

Excise Duties on Beer: Australia in International Perspective

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Almost all high-income and developing countries tax the consumption of commercially produced beer, Monaco being a rare exception (WHO 2018, 2019). Excise duties are applied to wholesale prices of beer, typically at rates that vary according to their alcohol content, so to compare across countries one needs to define a standard beer. This paper defines a standard beer as one that has 4.4% alcohol by volume, which is the average alcohol content of beer consumed in Australia. Numerous countries have lower duties on the beers of small brewers and also on lower-alcohol beers, while some also have higher duties on higher-alcohol beers. However, since the definitions of those non-standard beer categories vary greatly across countries, they are not easy to tabulate and so are not included here.

To the author's knowledge, Australia is the only country to have different rates of excise duty for draught and packaged beer, the draught rate being only 70% of that for packaged beer. Both rates are presented in the comparison below as well as their volume-weighted average. According to Euromonitor International (2018), 78% of the volume of beer consumed in Australia in 2017 was off-trade, not including cafes and restaurants. ACIL Allen (2019, p. 4) estimates 28% of the volume of beer consumption in 2017-18 was consumed in bars and clubs, of which most would have been draft but a part would have been packaged. For present purposes the weighted average excise duty is calculated assuming a 75/25 split by volume between packaged and draught beers.

The Australian rates, which are increased by the rate of inflation in February and August each year, are from ATO (2020). The New Zealand rates are from New Zealand Customs (2020). The comparable international data for similar-income countries are mostly updates of those in OECD (2018), which were as of 1 January 2018. (This OECD publication is updated only every two years, with 2020 data to be published in December 2020.) They are supplemented by 1 July 2018 data for non-OECD EU countries from the European Commission (2018), which are also updated

here from national sources.¹ Such updates are necessary partly because many countries adjust their excise duties on alcoholic beverages from time to time, often (as in Australia) to take account of inflation but also in response to changes in the government's revenue-raising needs or in community attitudes to 'sin' taxes. As well, exchange rates also vary over time, which can alter the ranking of countries when the taxes are reported in terms of a single currency.

National excise duties are expressed in a variety of ways, but most commonly in volumetric terms as x dollars per litre of standard beer, or per litre of alcohol, or per litre of beer per % of alcohol by volume (ABV). For the purpose of this paper they are converted to AUD per litre of standard beer at 4.4% alcohol, using the exchange rates as of 23 January 2020, from RBA (2020).

On 3 February 2020 the Australian rates again increased in line with CPI changes in the previous six months. For a standard beer with 4.4% ABV, they are now \$1.59 for draught beer and \$2.26 for packaged beer. The volume-weighted average of those two (assuming 25% is sold as draught) is \$2.09 per litre of beer.

All 42 of the countries reported in Anderson (2019) tax the consumption of beer. However, only three comparable advanced industrial countries – Finland, Japan and Norway – taxed beer more than did Australia in 2018-20. The next-highest taxing countries are the United Kingdom and Ireland, but their rates are about 30% lower than was Australia's average rate in 2018-20. More than half of those 42 countries had 2018 rates less than one-quarter of Australia's, that is, below 50 cents per litre of beer.

The country rankings do not change from those of 2018 even with the increases in excise rates to February 2020 and the changes in exchange rates since January 2018.² Focusing on the rates nearest Australia's, those rates in AUD per litre of 4.4% beer are shown in Table 1. Even with the devaluation of the AUD, Australia's excise is still above those of the United Kingdom and Ireland and below those of Finland, Japan and Norway.

¹ Excise duties and import tariffs for 2008 and 2018 for beer, spirits and wine are summarised in Anderson (2019) for 42 advanced industrial and emerging economies.

² The AUD has devalued by 15% against the Yen, 12% against the US\$, 10% against Pound Sterling, and 5% against the Euro between 2 January 2018 and 23 January 2020.

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Table 1: Standard beer excise duties, comparator countries,^a February 2020
 (AUD per litre of beer with 4.4% alcohol)

	\$/litre
Finland	2.46
Australia – packaged	2.26
Australia – weighted average	2.09
Australia – draught	1.59
United Kingdom	1.52
Ireland	1.50
New Zealand	1.26
France ^b	0.50
Italy ^b	0.50
Canada	0.35
United States	0.31
Spain ^b	0.15
Germany ^b	0.13

^a Rates in Japan and Norway are above \$3/litre.

^b Assumes no increase in beer excise since January 2019.

Sources: See text.