**Tax on Ireland’s drinks and hospitality sector in 2021**

How Ireland’s excise tax on drinks compares with other EU countries and the UK

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**Commissioned by**

**The Drinks Industry Group of Ireland (DIGI)**

September 2021

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**Foreword**

**It is difficult to express how profoundly the pandemic has affected Ireland’s drinks and hospitality industry.**

Until relatively recently, the majority of the country’s drinks and hospitality businesses were shut. Many so-called 'wet' pubs were completely closed for upwards of 400 days, longer than any other EU country. Some in our industry closed their doors for good. Others are still struggling to find sufficient numbers of suitable staff because thousands of hospitality workers have left the industry permanently.

As we move on and away from the acute phase of the pandemic, it is vitally important that the conversation we have about Ireland’s drinks and hospitality industry moves beyond immediate-term rehabilitation towards sustainable growth.

If we truly want to rebuild and reinforce the industry and ensure that it has the capacity for growth for years to come, we need to work towards a bold new vision: to create the best drinks and hospitality industry in the world. That requires removing obstacles and using the economic instruments of the state to stimulate a sustainable recovery.

Currently, Ireland’s high alcohol tax rate—on top of VAT, high commercial rents, and insurance—is forcing our drinks and hospitality businesses, particularly small exporting breweries and distilleries, to make growth-limiting sacrifices. As global tourism restarts, it is also making us a far more expensive place to visit compared to other European countries.

The Irish government takes approximately a third of the price of every drink purchased by a customer in a hospitality environment, money that could otherwise be invested by the business in maintaining employment, new staff, new premises, new technology, and new products and services.

This report, researched and authored by DCU economist Anthony Foley, shows us that among EU countries and the UK, Ireland has the second highest overall alcohol excise tax. We have the highest excise tax on wine, the second highest on beer, and the third highest on spirits, even though tourism, inextricably linked to the Irish pub, restaurant, and hotel, and drinks production are key to our domestic economy.

Indeed, in other European countries where drinks products are of similar if not greater importance to economic activity, such as wine in France and beer in Germany, excise tax is far lower. Excise tax on a glass of wine in France is just one cent, while on a pint of beer in Germany it is five cents (compared to 55 cents here). It is still cheaper to buy a bottle of Irish whiskey in Italy than it is in Ireland, where it is produced.

The French and German governments, as well as many others in Western Europe, such as Italy and Spain, recognise that their drinks industries are major employers, generate huge amounts of revenue for the economy through export and tourism, and are central to local communities and national heritage and culture.

It is DIGI's continuing recommendation that the Government reduces excise tax on beer, cider, wine, and spirits by 7.5% in October's Budget, beginning a process to bring Ireland's rates into line with other European countries. This can be done overnight through pre-existing economic instruments.

The effects of this reduction would be felt immediately by the thousands of hospitality businesses across Ireland and their combined hundreds of thousands of employees. It would serve to hoist up the industry from its current predicament and put it in the right position to recover and grow sustainably in 2022 and beyond.

We look forward to working with our partners in the Government and the industry to further advance this important cause.

**Liam Reid**

Chair of the Drinks Industry Group of Ireland

Corporate Relations Director at Diageo

**Key findings**

* 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 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.
* 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 HLPA is 22.5% higher than Ireland’s, €4,237, compared to Ireland’s €3,458. Sweden’s composite rate is 9.6% below the Irish rate and **the UK rate is 15.7% below the Irish rate.**
* Estonia has the fifth highest composite excise rate of €1,498 and is 56.7% below the Irish rate.
* Germany’s composite alcohol excise per HLPA is €500 or 14.5% of the Irish level of €3,458.
* France’s composite level of €869 is 25.1% 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 12.1%,** the price of a glass of wine in a restaurant by 15.1%, and the off-licence price of a bottle of whiskey by 39.6%.
* Application of the German beer excise rate to Ireland would reduce excise on an on-licence pint of stout to 5 cents from 54 cents, a direct reduction of 49 cents. **This increases to a reduction of 60 cents 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 DIGI, examines the up to date (as of May 2021) 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 2021** when compared with the large majority of the other 26 economies of the EU and the UK.

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 84.3% of the Irish level.

The rest of the EU economies have very much lower levels of excise than the top four of Finland, Ireland, Sweden, and the UK. The fifth ranked economy is Estonia, which has a composite excise rate of 43.3% of the Irish level, substantially less than the highest four economies.

**As of May 2021, Ireland has:**

* 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 130.8% higher than the fifth ranked country of Estonia and is substantially higher than all those other EU economies that have lower excise levels than Estonia.

**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 small sample of drinks products, and the impact on Irish prices and overall alcohol excise revenue of having the lower German excise levels.

**2. Data**

The data are 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 refer to the position as of **May 2021.**

The main indicator used is excise in euro per **hectolitre of pure alcohol** (HLPA). The European Spirits data cover beer, wine, spirits, and intermediate products. Data are 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 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 111.2% higher than Denmark’s. In wine, Ireland’s excise level is 180.9% 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 2021 for non-euro countries are based on the October 2020 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 particular 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 **July 2021.** The exchange rates used in the basic data source are, relative to the euro, 10.4853 SEK (Sweden) and 0.90723 Sterling. The more recent July rates are 10.1079 SEK and 0.85613 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 increase 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.

Ireland’s composite rate is €3,458 compared to €2,915 for the UK on recent exchange rates and €2,751 on the October 2020 exchange rates. The Swedish composite rate is €3,041 on the October 2020 exchange rates and €3,127 on the July 2021 exchange rates. The rankings of the three countries are not affected.

**Table 1: *Excise per HLPA UK and Sweden, based on local currency and different exchange rates.***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Spirits** | **Wine** | **Beer** | **Composite** |
| ***UK Sterling*** | *2,874* | *2,705* | *1,908* | *Not applicable* |
| UK in euro at Oct 2020 rate, 0.90723 | 3,168 | 2,982 | 2,103 | 2,751 |
| UK in euro at July 2021 rate, 0.85613 | 3,357 | 3,160 | 2,229 | 2,915 |
| ***Sweden SEK*** | *51,659* | *23,800* | *20,200* | *Not applicable* |
| Sweden in euro at Oct 2020 rate, 10.4853 | 4,927 | 2,270 | 1,927 | 3,041 |
| Sweden in euro at July 2021 rate, 10.1979 | 5,066 | 2,334 | 1,981 | 3,127 |
| **Irish rates €** | 4,257 | 3,862 | 2,255 | 3,458 |

**3. Types of alcohol taxation**

Alcohol is subject to two types of expenditure tax: **VAT** and **excise**.

The **VAT** is an ad valorem tax that 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.

**Excise tax** is a specific tax that 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 even though 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 the EU and UK**, **the spirits excise per HLPA 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 countries do not impose excise on wine**. These are Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Germany, Greece, Hungary, Italy, Luxembourg, Portugal, Romania, Slovakia, Slovenia, and Spain. Of the 13 countries that do have a wine excise, France has a very low rate of €36 per HLPA and Malta €186. This compares with the Irish rate of €3,862. Greece introduced wine excise in 2016 but it was **abolished** in 2019.

This report examines the current (defined as May 2021) comparative level of alcohol excise in the EU. There are several other taxation issues that 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 that 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 HLPA), May 2021, three beverages and composite level and rank in country alphabetical order.***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Spirits** | **Wine** | **Beer** | **Composite level** | **Rank of composite level** |
| **Austria** | **1,200** | **0** | **500** | **567** | **18** |
| **Belgium** | 2,993 | 681 | 501 | 1,392 | 7 |
| **Bulgaria** | 562 | 0 | 192 | 251 | 28 |
| **Croatia** | 793 | 0 | 529 | 441 | 24 |
| **Cyprus** | 957 | 0 | 600 | 519 | 19 |
| **Czech Rep.** | 1,198 | 0 | 297 | 498 | 21 |
| **Denmark** | 2,016 | 1,375 | 655 | 1,349 | 8 |
| **Estonia** | 1,881 | 1,344 | 1,270 | 1,498 | 5 |
| **Finland** | 5,035 | 3,827 | 3,850 | 4,237 | 1 |
| **France** | 1,803 | 36 | 768 | 869 | 12 |
| **Germany** | 1,303 | 0 | 197 | 500 | 20 |
| **Greece** | 2,550 | 0 | 1,250 | 1,267 | 9 |
| **Hungary** | 926 | 0 | 450 | 459 | 23 |
| *Ireland* | *4,257* | *3,862* | *2,255* | *3,458* | *2* |
| **Italy** | 1,036 | 0 | 755 | 597 | 17 |
| **Latvia** | 1,724 | 1,009 | 820 | 1,184 | 10 |
| **Lithuania** | 2,025 | 1,497 | 711 | 1,411 | 6 |
| **Luxembourg** | 1,041 | 0 | 198 | 413 | 25 |
| **Malta** | 1,360 | 186 | 483 | 676 | 15 |
| **Netherlands** | 1,686 | 803 | 759 | 1,083 | 11 |
| **Poland** | 1,396 | 352 | 477 | 742 | 14 |
| **Portugal** | 1,387 | 0 | 418 | 602 | 16 |
| **Romania** | 748 | 0 | 187 | 312 | 27 |
| **Slovakia** | 1,080 | 0 | 359 | 480 | 22 |
| **Slovenia** | 1,320 | 0 | 1,210 | 843 | 13 |
| **Spain** | 959 | 0 | 199 | 386 | 26 |
| **Sweden** | 5,066 | 2,334 | 1,981 | 3,127 | 3 |
| **UK** | 3,357 | 3,160 | 2,229 | 2,915 | 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 2020 as used in the EU excise tables, except for the UK and Sweden for which we use 2021 July 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 EU member states and the UK. 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** among the EU and the UK, behind Finland.

**Table 3: *Ireland’s high alcohol excise taxation, May 2021.***

|  |  |
| --- | --- |
| **Category** | **Position** |
| **Wine** | Highest in EU + UK (very close to Finland) |
| **Beer** | Second highest in EU + UK |
| **Spirits** | Third highest in EU + UK |
| **Composite indicator** | Second highest in EU + 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 €1,000. Only four countries have a composite rate of more than €2,000 and **only three, including Ireland, have a rate of more than €3,000.** Eight countries have a composite rate of lower than €500, although one is barely below at €498.

**Table 4: *EU alcohol tax rates (excise) (euro per HLPA), May 2021, composite level and rank in order of magnitude.***

|  |  |  |
| --- | --- | --- |
|  | **Composite level** | **Rank of composite level** |
|  | **€ per HLPA** |  |
| **Finland** | 4,237 | 1 |
| ***Ireland*** | *3,458* | *2* |
| **Sweden** | 3,127 | 3 |
| **UK** | 2,915 | 4 |
| **Estonia** | 1,498 | 5 |
| **Lithuania** | 1,411 | 6 |
| **Belgium** | 1,392 | 7 |
| **Denmark** | 1,349 | 8 |
| **Greece** | 1,267 | 9 |
| **Latvia** | 1,184 | 10 |
| **Netherlands** | 1,083 | 11 |
| **France** | 869 | 12 |
| **Slovenia** | 843 | 13 |
| **Poland** | 742 | 14 |
| **Malta** | 676 | 15 |
| **Portugal** | 602 | 16 |
| **Italy** | 597 | 17 |
| **Austria** | 567 | 18 |
| **Cyprus** | 519 | 19 |
| **Germany** | 500 | 20 |
| **Czech Rep.** | 498 | 21 |
| **Slovakia** | 480 | 22 |
| **Hungary** | 459 | 23 |
| **Croatia** | 441 | 24 |
| **Luxembourg** | 413 | 25 |
| **Spain** | 386 | 26 |
| **Romania** | 312 | 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 hectolitre of product depending on different alcohol strength bands.

The UK excise rate per hectolitre of product for still cider and perry between greater than 1.2% and less than 6.9% alcohol content is £40.38, or €47.17 at the July 2021 exchange rate.

The 2021 Irish rate per hectolitre 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 100.3% greater than the UK rate.**

**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 22.5% greater than Ireland’s rate. Sweden is relatively close to the Irish level at 90.4% of the Irish level. The UK composite rate is 84.3% of the Irish rate. After the UK, there is a substantial decline in the level of national composite rates.

The next highest country is Estonia, which is only 43.3% of the Irish rate. This is followed by Lithuania with a rate of only 40.8% 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 25.1%.

**Table 4: *EU alcohol tax rates (excise) (euro per HLPA), May 2021, composite level and position relative to Ireland=100.***

|  |  |  |
| --- | --- | --- |
|  | **Composite level** | **Position of composite level relative to Ireland=100** |
|  | **€ per HLPA** |  |
| **Finland** | 4,237 | 122.5 |
| *Ireland* | *3,458* | *100* |
| **Sweden** | 3,127 | 90.4 |
| **UK** | 2,915 | 84.3 |
| **Estonia** | 1,498 | 43.3 |
| **Lithuania** | 1,411 | 40.8 |
| **Belgium** | 1,392 | 40.3 |
| **Denmark** | 1,349 | 39.0 |
| **Greece** | 1,267 | 36.6 |
| **Latvia** | 1,184 | 34.2 |
| **Netherlands** | 1,083 | 31.3 |
| **France** | 869 | 25.1 |
| **Slovenia** | 843 | 24.4 |
| **Poland** | 742 | 21.5 |
| **Malta** | 676 | 19.5 |
| **Portugal** | 602 | 17.4 |
| **Italy** | 597 | 17.3 |
| **Austria** | 567 | 16.4 |
| **Cyprus** | 519 | 14.8 |
| **Germany** | 500 | 14.5 |
| **Czech Rep.** | 498 | 14.4 |
| **Slovakia** | 480 | 13.6 |
| **Hungary** | 459 | 13.3 |
| **Croatia** | 441 | 12.8 |
| **Luxembourg** | 413 | 11.9 |
| **Spain** | 386 | 11.2 |
| **Romania** | 312 | 9.0 |
| **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 22.5% higher than Ireland’s**, €4,327 compared to €3,458. Sweden’s composite rate is 9.6% below the Irish rate and the UK rate is 15.7% below the Irish rate.
* Estonia has the fifth highest composite excise rate of €1,498 and is **56.7% below the Irish rate or 43.3% of the Irish level.**
* Lithuania and Belgium have the two next highest composite rates at 40.8% and 40.3% respectively of the Irish rate. In money terms, Lithuania and Belgium have an average €1,411 and €1,392 excise per hectolitre of pure alcohol respectively, compared to Ireland’s €3,458.
* The top four alcohol excise levels per HLPA, of €4,237 to €2,915 (Finland, Ireland, Sweden and the UK), are **substantially higher than the next four highest countries,** €1,498 to €1,349 (Estonia, Lithuania, Belgium, and Denmark).
* Germany’s composite alcohol excise per HLPA is €500 or 14.5% of the Irish level.
* France’s composite level of €869 is 25.1% of the Irish level.
* Spain’s composite rate is €386 or 11.2% of the Irish level.
* Referring to the individual drinks excise levels 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 €4,257 per HLPA is 2.4 times the level of France, which is €1,803, and **4.1 times the level of Italy.**
* Ireland’s **beer excise is very close to the UK level**: €2,255 in Ireland and €2,229 in the UK (the Irish rate is 1.2% higher).
  + **Ireland’s spirit excise is much higher than the UK level**, €4,257 compared to €3,357 (the Irish rate is 26.8% higher)
  + Ireland’s wine excise is €3,862 compared to €3,160 in the UK **(the Irish rate is 22.2% 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 HLPA 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 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 HLPA of Ireland and the other country. Due to rounding the ratios of Ireland/other countries, actual excise per drink ratios is not exactly the same as the ratios of the excise in € per HLPA.

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 187ml 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 €2,229 per HLPA and the Irish rate is €2,255 as shown in Table 2. The Irish rate is 1.2% higher than the UK. The Irish excise per pint is 55 cents and the UK figure is 54 cents (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 HLPA 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 80 cents. As already shown, this is the highest in the EU. After Ireland, the next three countries are Finland (79 cents), the UK (65 cents), and Sweden (48 cents).

However, the next highest country, Lithuania, is substantially lower at 31 cents. Denmark and Estonia follow with 28 cents. The other six countries that charge wine excise are each 20 cents or less per glass. As already noted, 15 EU countries have no excise on a glass of wine.

Every country charges a beer excise, but there is a large range from 94 cents on a pint of lager in Finland to 5 cents in several countries. **Twenty countries have a beer excise per pint of lager of less than 20 cents.** The Irish level is 55 cents.

Every country charges an excise on spirits. The excise per half glass ranges from 71 cents in Sweden and Finland to 8 cents in Bulgaria. The spirits excise range is narrower than the beer range. The Irish level is 60 cents. **Fourteen countries have a whiskey excise of less than 20 cents 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 €14.19 (Sweden) to €1.57 (Bulgaria). The wine off-licence excise per bottle ranges from €3.19 (Ireland) to zero. In Spain, the excise on a bottle of whiskey is €2.69, which is €9.23 lower than in Ireland.

**Table 6: *Excise on various drinks, EU countries, € and €cents, May 2021.***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | **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** |
|  | **€cents** | **€cents** | **€cents** | **€cents** | **€** | **€** |
| **Finland** | 71 | 94 | 92 | 79 | 14.10 | 3.16 |
| *Ireland* | *60* | *55* | *54* | *80* | *11.92* | *3.19* |
| **Sweden** | 71 | 48 | 47 | 48 | 14.19 | 1.93 |
| **UK** | 47 | 54 | 53 | 65 | 9.40 | 2.61 |
| **Denmark** | 28 | 16 | 16 | 28 | 5.64 | 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 | 5.05 | 0.03 |
| **Latvia** | 24 | 20 | 20 | 21 | 4.83 | 0.83 |
| **Lithuania** | 29 | 17 | 17 | 31 | 5.67 | 1.24 |
| **Poland** | 20 | 12 | 12 | 7 | 3.91 | 0.29 |
| **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 | 2.59 | 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 |
| **Czech Rep.** | 17 | 7 | 7 | 0 | 3.35 | 0 |
| **Croatia** | 11 | 13 | 13 | 0 | 2.22 | 0 |
| **Luxembourg** | 15 | 5 | 5 | 0 | 2.91 | 0 |
| **Spain** | 14 | 5 | 5 | 0 | 2.69 | 0 |
| **Romania** | 11 | 5 | 4 | 0 | 2.09 | 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 HLPA 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**

Ireland’s/other EU countries’ excise gaps are very wide as has been shown in this report. **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. Although some other countries operate excise rates that are closer to Ireland’s, Germany is used 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.

The details are presented in **Table 7**. 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 June 2021. Clearly due to Covid-related closures and restrictions, the June 2021 prices sample may not be as accurate a reflection of actual industrywide prices as normal.

**Table 7: *Impact of applying German excise rates to Irish prices, cent and % impact***

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Alcohol product** | **Price**  **June 2021, CSO**  **(except for wine)**  **€** | **Irish excise**  **€cents** | **German excise**  **€cents** | **Excise differential**  **€cents** | **Price reduction (excise differential plus VAT on excise)**  **€cents** | **% Price reduction from applying German excise level** |
| **Pint of stout in bar** | 4.96 | 54 | 5 | 49 | 60 | 12.1 |
| **Pint of lager in bar** | 5.31 | 55 | 5 | 50 | 62 | 11.7 |
| **Standard whiskey in bar** | 4.83 | 60 | 18 | 42 | 52 | 10.8 |
| **Glass of wine in restaurant** | 6.50 | 80 | 0 | 80 | 98 | 15.1 |
| **Off-licence 70cl bottle of whiskey** | 25.68 | 11.92 | 3.65 | 8.27 | 10.17 | 39.6 |
| **Off-licence bottle of wine** | 10.00 | 3.19 | 0 | 3.19 | 3.92 | 39.2 |

**Source:** *Average alcohol prices are from CSO’s Consumer Price Index and refer to June 2021 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 **5 cents instead of 54 cents**, a direct reduction of 49 cents. This increases to a reduction of 60 cents when VAT on the excise is accounted for. The 60 cents reduction is a 12.1% decrease on the current price of a pint.

On a **pint of lager** using the same methodology, the price **reduction would be 11.7%.** A **measure of whiskey** in a bar would have a price **reduction of 10.8% or 52 cents** (42 cents excise plus the VAT of 10 cents) if the German excise levels applied in Ireland.

The price of a **restaurant glass of wine would decrease by 15.1%** 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 39.6% 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.