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# TAX ON IRELAND'S DRINKS AND HOSPITALITY INDUSTRY

## HOW IRELAND'S EXCISE TAX ON DRINKS COMPARES WITH OTHER EU COUNTRIES AND THE UK

by Anthony Foley  
Dublin City University Business School



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- October 2020 -  
Commissioned by the Drinks Industry Group of Ireland (DIGI)

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# FOREWORD

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**The latest Drinks Industry Group of Ireland (DIGI) report on EU and UK alcohol excise tax shows that Ireland's drinks and hospitality businesses are still levied at the second highest rate. We have the highest excise tax on wine, the second highest on beer, and the third highest on spirits.**

In other high-income European countries renowned for their drinks and hospitality industries, such as Germany, France, and Italy, excise is levied at a far lower rate. Germany, famous for its lagers and wheat beers, charges five cents of excise on every pint; in wine-producing France and Italy, a glass of red or white receives an excise levy of just one cent and zero, respectively.

These countries recognise the value of their drinks and hospitality industries to their manufacturing exports and tourism brand. In Ireland, however, the government is taking back taxes of approximately a third on every drink purchased by a consumer at a pub or restaurant. With the current restrictions in place, this level of taxation immediately pushes most hard-pressed businesses into a loss-making situation.

With Covid-19 and the uncertain economic period ahead, it is now more important than ever for our government to protect the 200,000 jobs that the Irish drinks and hospitality industry supports.

Last week, Ireland's economic forecast was revised. The economy is expected to shrink by only 2.5% this year, not 10.5% as previously predicted. This is unquestionably good news. However, this figure does also account for what the Minister for Finance Paschal Donohoe himself correctly identified as a "dual economy" which is worrying.

Our country's more positive outlook is a direct result of the output of Ireland's multinational companies, especially those in pharmaceuticals. Our domestic industries, however, including drinks and hospitality businesses like pubs, restaurants, hotels, and our burgeoning micro-breweries and micro-distilleries, face a decidedly more uncertain future.

DIGI recently showed that as many as 114,000 jobs in accommodation and food services, which includes jobs in pubs, hotels, and restaurants, could be lost by the end of 2020 and early 2021 without strong and immediate government action. Young people, women, and rural areas are particularly at risk.

Drinks and hospitality businesses face an uphill battle. Ireland's so-called "wet" pubs endured six months of closure, longer than any other European country, and Dublin's remain stuck in lockdown at the time of writing. Restaurants are operating at 60% capacity, pubs at 50%, and hotels at 25% due to Covid-19 restrictions and the suspension of global tourism. Many business owners are indebted, and many staff are under-employed or unemployed.

According to the National Competitiveness Council's 2019 Cost of Doing Business report, factors like commercial rents and insurance make Ireland the fifth most expensive place in the EU to do business. These costs remain despite Covid-19 market conditions. In addition, drinks and hospitality business owners must pay a high rate of VAT and the second highest rate of excise tax on drinks products in Europe, even though their commercial environment is drastically reduced with no certainty as to when it may return to normal.

Though they face this hardship, business owners have nevertheless adapted their business and operational models to the pandemic, investing thousands of euros in masks, partitions, Perspex screens, and deep cleaning to keep their staff and customers safe and their doors open. However, the pub experience we all know and enjoy is no longer what it was under the current operating environment with restrictions and public health measures which are necessary and the priority.

DIGI believes it is now time for the government to adapt as well. In the interest of a fair and rapid economic recovery that will benefit thousands of businesses, rural Ireland, and young people, we strongly recommend that the government **reduces excise tax on drinks products by 15% in Budget 2021**. This can be done overnight, requiring no new legislation. It is a direct and targeted response.

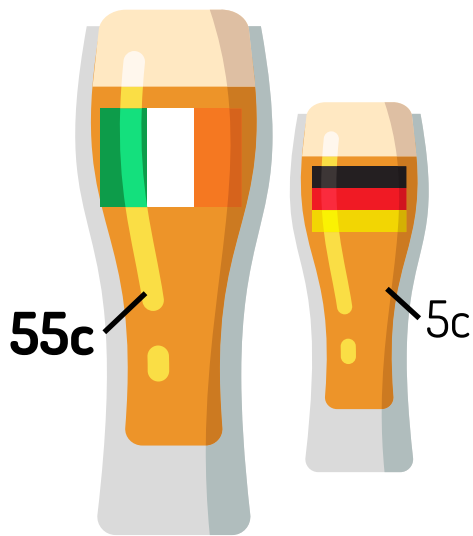
A reduction would have an immediate effect on the drinks and hospitality industry, putting more money back in the pockets of hoteliers, publicans and restaurateurs allowing them to quickly re-hire staff, service debt, offset reduced capacity penalties, and prepare for a challenging economic period.

It should not be forgotten that the drinks and hospitality industry played an extremely important role in Ireland's economic recovery after the 2008 crash: 1 in every 7 new jobs was created by a pub, a hotel, a restaurant, or other industry business. With support from government in these crucial weeks, this success can be replicated in 2020 and 2021. As this industry recovers, so too will Ireland.

## Liam Reid

Chair of the Drinks Industry Group of Ireland;  
Corporate Relations Director at Diageo Ireland

# IRELAND'S EXCISE TAX RATES AT A GLANCE

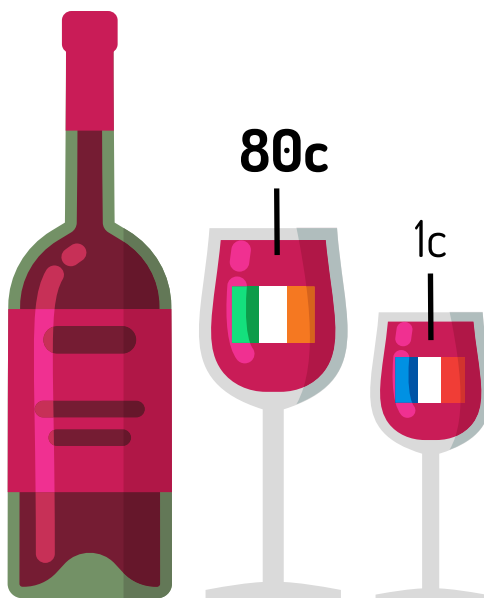


In Ireland, a pint of Irish beer served in a pub is levied with an excise tax of **55 cents**.

In a German pub, that same pint of Irish beer has an excise tax of just **5 cents**.

In Ireland, a 70cl bottle of Irish whiskey sold at an off-licence is levied with an excise tax of **€11.92**.

In an Italian off-licence, that same bottle of Irish whiskey has an excise tax of **€2.90**.



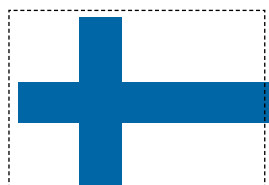
In Ireland, a 187ml glass of wine served in a restaurant is levied with an excise tax of **80 cents**.

In France, a glass of wine has an excise tax of just **1 cent**.

# IRELAND'S EXCISE TAX RATES RANKED

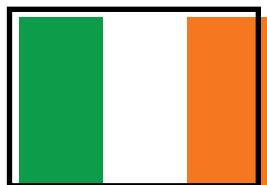


Ireland has the second highest overall excise tax rate on alcohol in the EU+UK.<sup>1</sup>



## FINLAND

Excise tax per HLP<sup>2</sup>  
€4,046



## IRELAND

Excise tax per HLP<sup>2</sup>  
€3,458



## SWEDEN

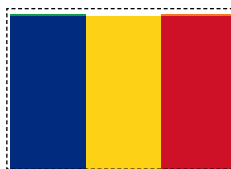
Excise tax per HLP<sup>2</sup>  
€3,093

### Three lowest:



## BULGARIA

€251



## ROMANIA

€299



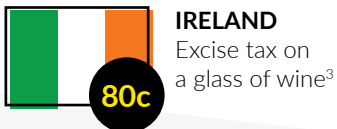
## SPAIN

€386

<sup>1</sup>"Overall excise tax on alcohol" measures the weighted average of a country's wine, beer, and spirits excise rates.  
<sup>2</sup>Hectolitre (100 litres) of pure alcohol.



**Ireland** has the **highest EU+UK excise tax rate** on **wine**.



**Three lowest:**



**Ireland** has the **second highest EU+UK excise tax rate** on **beer**.



**Three lowest:**



**Ireland** has the **third highest EU+UK excise tax rate** on **spirits**.



**Three lowest:**



<sup>3</sup> Standard restaurant or pub measure, 187ml.  
<sup>4</sup> Standard spirit measure.





**Fifteen EU countries do not charge any excise tax on wine.**



**AUSTRIA**



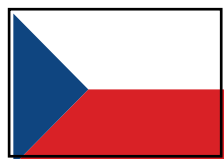
**BULGARIA**



**CROATIA**



**CYPRUS**



**CZECHIA**



**GERMANY**



**GREECE**



**HUNGARY**



**ITALY**



**LUXEMBOURG**



**PORTUGAL**



**ROMANIA**



**SLOVAKIA**



**SLOVENIA**



**SPAIN**



To read the full *Tax on Ireland's Drinks and Hospitality Industry: How Ireland's Excise Tax on Drinks Compares with other EU Countries and the UK* report, including notes on methodology, visit the DIGI website.

**Drinks Industry Group of Ireland**

Angelsea House,  
Angelsea Road, Ballsbridge,  
Dublin 4.

**Tel: 01 668 0215**



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