

International Comparisons of Irish Alcohol Excise Taxation in the European Union and the UK in 2022

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EXECUTIVE SUMMARY

This report was commissioned by the Drinks Industry Group of Ireland (DIGI). The main objective is to identify the level of alcohol excise tax in the EU and the UK relative to Ireland. It examines the up to date (as of May 2022) comparative international position of Irish alcohol excise taxation within the EU and the UK for the three main beverage groups and also calculates a composite excise rate. This report updates previous DIGI reports on the same subject. Ireland has a very high level of alcohol excise tax in 2022 when compared with the large majority of the other 26 economies of the EU and the UK. In addition, the report examines the impact of excise on Irish alcohol prices.

- Ireland has the highest wine excise in the EU27 and UK.
- Ireland has the second highest beer excise in the EU 27 and UK behind Finland.
- Ireland has the third highest spirits excise in the EU 27 and UK behind Sweden and Finland.
- Fifteen EU economies do not impose any excise on wine. In addition, France and Malta have very low wine excise tax.
- On an overall composite alcohol excise level (measured by the unweighted average of the different beer, spirits and wine excise rates), Ireland is the second highest behind Finland.
- The magnitude of the differences in alcohol excise between Ireland and other EU economies is large. For example, Ireland's beer excise is 11.4 times that of Germany. Irish spirits excise is 4.4 times that of Spain.
- There is a substantial difference between the alcohol excise levels of the four highest alcohol taxed economies, Finland, Ireland, Sweden and the UK, and the remaining 24 countries.
- Finland's composite rate per HLPAs is 22.1% higher than Ireland's, €4222 compared to Ireland's €3458. Sweden's composite rate is 13.0% below the Irish rate and the UK rate is 15.8% below the Irish rate.
- Lithuania has the fifth highest composite excise rate of €1530 and is 55.8% below the Irish rate.
- Germany's composite alcohol excise per HLPAs is €500 or 14.5% of the Irish level of €3458.
- France's composite level of €871 is 25.2% of the Irish level.

- Spain's composite rate is €386 or 11.2% of the Irish level.
- Application of the German beer excise rate to Ireland would reduce the price of a pint of stout in a public house by 11.7%, the price of a glass of wine in a restaurant by 14.0% and the off-licence price of a bottle of whiskey by 37.3%.
- Application of the German beer excise rate to Ireland would reduce excise on an on-licence pint of stout to 5cent instead of 54cent, a direct reduction of 49cent. This increases to a reduction of 60cent when VAT on the excise is included.
- In Spain, the excise on a bottle of whiskey is €2.69 which is €9.23 lower than in Ireland.
- If German alcohol excise rates were applied to Ireland, Irish annual excise revenue would total €178.7m instead of €1,232.6m. (Based on 2019 pre-Covid receipts). Ireland pays an estimated €1,053.9m more annually in alcohol excise tax than German rates would produce.

1. INTRODUCTION AND OBJECTIVE

This report which was commissioned by the Drinks Industry Group of Ireland (DIGI), examines the up to date (as of May 2022) comparative international position of Irish alcohol excise taxation within the EU and the UK. It updates previous DIGI reports on the same topic. As is shown by the data presented in the report, Ireland has a very high level of alcohol excise tax in 2022 when compared with the large majority of the other 26 economies of the EU and the UK. The UK is included in the report with the 27 EU Members. The report also examines the impact of excise on alcohol prices.

On the composite indicator (average excise rates across the three beverages of beer, spirits and wine) only Finland has higher average alcohol excise than Ireland. Sweden is in third place with an average excise level which is lower than Ireland. These three are followed by the UK, in fourth place, which is also a high alcohol excise economy. The UK level is 84.2% of the Irish level. The rest of the EU economies have much lower levels of excise than the top four of Finland, Ireland, Sweden and the UK. The fifth ranked economy is Lithuania which has a composite excise rate of 44.2% of the Irish level, substantially less than the highest four economies. Ireland has, as of May 2022:

- The highest wine excise in the EU 27 and the UK
- The second highest beer excise in the 28 countries behind Finland
- The third highest spirits excise after Sweden and Finland
- On an overall composite alcohol excise level (measured by the unweighted average of the different beer, spirits and wine excise rates); Ireland is the second highest behind Finland.
- Ireland's composite level is 126% higher than the fifth ranked country of Lithuania and is substantially higher than all those other EU economies which have lower excise levels than Lithuania.

The magnitude of the differences in alcohol excise between Ireland and other EU economies is large. For example, Ireland's beer excise is 11.4 times that of Germany. Irish spirits excise is 4.4 times that of Spain. Fifteen EU economies do not impose any excise on wine. France and Malta have very low wine excise tax.

The report presents data on the league position of Ireland relative to other EU economies, the magnitude of the differences in excise rates between Ireland and other EU economies, the actual excise on a sample of drinks products and the impact on Irish prices and overall alcohol excise revenue of having the lower German excise levels. The same comparative exercise is done for Spain.

2. DATA

The data is from the excise tables compiled by the European Spirits Association which are themselves derived from the excise tables of the EU Commission. The data in this report refers to the position as of May 2022. The main indicator used is excise in euro per hectolitre of pure alcohol (HPLA). The European Spirits data cover beer, wine, spirits and intermediate products. Data is not available in this source for cider. The discussion focuses on the three main drinks categories of beer, wine and spirits. A cider comparison with the UK is included.

As noted in the previous DIGI reports on the relative position of Ireland's alcohol tax, the excise levels are available for each of the three different individual beverage groups. There is no single composite comparative excise rate for alcohol as a whole. Such an indicator is useful for summary comparisons. For example, Ireland's spirits excise is 111.1% higher than Denmark's. In wine, Ireland's excise level is 180.7% higher than the Danish level and in beer Ireland is 244.3% higher than the Danish level. There is no overall total alcohol excise rate with which to compare the aggregate alcohol excise rate between countries.

One possible indicator of overall alcohol taxation is the weighted average of the different beverages excise level (weighted by the share of each beverage group in overall national alcohol consumption). Detailed up-to-date comparable information on consumption mix is not readily available. In any event, a weighted index would partly reflect the pattern of consumption and not exclusively the different rates. In this report a "composite" alcohol excise level has been calculated using the arithmetic average of the excise levels of the three beverage groups. While inexact, it gives a useful indication of the relative national overall alcohol excise level. The composite alcohol excise measure for Ireland is 156.3% higher than Denmark.

The EU excise tables' euro denominated excise levels for May 2022 for non-euro countries are based on the October 2021 exchange rates as required by EU rules. Changes in exchange rates influence the excise position of Ireland relative to those countries which have not adopted the euro. For some non-euro economies, the excise gap is so large that short term exchange rate changes do not materially affect Ireland's relative position. However, this is not the case for the UK and Sweden which are both in the top four country group of excise levels and are relatively close to the Irish excise level in beer. The exchange rate can alter the relative position of Ireland compared to these two countries. Finland, the other member of the four high excise economies, uses the euro and the exchange rate issue does not arise. For current comparisons in this report, we use the more appropriate relatively current exchange rates for both Sweden and the UK, which is defined as the monthly average level in June 2022. The exchange rates used in the basic data source are, relative to the euro, 10.1538 SEK (Sweden) and 0.85653 Sterling. The more recent June 2022 rates are 10.6005 SEK and 0.85759 Sterling.

The effect of the different exchange rates on comparative excise rates in Sweden and the UK are shown below in Table 1. The effect of using the more recent exchange rates is to slightly decrease the euro value of the local currency excise rates for both Sweden and the UK. This means that the gap between these two countries excise rates and Ireland's rate is narrowed using the recent exchange rates. Ireland's composite rate is €3458 compared to €2910 for the UK on recent exchange rates and €2914 on the October 2021 exchange rates. The Swedish composite rate is €3140 on the October 2021 exchange rates and €3008 on the June 2022 exchange rates. The rankings of the three countries are not affected.

Table 1 Excise per HLP A UK and Sweden, based on local currency and different exchange rates

	Spirits	Wine	Beer	Composite
<i>UK Sterling</i>	2874	2705	1908	<i>Not applicable</i>
UK in euro at Oct 2021 rate, 0.85653	3355	3158	2228	2914
UK in euro at June 2022 rate, 0.85759	3351	3154	2225	2910
<i>Sweden SEK</i>	51659	23800	20200	<i>Not applicable</i>
Sweden in euro at Oct 2021 rate, 10.1538	5088	2344	1989	3140
Sweden in euro at June 2022 rate, 10.6005	4873	2245	1906	3008
Irish rates €	4257	3862	2255	3458

3. TYPE OF ALCOHOL TAXATION

Alcohol is subject to two types of expenditure tax, VAT and excise. The VAT is an ad valorem tax which is charged as a per cent of the selling value or price. As the price of alcohol increases the absolute amount of the VAT rises automatically as VAT is levied on the value/price of the product. All the different types of beverages are charged the same VAT rate in most countries. Some countries operate a reduced VAT rate for wine. In addition to the usual Vat and excise some countries have additional taxes on alcohol such as environment related packaging or bottle charges. These additional taxes are not included in this analysis. However, it should be noted that the Irish VAT rate is relatively high compared to the other countries. The following VAT rates are those applicable to spirits. Some countries have different rates for different products. Ireland has a rate of 23%. Only six of the other 27 countries have higher

rates than this and range between 24% (Greece and Finland) to 27% (Hungary). Denmark, Sweden, and Croatia are each on 25%. Portugal and Poland each have VAT rates of 23%, the same as Ireland. The other nineteen countries have lower VAT rates for alcohol than Ireland.

Excise tax is a specific tax which is based on the quantity of alcohol in the beverage. It is an absolute amount of money per unit of alcohol contained in the beverage. It is not affected by the price of the product. For example, a given quantity of a particular beverage attracts the same excise tax whether sold in an off-licence or consumed within a public house or other bar although the monetary value of the purchase is higher in the public house. Different priced bottles of wine, with the same alcohol content, are charged the same excise amount.

VAT is charged on the excise amount. Consequently, an Irish excise increase directly causes price to rise by the excise and a further 23% of the excise increase, if passed on by the supplier/retailer.

There are different excise levels for the individual beverages categories. In all 28 (EU plus UK) countries the spirits excise per HPLA is the highest of the three categories. However, the ratio of spirits excise to other beverage excise varies greatly among the 28 countries.

As already noted, 15 of the 28 (27 EU plus UK) countries do not impose excise on wine. They are Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Greece, Hungary, Italy, Luxembourg, Portugal, Romania, Slovakia, Slovenia, and Spain. Of the 13 countries which do have a wine excise France has a very low rate of €36 per HPLA and Malta has a rate of €186. This compares with the Irish rate of €3862.

This report examines the current (defined as May 2022) comparative level of alcohol excise in the EU. There are several other taxation issues which are not examined here including comparative changes in the levels over time, the comparative role or share of excise in alcohol prices in the different countries, the role of alcohol excise relative to earnings or average incomes or the changes over time in the tax proportion of Irish and international alcohol prices.

As noted above, alcohol excise is a specific or absolute amount of money tax per product (depending on the alcohol characteristics of the beverage). Consequently, one might expect low-income economies to operate low absolute alcohol excise rates which could still result in an internationally comparable excise share of the price. For

example, a low-income economy would be characterised by lower cost of living, lower earnings and lower prices, other things being equal, than a high-income economy. Application of the same absolute excise rates would result in a larger impact on the low-income economy price of alcohol than in the high-income economy. However, it should be noted that several high-income economies such as Germany, Denmark, France, Netherlands, and Belgium also have relatively low alcohol excise rates compared to Ireland.

4. IRELAND'S COMPARATIVE RANKING IN EXCISE

The comparative position of Ireland relative to the other 27 countries is presented in Table 2. The only countries comparable to Ireland in terms of high levels of alcohol excise are the UK and the two Nordic countries, Sweden, and Finland. All other 24 EU economies have low alcohol excise rates compared to Ireland.

Table 2 EU Alcohol Tax Rates (Excise) (Euro per HLP), May 2022, three beverages and composite level and rank in country alphabetical order

	Spirits	Wine	Beer	Composite level	Rank of composite level
Austria	1200	0	500	567	18
Belgium	2993	681	501	1392	7
Bulgaria	562	0	192	251	28
Croatia	800	0	533	444	24
Cyprus	957	0	600	519	20
Czechia	1274	0	316	530	19
Denmark	2017	1376	655	1349	8
Estonia	1881	1344	1270	1498	6
Finland	5035	3827	3805	4222	1
France	1806	36	770	871	12
Germany	1303	0	197	500	21
Greece	2550	0	1250	1267	9
Hungary	931	0	452	461	23
Ireland	4257	3862	2255	3458	2
Italy	1036	0	755	597	17
Latvia	1724	1009	820	1184	10
Lithuania	2163	1645	782	1530	5
Luxembourg	1041	0	198	413	25
Malta	1360	186	483	676	15
Netherlands	1686	803	759	1083	11
Poland	1506	379	514	800	14
Portugal	1387	0	418	602	16
Romania	764	0	191	318	27
Slovakia	1080	0	359	480	22
Slovenia	1320	0	1210	843	13
Spain	959	0	199	386	26
Sweden	4873	2245	1906	3008	3
UK	3351	3154	2225	2910	4
Ireland's rank	3	1	2	2	2

Source: *Spirits Europe, Summary of EU Member States (and UK), Brussels (Excise rates as of May 2021), the exchange rates are those of Oct 2021 as used in the EU excise tables except for the UK and Sweden for which we use 2022 June monthly average rates. Composite level is the unweighted average of the three beverage specific rates.*

The ranking position of Ireland is summarised in Table 3. Ireland has the highest wine excise of the 28 EU members. Ireland has the second highest beer excise (but the

UK rate is close to the Irish rate) and the third highest spirits excise. On the composite indicator Ireland has the second highest average aggregate alcohol excise of the 28 EU members behind Finland.

Table 3 Ireland’s High Alcohol Excise Taxation May 2022

Category	Position
Wine	Highest in EU27 plus UK (but close to Finland’s level)
Beer	Second Highest in EU27 plus UK (but close to UK level)
Spirits	Third Highest in EU27 plus UK
Composite indicator	Second Highest in EU27 plus UK

The data in Table 2 are shown again in Table 4 in order of magnitude of the composite excise rate. This further illustrates the gap between the top four countries, including Ireland, and the other 24 countries. Only eleven of 28 countries have a composite rate of more than €1000. Only four countries have a composite rate of more than €2000 and only three, including Ireland, have a rate of more than €3000. Seven countries have a composite rate of lower than €500.

Table 4 EU Alcohol Tax Rates (Excise) (Euro per HLP), May 2022, composite level and rank in order of magnitude

	Composite level	Rank of composite level
	€ per HLPA	
Finland	4222	1
<i>Ireland</i>	3458	2
Sweden	3008	3
UK	2910	4
Lithuania	1530	5
Estonia	1498	6
Belgium	1392	7
Denmark	1349	8
Greece	1267	9
Latvia	1184	10
Netherlands	1083	11
France	871	12
Slovenia	843	13
Poland	800	14
Malta	676	15
Portugal	602	16
Italy	597	17
Austria	567	18
Czechia	530	19
Cyprus	519	20
Germany	500	21
Slovakia	480	22
Hungary	461	23
Croatia	444	24
Luxembourg	413	25
Spain	386	26
Romania	318	27
Bulgaria	251	28

Source: As for Table 2

As noted in the data section the international sources on alcohol excise do not contain comprehensive cider data. The following data for cider refer to Ireland and the UK. The excise in both countries is levied by hectoliter of product depending on different alcohol strength bands.

The UK excise rate per hectoliter of product for still cider and perry between greater than 1.2% and less than 6.9% alcohol content is £40.38, or €47.09 at the June 2022 exchange rate. The 2022 Irish rate per hectoliter of still cider and perry product is €94.46 for alcohol strengths between 2.9% and 5.9%. Consequently, for cider up to 6% alcohol by volume the Irish excise rate is more than double the UK rate.

Ireland has the second highest excise on intermediate products at €3425 per HLPAs compared to the highest country Finland at €4283. These two are followed by the UK and Sweden.

5. QUANTITATIVE DIFFERENCES IN EXCISE

The previous section identified Ireland's high placing in the EU alcohol excise league table. The high Irish alcohol taxation levels compared with the large majority of the EU 27 members and the UK are more clearly illustrated when comparing the levels between the different economies instead of the ranking. In Table 5 below we compare the other EU countries to Ireland by magnitude. Ireland is expressed as 100 and the other countries are expressed relative to Ireland. As Finland is the only country with a larger composite rate than Ireland it is the only country with a figure greater than 100. Finland's composite rate is 22.1% greater than Ireland's rate. Sweden is relatively close to the Irish level at 87% of the Irish level. The UK composite rate is 84.2% of the Irish rate. After the UK there is a substantial decline in the level of national composite rates. The next highest country is Lithuania which is only 44.2% of the Irish rate. This is followed by Estonia with a rate of only 43.3% of the Irish composite rate and Belgium at 40.3%. Sixteen EU economies have a composite rate which is less than one quarter of the Irish rate. France is slightly over 25% with a figure of 25.2%.

Table 4 EU Alcohol Tax Rates (Excise) (Euro per HLPAs), May 2022, composite level and position relative to Ireland =100

	Composite level	Position of composite level relative to Ireland=100
	€ per HLPAs	
Finland	4222	122.1
Ireland	3458	100
Sweden	3008	87.0
UK	2910	84.2
Lithuania	1530	44.2
Estonia	1498	43.3
Belgium	1392	40.3
Denmark	1349	39.0
Greece	1267	36.6
Latvia	1184	34.2
Netherlands	1083	31.3
France	871	25.2
Slovenia	843	24.4
Poland	800	23.1
Malta	676	19.5
Portugal	602	17.4
Italy	597	17.3
Austria	567	16.4
Czechia	530	15.3
Cyprus	519	14.8
Germany	500	14.5
Slovakia	480	13.6
Hungary	461	13.3
Croatia	444	12.8
Luxembourg	413	11.9
Spain	386	11.2
Romania	318	9.2
Bulgaria	251	7.3

Source: As for Table 2.

The main points from the quantitative aspect of the comparison are as follows.

- Finland's composite rate is 22.1% higher than Ireland's, €4222 compared to €3458. Sweden's composite rate is 13% below the Irish rate and the UK rate is 15.8% below the Irish rate.

- Lithuania has the fifth highest composite excise rate of €1530 and is 44.2% of the Irish level.
- Estonia and Belgium have the two next highest composite rates at 43.3% and 40.3% respectively of the Irish rate. In money terms Estonia and Belgium have an average € 1498 and €1392 excise per hectolitre of pure alcohol respectively compared to Ireland's €3458.
- The top four alcohol excise levels per HPLA of €4222 to €2910 (Finland, Ireland, Sweden, and the UK) are substantially higher than the next four highest countries €1530 to €1349 (Lithuania, Estonia, Belgium, and Denmark).
- Germany's composite alcohol excise per HPLA is €500 or 14.5% of the Irish level.
- France's composite level of €871 is 25.2% of the Irish level.
- Spain's composite rate is €386 or 11.2% of the Irish level.
- Referring to the individual drinks excise levels which are presented in Table 2, we see that Ireland's beer excise tax is 4.5 times the level of Austria, 11.4 times the level of Germany, almost 3 times the level of the Netherlands and 11.3 times the level of Spain.
- Ireland's wine excise tax is 5.7 times the level of Belgium and 2.8 times the level of Denmark.
- Ireland's spirits excise tax of €4257 per HPLA is 2.4 times the level of France which is €1806 and 4.1 times the level of Italy.
- Ireland's beer excise is very close to the UK level, €2255 in Ireland and €2225 in the UK (the Irish rate is 1.3% higher), Ireland's spirit excise is much higher than the UK, €4257 compared to €3351 (the Irish rate is 27% higher) and Ireland's wine excise is €3862 compared to €3154 in the UK (the Irish rate is 22.4% higher). Ireland's cider excise is double that of the UK.

An aggregate indication of the higher alcohol excise tax impact in Ireland compared to Germany is the reduction in total alcohol excise receipts if Ireland operated the German rates. As noted above, the German composite average excise rate is €500 per HPLA compared to the Irish rate of €3,458. The German rate is only 14.5% of the Irish rate. This would indicate that if German rates were applied to Ireland, Irish

excise revenue would total €178.7m instead of €1,232.6m (the 2019 pre-Covid total). Ireland pays about €1,053.9m more annually in alcohol excise tax than German rates would imply. This estimate is approximate because it does not take into account differences in the consumption mix between the two countries.

We now present estimates of the excise levied on a selection of drinks in the different countries. The estimates are derived from multiplying the actual Irish excise per drink (to the nearest cent) by the ratio of the excise per HPLA of Ireland and the other country. Due to rounding the ratios of the Irish/other countries actual excise per drink ratios are not exactly the same as the ratios of the excise in € per HPLA. The reference is to Irish measures of drinks such as a pint. These measures are not the popular measure in other countries. Consequently, the comparison is with excise per pint, for example, in Ireland with a drink of the same size in the other EU countries, even if such measures are not used. This, of course, compares like with like in terms of amount of excise. There are also difficulties in specifying the size of a glass of wine. There are small, medium and large glasses. We use the 187 ml size which is the size of a small bottle in a bar. The details of the excise per drink are in Table 5.

The estimates are rounded to the nearest cent. The rounding process results in some anomalies. For example, the UK excise for beer is €2225 per HPLA and the Irish rate is €2255 as shown in Table 2. The Irish rate is 1.3% higher than the UK. The Irish excise per pint is €0.55 and the UK figure is 54 cent (rounded) which results in Ireland being 1.9% higher. The different percentages are due to the rounding process.

The features of the excise per drink data mirror, except for the rounding implication, the earlier findings related to league position and quantitative differences based on the excise per HPLA indicator. These excise amounts relate only to excise and do not include the VAT which would be charged on the excise.

The Irish wine position in the table stands out. Fifteen EU countries do not charge excise on wine. Ireland's rate per 187ml glass is 80cent. As already shown, this is the highest in the EU. After Ireland the next three countries are Finland (79cent), the UK (65cent) and Sweden (47cent). However, the next highest country, Lithuania is substantially lower at 34cent. Denmark and Estonia follow with 29cent and 28cent respectively. The other six countries which charge wine excise are each 21 cent or less per glass. As already noted, 15 EU countries have no excise on a glass of wine.

Every country charges excise on beer but there is a large variation in rates ranging from 93cent on a pint of lager in Finland to 5cent in several countries. 20 countries have a beer excise per pint of lager of less than 20cent. The Irish level is 55cent.

Every country charges an excise on spirits. The excise per half glass ranges from 69cent in Sweden and 71cent in Finland to 8cent in Bulgaria. The spirits excise range is narrower than the beer range. The Irish level is 60cent. 14 countries have a whiskey excise of less than 20cent per half glass.

Excise charges on off-licence purchases of bottles of wine or whiskey are very large in Ireland. The whiskey excise per bottle ranges from €14.10 (Finland) to €1.57 (Bulgaria). In Spain, the excise on a bottle of whiskey is €2.69 which is €9.23 lower than in Ireland.

The wine off licence excise per bottle ranges from €3.19 (Ireland) to zero.

Table 6 **Excise on various drinks, EU countries, € and ¢cent, May 2022**

	Standard measure of whiskey in bar	Pint of lager in bar	Pint of stout in bar	Glass of wine in bar/restaurant (187ml)	Off-licence bottle of whiskey 70cl	Off-licence bottle of wine 75cl
	€cent	€cent	€cent	€cent	€	€
Finland	71	93	91	79	14.10	3.16
Ireland	60	55	54	80	11.92	3.19
Sweden	69	46	46	47	13.64	1.85
UK	47	54	53	65	9.38	2.61
Denmark	28	16	16	29	5.65	1.14
Belgium	42	12	12	14	8.38	0.56
Estonia	27	31	30	28	5.27	1.11
Greece	36	30	30	0	7.14	0
Netherlands	24	19	18	17	4.72	0.66
Slovenia	19	30	29	0	3.70	0
France	25	19	18	1	5.06	0.03
Latvia	24	20	20	21	4.83	0.83
Lithuania	30	19	19	34	6.06	1.36
Poland	21	13	12	8	4.22	0.31
Malta	19	12	12	4	3.81	0.15
Italy	15	18	18	0	2.90	0
Portugal	20	10	10	0	3.88	0
Austria	17	12	12	0	3.36	0
Hungary	13	11	11	0	2.61	0
Cyprus	13	15	14	0	2.68	0
Germany	18	5	5	0	3.65	0
Slovakia	15	9	9	0	3.02	0
Czechia	18	8	8	0	3.57	0
Croatia	11	13	13	0	2.24	0
Luxembourg	15	5	5	0	2.91	0
Spain	14	5	5	0	2.69	0
Romania	11	5	5	0	2.14	0
Bulgaria	8	5	5	0	1.57	0

Source: As for Table 2. Derived as follows, the ratio of a country's excise per HLPAs to Ireland's rate was multiplied by the Irish drink specific euro excise. The Irish excise was rounded to nearest cent and the individual country excise levels were also rounded.

6. IMPACT ON PRICE

The Irish/ other EU countries' excise gaps are very wide as has been shown in this report and this has a substantial effect on Irish alcohol prices. We illustrate this by applying the German excise levels to Irish alcohol products and identifying the price effect. The choice of Germany is used although some other countries operate excise rates which are closer to Ireland, because it is the largest economy in the EU and is generally acknowledged as being well managed from the economic and public financial perspectives. It is also a very large incoming tourism market for Ireland in "normal" economic times. Spain is also examined because it is a large destination for Irish tourism. The details are presented in Tables 7 and 8. Of course, the same exercise can be undertaken for all the other countries. The prices, excluding on-licence and off-licence wine, are from the CSO's consumer price index for May 2022.

Table 7 Impact of applying German Excise Rates to Irish prices, cent and % impact 2022

Alcohol product	Price May 2022, CSO (except for wine)) €	Irish excise €cent	German excise €cent	Excise differential €cent	Price reduction (Excise differential plus VAT on excise) €cent	% Price reduction from applying German excise level
Pint of stout in bar	5.13	54	5	49	60	11.7
Pint of lager in bar	5.52	55	5	50	62	11.2
Standard whiskey in bar	4.96	60	18	42	52	10.5
Glass of wine in restaurant	7.00	80	0	80	98	14.0
Off-licence 70cl bottle of whiskey	27.25	11.92	3.65	8.27	10.17	37.3
Off-licence bottle of wine	10.00	3.19	0	3.19	3.92	39.2

Source. Average alcohol prices are from CSO's CPI and refer to May 2022 except for the wine prices which are illustrative prices because wine price indicators are not provided in the CPI. Figures are rounded to nearest cent in each box.

Application of the German beer excise rate to Ireland would reduce excise on an on-licence pint of stout to 5cent instead of 54cent, a direct reduction of 49cent. This increases to a reduction of 60cent when VAT on the excise is accounted for. The 60-cent reduction is a 11.7% decrease on the current price of a pint. On a pint of lager using the same methodology the price reduction would be 11.2%. A measure of

whiskey in a bar would have a price reduction of 10.5% or 52 cent (42 cent excise plus the VAT of 10 cent) if the German excise levels applied in Ireland. The price of a restaurant glass of wine would decrease by 14.0% if the German zero rate was applied. Application of the German spirits excise rate to Ireland on an off-licence bottle of whiskey would reduce excise to €3.65 from €11.92 giving a price a reduction of €10.17 or 37.3% including the VAT impact. Germany does not impose excise on wine and an off-licence bottle of wine priced at €10.00 would have a drop in price of 39.2% or €3.92 if the German zero rate applied in Ireland.

The same price impact exercise is done in Table 8 for Spain. The impact on wine is the same as Germany because both countries do not impose excise on wine. The impact on beer is the same for both countries also because their beer excise rates are very close and on a rounded basis are the same. In the case of whiskey within a bar the application of the Spanish excise rate would lower the Irish price by 11.5% and on an off-licence bottle of whiskey the Irish price would drop by 41.7% if the Spanish whiskey excise was used.

Table 8 Impact of applying Spanish Excise Rates to Irish prices, cent and % impact 2022

Alcohol product	Price May 2022, CSO (except for wine) €	Irish excise €cent	Spanish excise €cent	Excise differential €cent	Price reduction (Excise differential plus VAT on excise) €cent	% Price reduction from applying German excise level
Pint of stout in bar	5.13	54	5	49	60	11.7
Pint of lager in bar	5.52	55	5	50	62	11.2
Standard whiskey in bar	4.96	60	14	46	57	11.5
Glass of wine in restaurant	7.00	80	0	80	98	14.0
Off-licence 70cl bottle of whiskey	27.25	11.92	2.69	9.23	11.35	41.7
Off-licence bottle of wine	10.00	€3.19	0	€3.19	€3.92	39.2

Source. Average alcohol prices are from CSO's CPI and refer to May 2022 except for the wine prices which are illustrative prices because wine price indicators are not provided in the CPI. Figures are rounded to nearest cent in each box.

7. SUMMARY

The report shows that Ireland has very high alcohol excise rates compared to other EU countries. On the “league table” basis Ireland has the highest wine excise rate, the second highest beer excise rate and the third highest spirits rates in the EU. On the composite indicator, used in the report, Ireland has the second highest average alcohol excise rate. More importantly, the quantitative or monetary gap between Ireland and the large majority of other EU economies on alcohol excise is substantial. Fifteen EU economies have no excise on wine while Ireland has the highest excise on wine in the EU.

- Ireland has the highest wine excise in the EU27 and UK
- Ireland has the second highest beer excise in the EU 27 and UK behind Finland
- Ireland has the third highest spirits excise in the EU 27 and UK after Sweden and Finland.
- Fifteen EU economies do not impose any excise on wine. In addition, France and Malta have very low wine excise tax.
- On an overall composite alcohol excise level (measured by the unweighted average of the different beer, spirits, and wine excise rates), Ireland is the second highest behind Finland.
- The magnitude of the differences in alcohol excise between Ireland and other EU economies is large. For example, Ireland’s beer excise is 11.4 times that of Germany. Irish spirits excise is 4.4 times that of Spain.
- Finland’s composite rate per HLPAs is 22.1% higher than Ireland’s, €4222 compared to Ireland’s €3458. Sweden’s composite rate is 13% below the Irish rate and the UK rate is 15.8% below the Irish rate.
- Lithuania has the fifth highest composite excise rate of €1530 per HLPAs and is 44.2% of the Irish rate.
- Germany’s composite alcohol excise per HLPAs is €500 or 14.5% of the Irish level of €3458.
- France’s composite rate of €871 is 25.2% of the Irish level.
- Spain’s composite rate is €386 or 11.2% of the Irish level.
- Application of the German beer excise rate to Ireland would reduce the price of a pint of stout in a public house by 11.7%, the price of a glass

of wine in a restaurant by 14.0% and the off- licence price of a bottle of whiskey by 37.3%.

- Application of the German beer excise rate to Ireland would reduce excise on an on-licence pint of stout to 5cent instead of 54cent, a direct reduction of 49cent. This increases to a reduction of 60cent when VAT on the excise is accounted for.
- In Spain, the excise on a bottle of whiskey is €2.69 which is €9.23 lower than in Ireland.
- If German alcohol excise rates were applied to Ireland, Irish annual excise revenue would total €178.7m instead of €1,232.6m. Ireland pays about €1,053.9m more annually in alcohol excise tax than German rates would imply.

Ireland, along with Sweden, Finland and the UK are high alcohol excise countries by EU standards. The size of the excise gap between these four countries and the other 24 EU countries is substantial. On the composite measure, Ireland is the second most highly taxed economy, in terms of alcohol excise, of the 28 countries.