

# **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 (2019). The New Zealand rates are as of 1 July 2018, from New Zealand Customs (2019). The comparable international data for similar-income countries are mostly from the OECD (2018) for 1 January 2018. They

are supplemented by 1 July 2018 data for non-OECD EU countries from the European Commission (2018), and 2016 data for Monaco from WHO (2019).<sup>1</sup>

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 2 January 2018, from RBA (2019).

Countries adjust their excise duties on alcoholic beverages from time to time, often (like 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. Exchange rates also vary over time, which can alter the ranking of countries when the tax is expressed in terms of a single currency such as the AUD. Nonetheless, the rankings presented in Figure 1 below can be considered representative of 2018. For Australia the rates shown are the averages of the rates as of February and August 2018, to be comparable with the dates of other countries' rates. For a standard beer with 4.4% ABV, they are \$1.54 for draught beer and \$2.19 for packaged beer. The volume-weighted average of those two (assuming 25% is sold as draught) is \$2.03 per litre of beer.

On 5 August 2019 the Australian rates were again increased in line with CPI changes in the previous six months. For a standard beer with 4.4% ABV, they are \$1.57 for draught beer and \$2.23 for packaged beer. The volume-weighted average of those two (again assuming 25% is sold as draught) is \$2.07 per litre of beer.

All 36 of the OECD and EU countries shown in Figure 1 (and Appendix Table 1) tax the consumption of beer. However, only three of those countries – Norway, Japan and Finland – taxed beer more than did Australia in 2018.<sup>2</sup> The next-highest taxing countries are Ireland, the United Kingdom and Sweden, but their rates are about one-third lower than Australia's. Two-thirds of the listed countries have rates less than one-quarter of Australia's, that is, below 50 cents per litre of beer.

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<sup>1</sup> Excise duties for 2008 are summarized in Anderson (2010), and duties as of 2012 and 2014 are reported in Anderson (2014). Those earlier papers focus mainly on taxes on wine consumption, but for comparison they include excise duties for beer and spirits.

<sup>2</sup> Europeans settlers in the Australian colonies had a reputation of being heavy drinkers, with rum dominating during the first few decades, then beer for the next dozen decades. As in the UK, both spirits and beer consumption have always been heavily taxed in Australia (Powell 1988, Lewis 1992). In fact Australia's early settlers from England and Ireland drank similar volumes to their mates in their country of origin (Anderson 2018).

Across countries, beer tax tends to be lower, as a % of total government tax revenue, the higher is gross national income per capita. The lightly dotted straight trend line in Figure 2 reveals how much lower that share was in 2016 for higher-income EU member countries, while the individual large dots represent the various EU countries. Australia, at US\$54,180 per capita income in 2016 (according to the World Bank Atlas method) is above the trend line for EU countries, because its beer excise duty made up 0.59% of all federal tax revenue in 2017/18 (Australian Treasury 2019). That is, its beer consumers are contributing well above the EU average of 0.37% for countries at that income level of US\$54,180.

On top of that, the Australian government enjoys GST revenue of 10% of the retail price of beer.

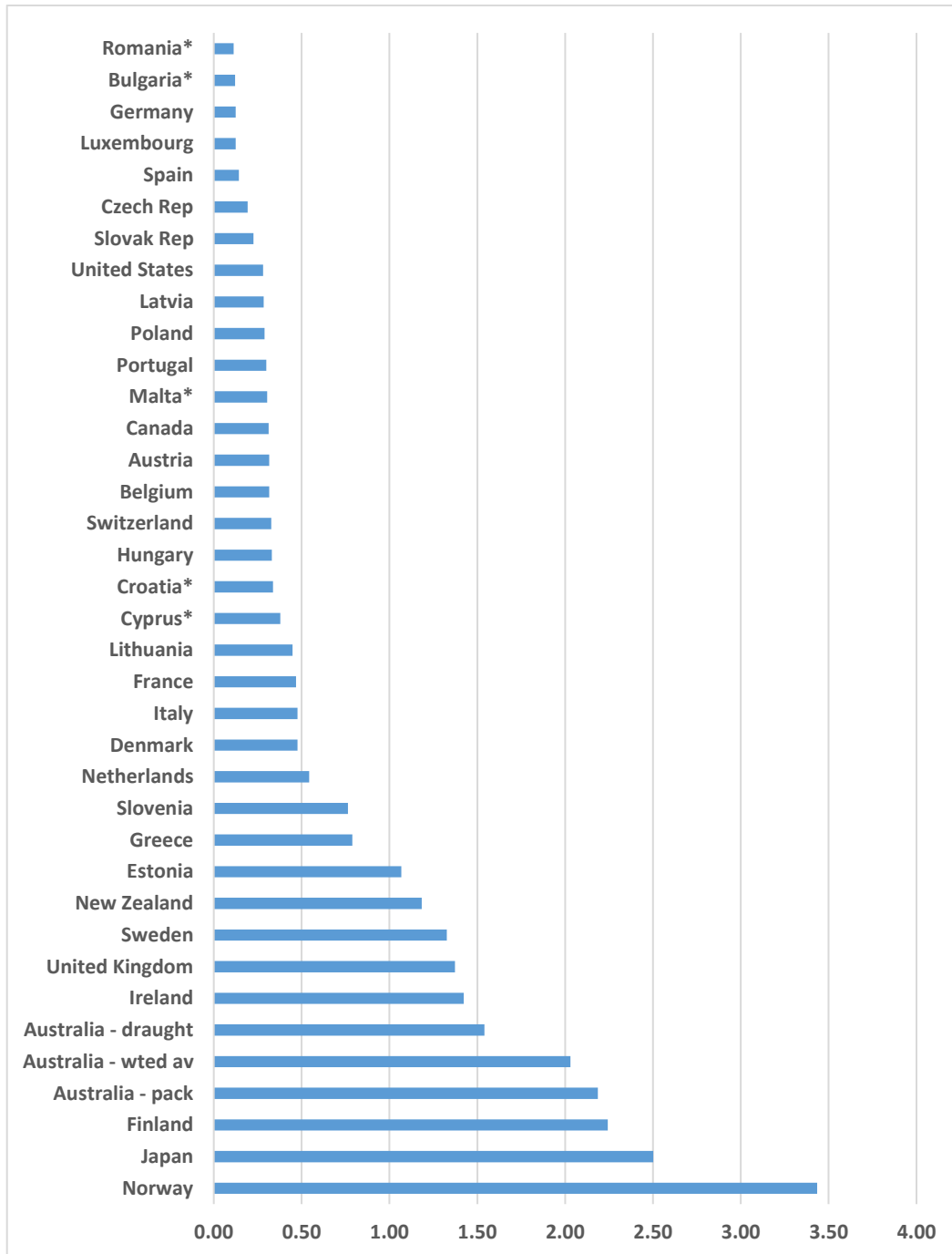
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**Figure 1: Standard beer excise duties, OECD and EU member countries, 2018**

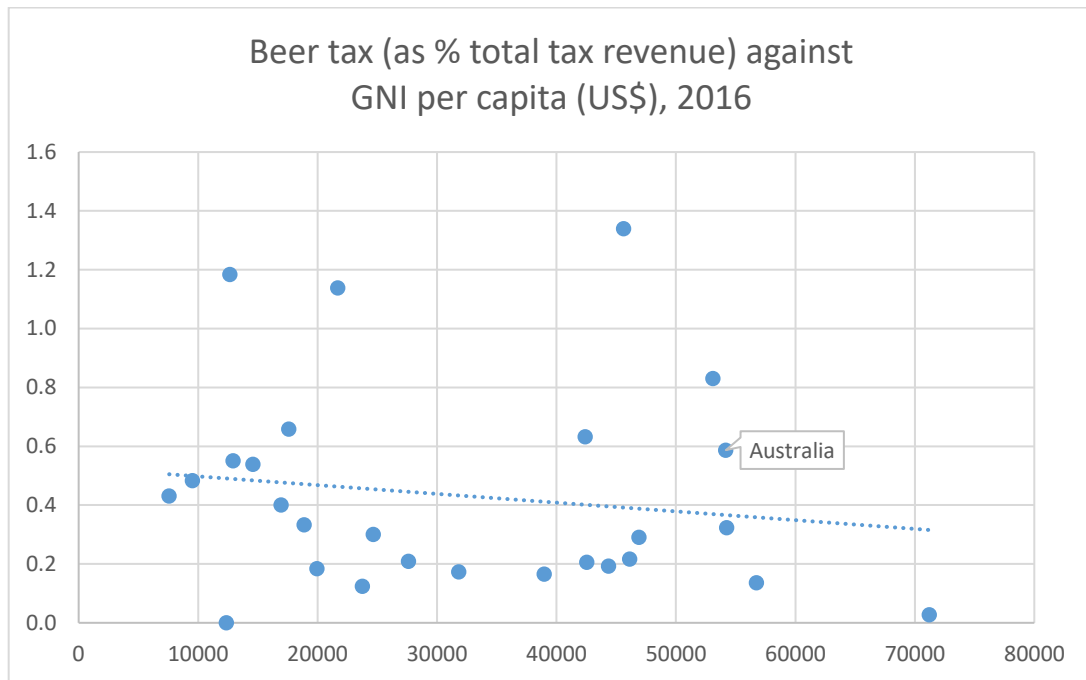
(AUD per litre of beer with 4.4% alcohol)



Sources: OECD (2018), European Commission (2018), New Zealand Customs (2019), and ATO (2019).

Notes: The starred countries (from European Commission 2018a) refer to 1 July 2018, as does New Zealand, Australia's is the average of its rates between 5 February 2018 and 4 February 2019, and the other countries (from OECD 2018) refer to rates as of 1 January 2018. By August 2019 Australia's tax averaged \$2.19, just below Finland's \$2.24 per litre.

Figure 2: Beer excise duty's share of total government revenue tends to decline as gross national income per capita rises, EU countries and Australia,<sup>a</sup> 2016



<sup>a</sup> Australia (at 0.59% of government tax revenue) is above the lightly dotted linear trend line for EU countries. That is, its beer consumers are contributing well above the EU average of 0.37% for countries at an income level of US\$54,180.

Sources: 2016 EU tax data are from European Commission 2018b) and 2017-18 tax data for Australia are from Australian Treasury (2019); GNIPC data (Atlas Method) are from World Bank (2019).

**Appendix Table 1:****Standard beer excise duties, OECD and EU member countries, 2018**

(AUD per litre of beer with 4.4% alcohol)

<i>By rank</i>		<i>Alphabetic</i>	
Norway	3.43	Australia	2.03
Japan	2.50	Austria	0.32
Finland	2.24	Belgium	0.32
Australia	2.03	Bulgaria*	0.12
Ireland	1.42	Canada	0.31
United Kingdom	1.37	Croatia*	0.34
Sweden	1.33	Cyprus*	0.38
New Zealand	1.18	Czech Rep	0.19
Estonia	1.07	Denmark	0.48
Greece	0.79	Estonia	1.07
Slovenia	0.76	Finland	2.24
Netherlands	0.54	France	0.47
Denmark	0.48	Germany	0.12
Italy	0.48	Greece	0.79
France	0.47	Hungary	0.33
Lithuania	0.45	Ireland	1.42
Cyprus*	0.38	Italy	0.48
Croatia*	0.34	Japan	2.50
Hungary	0.33	Latvia	0.28
Switzerland	0.33	Lithuania	0.45
Belgium	0.32	Luxembourg	0.13
Austria	0.32	Malta*	0.30
Canada	0.31	Monaco	0.00
Malta*	0.30	Netherlands	0.54
Portugal	0.30	New Zealand	1.18
Poland	0.29	Norway	3.43
Latvia	0.28	Poland	0.29
United States	0.28	Portugal	0.30
Slovak Rep	0.23	Romania*	0.11
Czech Rep	0.19	Slovak Rep	0.23
Spain	0.14	Slovenia	0.76
Luxembourg	0.13	Spain	0.14
Germany	0.12	Sweden	1.33
Bulgaria*	0.12	Switzerland	0.33
Romania*	0.11	United Kingdom	1.37
Monaco	0.00	United States	0.28

Sources and notes: See Figure 1. By August 2019 Australia averaged \$2.19. The rates for Ireland and the UK also have altered since January 2018: using the currency exchange rates of 9 August 2019 they become \$1.63 and \$1.50 per litre of beer, respectively, still well below Australia's.



**Appendix Table 2:****Beer excise duty's share of total government revenue and gross national income per capita, EU countries and Australia, 2016**

(% and current US\$, Atlas Method)

	GNI per capita (US\$)	Beer tax (as % total tax rev)
Australia	54180	0.6
Austria	46130	0.2
Belgium	42530	0.2
Bulgaria	7580	0.4
Croatia	12360	0.0
Cyprus	24660	0.3
Czech Rep	17590	0.7
Denmark	56750	0.1
Finland	45620	1.3
France	38980	0.2
Germany	44360	0.2
Greece	18890	0.3
Hungary	12940	0.6
Ireland	53110	0.8
Italy	31820	0.2
Latvia	14580	0.5
Luxembourg	71200	0.0
Malta	23750	0.1
Netherlands	46900	0.3
Poland	12670	1.2
Portugal	19950	0.2
Romania	9530	0.5
Slovak Rep	16950	0.4
Slovenia	21700	1.1
Spain	27620	0.2
Sweden	54240	0.3
UK	42420	0.6

Sources and notes: See Figure 2.