and alcohol (substitution and reformulation).
- **Vary** widely between countries, affected by:
  - Tax design (type, structures, rates)
  - Tax administration
  - Baseline levels of consumption
- Reforms of health taxes contribute to
  - Significant increases in revenue **very rapidly**
  - Additional tax revenues over **long periods** (when tax is sustained)
  - Even in countries with relatively **high tax rates**, tax increases still generate increases in tax revenues when these rates are **increased regularly**

# World Health Organization

- 1 WHO technical manual on **alcohol** tax policy & administration <sup>[5]</sup>
  - Tax **structure matters**, and should be designed based on local country **context**
  - Consider **differences between alcoholic beverages** carefully when designing alcohol taxes
  - **Alcohol content** should be used as the tax base to generate incentives to reduce alcohol consumption
  - Rely more on **specific** excise taxes than ad valorem excise taxes
  - Specific taxes should be **adjusted automatically** for inflation and income growth
  - Alcohol taxes should be **increased regularly** to reduce affordability over time
- 2 WHO manual on **SSB** taxation policies to promote healthy diets <sup>[6]</sup>
  - **Specific excise taxes** are preferred from a public health perspective to reduce consumption of targeted products
  - Taxable products should incorporate **all subtypes of SSBs** to prevent undesirable substitutions of untaxed SSBs for taxed SSBs
    - Excise taxes should not be applied to **unsweetened bottled water**
  - Tiered structures based on **sugar content** are recommended if there is high administrative capacity to ensure compliance

# International Monetary Fund

## 1 How to Design Excise Taxes on **Alcoholic** Beverages [7]

- Type of tax: **excises** (VAT and tariffs are not health taxes)
- Optimal level of taxation is **country specific** (cannot be driven by simple rules)
- A **simple, comprehensive, and consistent** approach across alcoholic products should be considered as a first best.
- In middle- and high-income countries, consumption of higher-value products is relatively high: a **mixed structure** (alcohol content and value)
- Effective **administration and collection** of excise taxes on alcohol is tremendously important.

## 2 How to Apply Excise Taxes to Fight Obesity (**SSBs**) [8]

- A health rationale inevitably leads to a **specific** excise preferably based on **sugar content**.
- Major risks:
  - Bad design leading people to **substitute** for other unhealthy food
  - Relatively low revenue yield even if substitution is accurate

# Consensus

There is strong **institutional consensus** on how to do well-designed health taxes and effective implementation:

- ✓ WB, WHO, IMF, OECD
- ✓ Broader: Fiscal policy. Platform for collaboration on tax  
<https://www.tax-platform.org/>
- ✓ Scientific independent evidence
- ✓ Institutional technical documents (references)
- ✓ WB technical assistance to country teams

# Are well-designed



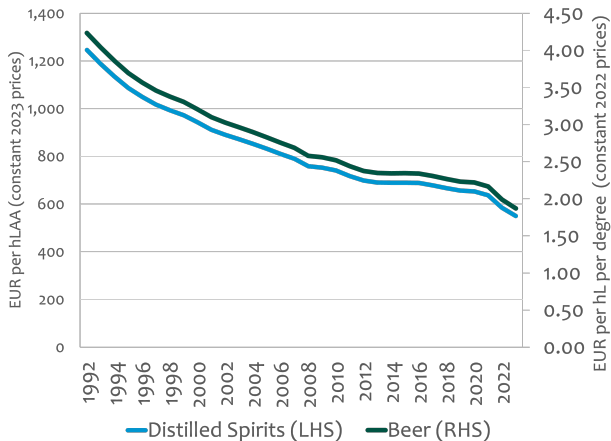
# and implemented?

# EU Alcohol Tax Directives

- Sets structures
  - ✓ Tools for both demand and supply **incentives**
  - ✓ Recognizes **heterogeneity** in alcohol content within and between product categories
- ✗ Minimum tax rates are very low (lower than many LMICs)
- ✗ No increases in minimum rates for nearly three decades has led to alcohol becoming dramatically more affordable over time
- ✗ Weak normative signal:
  - Tobacco tax directive sets a strong normative standard;
  - ✗ Countries likely to believe that alcohol tax directive sets a good standard when **it does not set a good standard**
    - ✓ Opportunity for improvement and become best practice

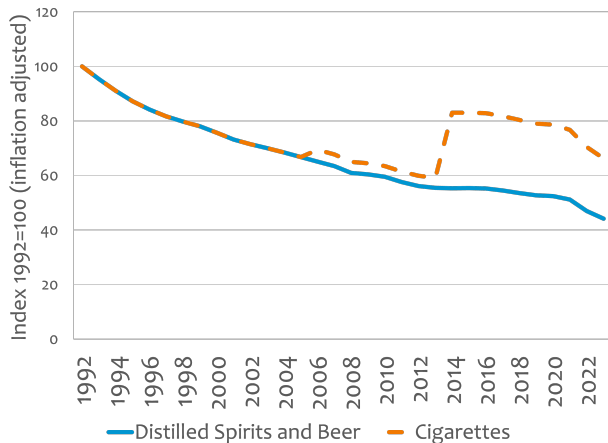


# Minimum excise tax on alcohol in the EU



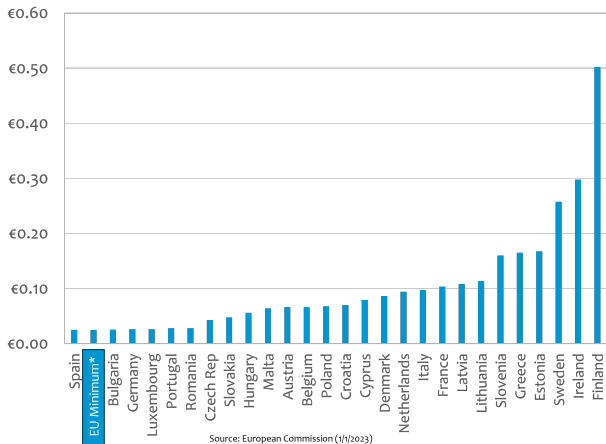
- Well-designed tax make products less affordable
  - EU minimum excise has decreased in real terms over time
  - This makes alcohol significantly cheaper (more affordable)
- ✗ There is a problem!

# Minimum excise tax on alcohol vs. tobacco in the EU



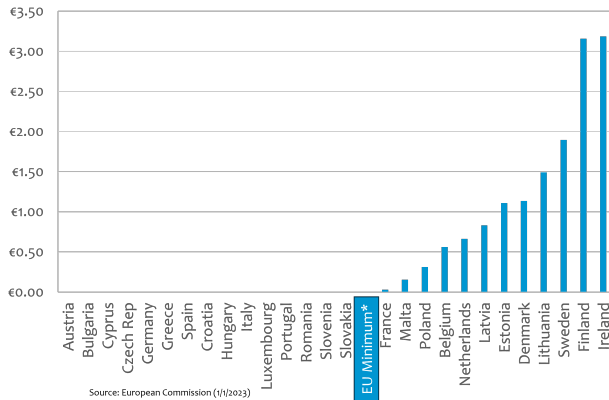
- On alcohol the problem is worse than it is in tobacco

# Beer excise taxes per 330 ml (4% ABV)



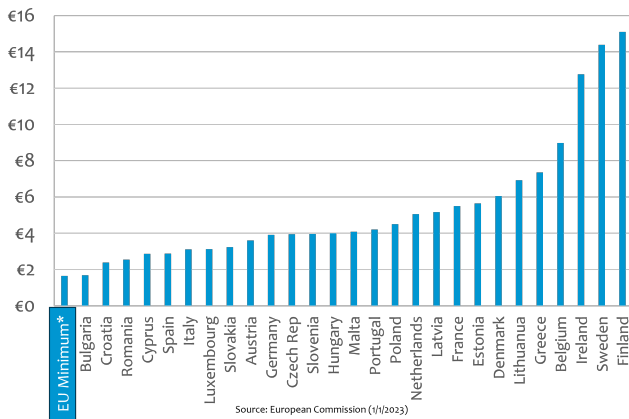
- EU minimum is not a standard, it is a floor
- Most countries have low taxes... in a region with low tax
- Similar story for 5% ABV

# Still wine excise taxes per 750 ml



- EU minimum is not a standard, it is a floor
- Most countries have low taxes... in a region with low tax
- Similar story for Sparkling wine

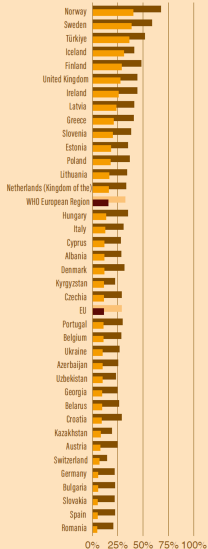
# Distilled spirits excise taxes per 750 ml (40% ABV)



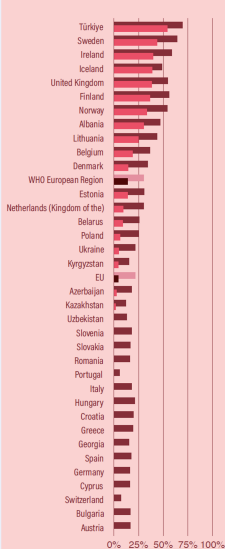
- EU minimum is not a standard, it is a floor
- Most countries have low taxes... in a region with low tax

# Tax share too low: less than 25% [9]

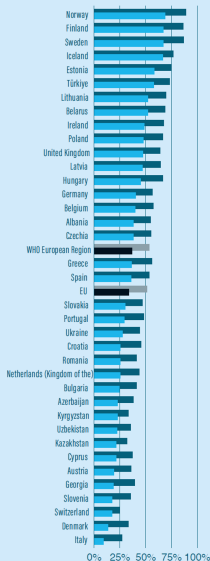
## BEER



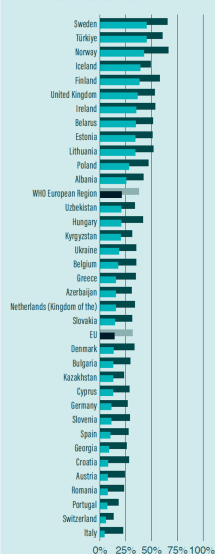
## WINE



## SPIRITS



## ALL ALCOHOLIC BEVERAGES



# Are the minimum rates low?: Variation

- Higher minimum rates means less variation in effective taxes
- Lower minimum rates means **greater variation** in effective taxes
  - ✗ Less harmonization in taxes/prices
  - ✗ Undermines tax administration

Product	CV	Ratio (highest/lowest)
Beer (4.0% ABV)	0.97	20.3
Beer (5.0% ABV)	0.96	19.7
Wine (still)	0.84	n/a
Wine (sparkling)	1.14	n/a
Spirits	0.64	8.9
Cigarettes	0.48	5.2

# Are alcohol taxes low? International comparison

EUR per Litre (ABV)	Beer (5%)	Wine (15%)	Spirits (40%)
EU	0.09	0	2.20
Australia	1.89		25.60
Kenya	0.98	1.68	2.46
Philippines	0.66	0.95	
Singapore	2.10	9.26	24.70
South Africa	0.32	0.26	5.23
Thailand	0.91	10.94	1.68

✗ Minimum alcohol tax rates in the EU are lower than most other countries, independent of:

- Region
- Level of development

Source: GTP Estimations

Note: All countries apply alcohol content based specific taxes except Kenya and Philippines (volumetric); South Africa apply volumetric on wine only; excise taxes in the table are standardized to a volumetric measure per Litre based on the stated ABV; rate for sprits in Thailand applied to clear spirits, dark spirits are approximate 6.72/L; wine is excisable in Australia, however the system is too complex to summarize in a single measure; sprits are excisable in the Philippine, however a large ad valorem component made comparison difficult.



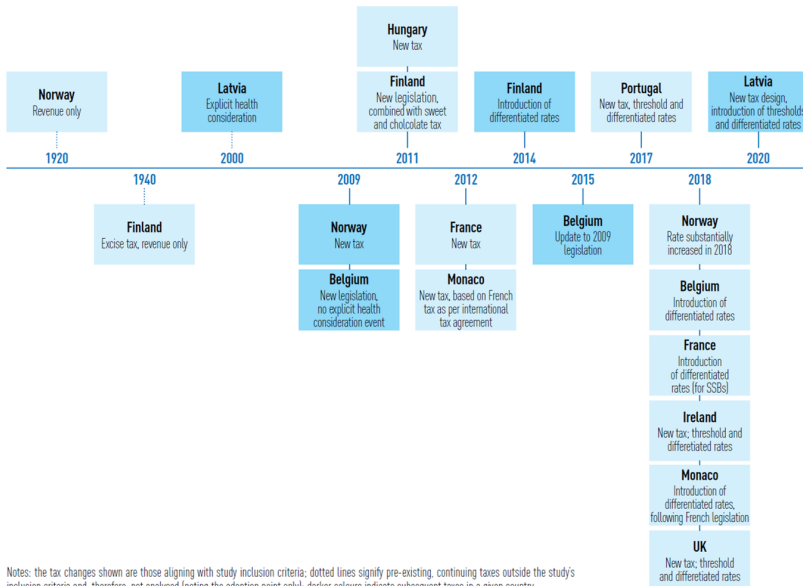
# Checklist on alcohol in Europe: Quiz time



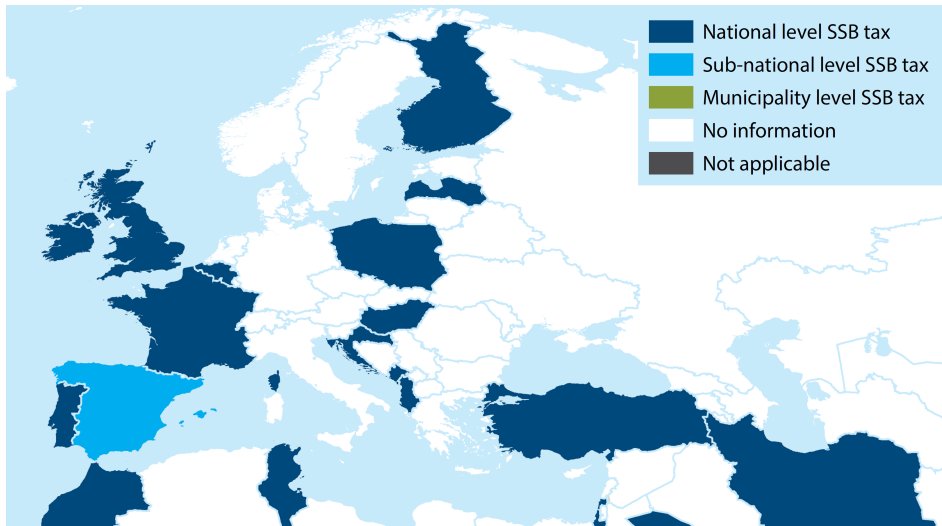
- Uptake: Is there an excise on alcohol? Yes (100%)
- Design: Is the design (type, scope, base, structure, rates) well-designed? No
  - ✓ Type: specific
  - ✗ Rates: extremely low
  - ✗ Exemptions
- As a result of a good design is alcohol expensive?
  - ✗ Tax share low
  - ✗ Price low
  - ✗ More affordable over time
- Administration: Are these excises being effectively administered?
  - ✗ Volume not being measured
  - ✗ Ineffective track & trace system



# Excises on SSBs in Europe: History [10]



# Excises on SSBs in Europe: Today [6]



# Lessons on SSBs [10]: ongoing policy learning

- Require **adaptation** to a country's legislative, fiscal, economic and health **context**.
- Government can **refine and adapt** the tax design, tax base and tax rate in line with evidence and experience, following **initial implementation**
- Successful SSB taxes characterized by constructive collaboration between **finance and health** policy-makers.
- Support from actors **external** to government can counter **industry** opposition and foster SSB tax adoption.
- **Regional** institutional structures and **technical support** can foster SSB taxes.

# Takeaways

don't  
forget



# Key takeaways and next steps on action

## 1 Why excises on alcohol and SSBs?

- Deaths and health imbalance
- Fiscal imbalance
- Ongoing cost of **inaction**

## 2 How to design excise taxes?

- ✓ Best practices: WHO, IMF, WB
- ✓ Successful cases
- ✗ Europe: far away from best practices on alcohol

## 3 What are the next steps in implementation in Europe?

- Significant increases in **alcohol rates**
- Simplification of **alcohol tax structures**
  - ✓ Specific: High rate per liter per ABV
  - ✓ Indexation of specific to inflation
  - ✓ Eliminate exemptions & close the loopholes
- Broader **uptake** of well-designed excises on SSBs
- Tax administration (Overall)
  - Track **volume** of products
  - **Independent** track and trace system
  - Implementation of effective interventions on **illicit trade** [11, 12]

# to do List

1. Big increase in alcohol excise rates
2. Improve tobacco & alcohol tax administration
3. Implement SSB excise tax

# References: the path is clear I

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- [2] **E. Blecher, C. Ozer, and D. Bloom.** *Unpacking the empirics behind health tax revenue*. Tech. rep. Global Tax Program (GTP), Health Tax Project, World Bank, 2023. URL: <https://thedocs.worldbank.org/en/doc/flf068e38935e2f5d92b7edf365d5089-0350032023/kn4-health-tax-revenues>.
- [3] **J. Drope et al.** *Tobacco Excise Taxes and Tobacco Leaf Farming - Key Considerations*. Tech. rep. Global Tax Program (GTP), Health Tax Project, World Bank, 2023. URL: <https://thedocs.worldbank.org/en/doc/a95559bf187f64dba0346d973d16f991-0350012023/original/KN3-Health-tax-Farming.pdf>.
- [4] **L. Powell and E. Blecher.** *Sugar-Sweetened Beverage Taxes: Rationale, Evidence and Design for Improving Health*. Tech. rep. 186039. Global Tax Program (GTP), Health Tax Project, World Bank, 2024. URL: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099131211272311932/idu0cfb4595b02992045e80b7890c9a38bcac3b8>.
- [5] **WHO.** *WHO technical manual on alcohol tax policy and administration*. Geneva, CHE: World Health Organization (WHO), 2023. ISBN: 978-92-4-008279-3. URL: <https://www.who.int/publications/i/item/9789240082793>.
- [6] **WHO.** *WHO manual on sugar-sweetened beverage taxation policies to promote healthy diets*. Geneva, CHE: World Health Organization (WHO), 2022. ISBN: 978-92-4-005629-9. URL: <https://iris.who.int/handle/10665/365285>.
- [7] **M. Mansour, P. Petit, and F. Sawadogo.** "How to Design Excise Taxes on Alcoholic Beverages". In: *IMF How to Note*. International Monetary Fund (IMF) 004 (2023). URL: <https://www.imf.org/en/Publications/imf-how-to-notes/Issues/2023/12/04/How-To-Design-Excise-Taxes-on-Alcoholic-Beverages-541086>.



# References: the path is clear II

- [8] [P. Petit, M. Mansour, and P. Wingender](#). *How to Apply Excise Taxes to Fight Obesity*. International Monetary Fund (IMF) 21/08. 2021. ISBN: 978-1-55775-646-6. URL: <https://www.imf.org/en/Publications/Fiscal-Affairs-Department-How-To-Notes/Issues/2021/12/10/How-to-Apply-Excise-Taxes-to-Fight-Obesity-461733>.
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- [11] [WHO](#). *WHO Protocol to eliminate illicit trade in tobacco products*. Tech. rep. 2013. URL: [http://www.who.int/fctc/protocol/illicit\\_trade/protocol-publication/en/](http://www.who.int/fctc/protocol/illicit_trade/protocol-publication/en/).
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# Thanks!

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More resources on health taxes:

`worldbank.org/en/programs/the-global-tax-program`