



Taxation of Alcohol Beverages

The World Spirits Alliance
Position Paper



Introduction & Overview

The World Spirits Alliance (WSA) has a long record of advocating for fair and non-discriminatory tax and market access policies for the spirits sector globally. Through coordinated efforts among its members, WSA has actively engaged with international bodies, including the World Trade Organization (WTO), to address a broad range of tax issues, from tariffs to indirect taxes. This history includes participation in landmark WTO cases, where the sector has championed the use of global tax and trade disciplines to ensure a level playing field for spirits.

Drawing on this extensive experience in tax and trade matters, WSA now shares its position on alcohol excise taxes, a topic of growing importance in global policy debates. Alcohol excise taxation remains a significant revenue source in many countries around the world, but it is also increasingly promoted as a tool to address public health and fund social programs. However, this approach often overlooks key scientific and economic realities, particularly the importance of ethanol content over beverage type in shaping consumption patterns and health outcomes.

WSA advocates for fair, evidence-based taxation policies that reflect local contexts, treat all alcoholic beverages equitably, and avoid unintended consequences such as illicit trade and market distortion.

This document outlines guiding principles and practical recommendations to support balanced excise tax systems that promote moderation, safeguard public health, and sustain legitimate industry.

Context

A growing number of governments, NGOs, and international organizations, most notably the WHO, are advocating for increased alcohol excise taxation as a quick fix to reduce harmful alcohol consumption. This approach often oversimplifies the issue of alcohol related harm and overlooks the broader consequences of poorly designed excise tax systems.

Excise taxes on alcohol are increasingly used not only to address public health concerns but also to support broader health and social programs. This trend has gained momentum amid growing financial pressures on national health systems and international development efforts, particularly in the context of reduced external funding and challenges in achieving the Sustainable Development Goals (SDGs). Institutions like the WHO have advocated for excise taxes as a strategic tool to help countries mobilize domestic resources and strengthen their health infrastructure, and improves health. As a result, alcohol excise taxation is being promoted as a revenue source, sometimes with limited direct connection to alcohol-related harm.

Compounding this issue is the widespread misconception that spirits are inherently more harmful than beer or wine due to their higher alcohol by volume



(ABV). This belief ignores the scientific reality that **the health impact of alcohol is determined by the pattern (including quantity and frequency) of consumption**, not the type of beverage. For example, there is often less alcohol in a spirits-based drink than there is in a serving of beer, wine or cider. Discriminately taxing categories based on their strength can mislead consumers into believing that some products are more harmful than others. Misguided excise tax policies based on beverage categories rather than ethanol content risk distorting consumer behaviour, encouraging illicit trade, and undermining public health goals.

More specifically, the following section outlines the WSA positions on a sound alcohol excise tax system.

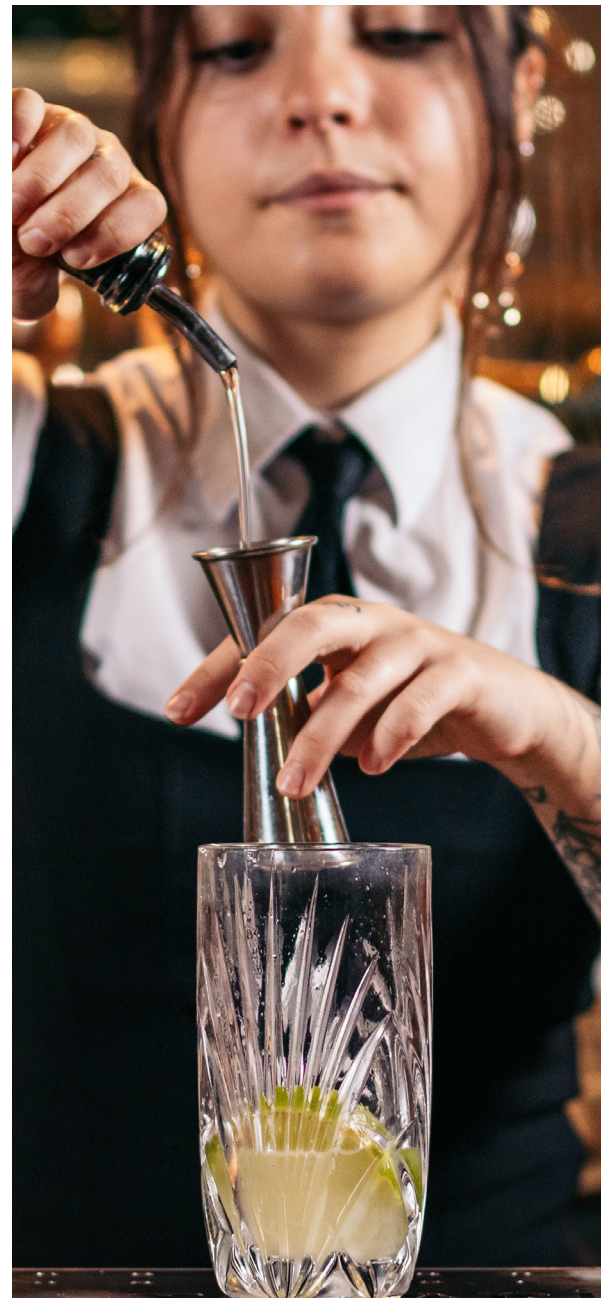
Principles of a Sound Alcohol Excise Tax System

Excise taxes on alcoholic beverages serve two primary objectives: first, to generate government revenue for funding public programs, and second, to support public health policies by discouraging harmful consumption. These objectives can sometimes conflict (e.g., reducing consumption may inherently lower tax revenue). WSA does not reject taxation; rather, we advocate for a model structured on sound principles that align with both goals and that fundamentally takes into consideration the specific reality of the local context.

A well-designed alcohol excise tax system must balance public health objectives with economic sustainability and fairness. To achieve this, taxation should be grounded in scientific evidence, administrative efficiency, and fairness across beverage categories. The following principles outline WSA's recommendations in creating excise tax structures that are effective, proportionate, and consistent with global best practices.

Specific Excise Tax Based on Ethanol Content, Not Beverage Category

- All alcoholic beverages contain the same active ingredient: ethanol.
- Excise taxation should reflect the amount of specific ethanol present, not the price or category of the beverage.
- **WSA advocates for specific excise structures with taxes based on ethanol content, i.e., the amount of ethanol (litre of pure alcohol - LPA) present in the product.**
- According to the WHO Technical Manual on Alcohol Tax Policy and Administration (2023), **specific excise taxes based on alcohol content** - meaning taxes calculated on the volume of ethanol or pure alcohol in a beverage - have distinct advantages for public health. These taxes directly target the active component (ethanol), ensuring that beverages with higher alcohol content are taxed at higher rates. The manual concludes that, from a public health perspective, **alcohol-content- based specific taxes may be the most effective method to minimize the impact of harmful alcohol consumption.**¹
- According to Tax Foundation, world's leading non-partisan tax policy nonprofit, the best way to tax alcohol is specific tax in which all beverages would be taxed based on the amount of alcohol, not merely the category, which they call as a more neutral tax system.²
- Ad-valorem systems based on price are administratively more difficult to implement and maintain while often counterproductive, encouraging consumers to switch to cheaper options.



Proportionate and Context-Specific Excise Tax Levels

- The optimal level of excise taxation must be tailored to each country's economic, cultural, geographic, and enforcement realities.
- Excessive alcohol excise taxes can lead to:
 - Growth of the illicit alcohol market and associated health risks.
 - Reduced government revenue due to substitution and contraction of the legal market.
 - Job losses, as legitimate businesses close.
 - Governments must balance public health goals with economic sustainability and enforcement capacity.

Equitable Treatment Across Beverage Categories

- Discriminatory excise taxation against spirits is unjustified and ineffective in achieving both health and revenue policy aims.
- Evidence shows that the most consumed beverage in a country (typically beer) is the one most associated with harmful drinking patterns and alcohol-related harm – not necessarily the beverages with the highest ABV.^{3,4}
- Uniform excise taxation among different types of drinks promotes fairness and aligns with the concept of the standard drink. This fairness also extends to lower-alcohol and no-alcohol products, ensuring they are treated consistently, tackling harmful consumption across all categories.
- Taxation policies favouring beer or wine over spirits undermines moderation efforts and penalizes an industry deeply rooted in local economies and cultural heritage.



Policy Recommendations

1

Adopt Proportionate and Uniform Specific Excise Taxes Appropriate for the Local Context

Based on ethanol content and applied equally across all beverage types. This ensures fairness, simplicity, and non-discrimination.⁵

2

Avoid Earmarking Alcohol Excise Taxes

Instead, use general tax revenue to fund targeted, context-specific public health strategies without limiting governments on the use of revenues. The Philippines⁶ provide a relevant policy lesson. earmarking tax revenues for health purposes does not by itself ensure proper implementation, governance, or value for public funds if there are no accountability mechanisms in place to avoid misuse of funds.

3

Adopt Targeted Policies to Fight Illicit Trade Based on Local Context

Overly high taxes on specific categories, particularly on spirits, are not the most effective lever in tackling illicit trade. Rather, this approach may drive consumers toward illicit or lower-quality products, undermining public health and reducing government revenue.

4

Promote Responsible Consumption Through Education

Partner with industry to invest in awareness campaigns and treatment programs, using the standard drink as a central concept.

5

Support Higher Value Consumption Patterns

Encourage consumer choices that reflect quality, cultural value, and moderation, not just cost. Avoid penalizing higher-quality products that contribute to more responsible drinking behaviours.

6

Invest in Public-Private Partnerships

Collaborate with producers to develop and implement policies and initiatives that work to combat illicit trade, ensure regulatory compliance and tackle harmful consumption while supporting legitimate business and growth of the economy in a manner to deliver sustainable government revenues.



5: Many governments seek to index specific excise taxes to metrics such as inflation. However, research shows significant disparities across categories, with spirits consistently taxed highest (as acknowledged in South Africa's 2024 National Treasury discussion paper: "the spirits category is taxed much higher than other alcohol categories" (National Treasury pg. 45)). This is also evidenced in Australia, in February 2026 draught beer got an excise freeze, a reprieve from the twice yearly inflation-based increase, exacerbating existing gaps. Where reducing excise rates is not feasible, applying below-inflation indexation - or none - can help narrow these gaps.

6: According to 2024 Sin Tax Annual Report 100% of alcohol, excise tax revenues are earmarked for health programs, including the Health Facilities Enhancement Program (HFEP). In the end of 2025 this very program was compromised by the Congress of food control fund misuse and bribery within program, i.e., "funding" many incomplete, abandoned, or non-operational health facilities. Regardless the government still funds the program as proof that "sin taxes are working," not as a reason to revisit the model.

The Conundrum of Health Taxes



Policymakers, whether at the multilateral- or country-level, continue to advocate for increased and discriminatory excise policies as a preferred means of tackling harmful drinking while raising additional revenues. While attractive on the surface, revenue raising goals are frequently in conflict with improving health outcomes, e.g., when considering heavy drinkers, price increases (driven by increased taxation) often leads to substitution to cheaper alternatives, including illicit, as opposed a reduction in consumption.

In conjunction with a sound alcohol excise tax system, the WSA believes that governments should shape targeted policies aimed at reducing **harmful consumption** of alcohol, in a context-appropriate manner, consistent with global initiatives (e.g.: GAAP⁷ and UN SDGs⁸). Such targeted policies should embrace the following principles:



- 1. Recognise the concept of a “standard drink”.** The concept of the standard drink plays a key role in responsible alcohol policy. It provides a consistent way to measure alcohol intake across beer, wine, and spirits by focusing on the amount of pure ethanol. While not universally adopted, it is recognized and used in public health guidelines by a significant number of governments, particularly among those that offer formal recommendations on alcohol consumption. Excise tax systems should also treat beverages equivalently in line with this concept.
- 2. Combatting underage drinking and supporting legal purchasing age.** Preventing underage drinking and upholding the legal purchasing age are fundamental for public health and safety. Effective policies include strict age-verification for alcohol sales, responsible marketing that avoids targeting minors, and ongoing public education about the risks of underage consumption. Collaboration among governments, retailers, and communities is essential to ensure alcohol is only accessible to adults, fostering moderation and reducing harm among young people.
- 3. Recognise that non-alcoholic drinks contribute to moderation.** While some governments / anti-alcohol groups see non-alcoholic drinks as a recruitment tactic, non-alcoholic drinks play a visible role in promoting moderation amongst consumers. Non-alcoholic variants noticeably help to remove the stigma of moderating in a social setting while allowing all consumers to enjoy the social and celebratory aspects of community provided across both the hospitality sector and in personal celebrations. Excise taxes should not apply to these products to continue to promote moderation.
- 4. Recognise that lower-alcohol options are not inherently more responsible.** Harmful drinking is observed across all categories with research demonstrating that drinking outcomes depend on consumption patterns - how much, how often, and by whom alcohol is consumed - rather than on the type or strength (ABV) of the beverage. Excise policies should not create a two-tier system by providing a discount to lower ABV beverages, encouraging substitution.

Supporting Arguments and Real-World Evidence

Scientific Consensus on Alcohol Tax Policy

There is strong scientific agreement supporting key principles related to alcohol taxation. The following statements reflect well-established findings and are backed by the studies and research detailed in the appendix at the end of this document:

- **Equivalence in Alcoholic Beverages:** Research demonstrates that drinking outcomes depend on consumption patterns - how much, how often, and by whom alcohol is consumed, rather than on the type or strength (ABV) of the beverage.^{9,10,11} Beer, wine, and spirits all contain the same active ingredient, ethanol, which affects the body in the same way.⁹ Moderate consumption is a behavioural practice; no single type of beverage is inherently more or less associated with harmful drinking.¹⁰ A recent systematic review confirms that, when diet and lifestyle factors are controlled, there are no appreciable differences in health outcomes between moderate consumption of wine, beer, or spirits.¹² In short, when it comes to health effects, all drinks are equal.^{9,12}
- **Price-Based Policies and Heavy Drinking: Limited Impact.** Research consistently shows that price-based alcohol policies have minimal effect on heavy drinkers.¹³ Studies from the UK,¹⁴ U.S.¹⁵ and global reviews indicate that the heaviest consumers are least responsive to price increases,¹⁶ often switching to cheaper alternatives rather than reducing overall consumption.¹⁷ Even significant tax hikes fail to curb harmful drinking behaviours like binge drinking, suggesting that such measures disproportionately penalize moderate drinkers without effectively addressing heavy drinking.



- **Tax Increases and the Rise of Illicit Alcohol Consumption.** Increasing taxes on alcoholic beverages is a widely used policy tool aimed at generating government revenue or discouraging harmful consumption. However, findings from the OECD show that tax-driven price differentials play a central role in unintentionally stimulating illicit alcohol markets. According to the OECD, the principal factor driving illicit sales in alcoholic beverages is the price differential between illicit and licit alcohol, a gap directly linked to differences in taxes and tariffs imposed on various alcoholic products across countries.¹⁸
 - When legal alcohol becomes more expensive due to heavy taxation, consumers, particularly in low-income settings or high-tax jurisdictions, may shift to informal or illicit sources. These unregulated products are often produced using unsafe methods and lack any quality controls, increasing the risk of acute poisoning (notably methanol), as well as chronic health consequences such as liver and neurological damage.
 - The OECD further underscores that governments often impose substantial taxes on alcohol to raise revenue and influence behaviour, yet these same tax-induced price disparities remain among the main drivers of illicit market activity globally.¹⁹ This creates a policy tension: taxes intended to curb harmful drinking may unintentionally push some consumers toward far more dangerous, unregulated alternatives.
 - Witt and Nagy (2022) provide further evidence on the importance of taxation levels in shaping illicit alcohol dynamics. In their cross-country analysis, they conclude that only lower rates of tax achieve the goal of providing “a constant stream of revenue for the State”, precisely because lower tax burdens help discourage the consumption of harmful, untaxed illicit alcohol.²⁰
 - These studies demonstrate that taxation policy must carefully balance fiscal objectives with the behavioural effects created by price differentials. To effectively reduce harm and secure stable revenue, alcohol tax policies must avoid creating incentives that drive consumers toward unregulated and unsafe markets.
- **Excessive Alcohol Taxation and the Revenue Paradox.** While increasing alcohol taxes is often intended to boost government revenue and promote public health, excessive taxation can become counterproductive. According to the economic principle illustrated by the Laffer curve,²¹ tax hikes may initially generate short-term gains, but beyond a certain point, higher rates lead to diminishing returns. When taxes become too burdensome, legal sales decline significantly, and consumers may shift to illicit markets or reduce overall purchases. This erosion of the taxable base ultimately results in lower government revenues, creating funding gaps for essential public programs. Policymakers must therefore balance health objectives with fiscal sustainability to avoid undermining both public health and budgetary goals.



Global Examples



Greece

In 2009–2010, Greece sharply increased alcohol taxes (spirits +125%) as part of austerity measures advised by IMF. While recorded alcohol consumption dropped, total consumption (including unrecorded, untaxed alcohol) actually rose slightly. By 2019, nearly half of all alcohol consumed in Greece was unrecorded, fuelling a thriving illicit market dominated by organized crime. Despite the steep tax hike, government revenue from spirits increased only modestly (+12%), suggesting diminishing returns.



Kenya

Removal of excise relief on sorghum-based beer results in significant declines in sales coupled with increased in illicit sector.



Belgium

A steep 40% increase in spirits excise under delivered in revenue estimations and a reduction in spirits sales volumes by 33%; however, this also result in a 40% increase in spirits volumes in Luxembourg and doubling of sales in France increasing unrecorded consumption in Belgium to 25%.



United Kingdom

Increases in taxes did not increase revenues. The more than 17% increase in excise duty on spirits in the UK between 2023 and 2026 has resulted in a loss of over £400 million in government revenues.²²



Mexico

Ad-valorem excise tax model is failing to achieve its intended objectives. Rather than reducing per capita alcohol consumption, it drives consumers toward cheaper products, offering no incentive for moderation. This dynamic undermines both policy goals: it neither delivers higher tax revenue nor effectively curbs harmful drinking patterns.

22: Excise duty from spirits generated £3.95 billion between 1 August 2023 and 31 July 2024, compared with £4.2 billion in the same period the previous year, representing a 7% decline. Revenues fell further to £3.77 billion between April 2025 and February 2026. Source: HM Revenue and Customs, Alcohol Bulletin Commentary.

26: For example, in Nepal, 90% of all alcohol consumed is unrecorded; in Mozambique, unrecorded alcohol accounts for 73% of total consumption, and in Greece, it comprises 49% of all alcohol consumed.

Illicit Trade

- In addition to having no impact on reducing harmful drinking, a World Bank report indicates that tax increases may increase dangerous consumption of illicit (unrecorded) alcohol.²³
- WHO estimates that 21% of alcohol consumed globally is illicit.²⁴ Some markets have up to 90% of alcohol consumption being illicit.
- The illicit trade in alcohol in particular, impacts achievement of five SDGs²⁵ and poorly calibrated excise taxation fuels the prevalence of illicit alcohol also depriving governments of revenue and exposing consumers to unsafe products,²⁶ specially consumers of the lower end of the socio-economic scale as they are more often exposed to unrecorded or illicit alcohol.²⁷



Conclusion

The WSA calls for a rational, evidence-based approach to alcohol excise taxation, one that recognizes the equivalence of all alcoholic beverages, respects local contexts, and avoids the pitfalls of discriminatory or excessive tax regimes. A fair and effective excise tax system should aim to support diverse public policy objectives while also protecting the legitimate industry and preventing the damage caused by illicit trade or economic instability.

Globally, the alcohol industry is highly taxed and regulated, and tax hikes unfairly raise the cost on responsible consumers and harm hospitality businesses. The spirits industry, in particular, is taxed at very high rates, despite there being no scientific basis for policies that differentiate between spirits, wine, and beer. Ethanol is the pure alcohol in all beverage alcohol; whether it is in spirits, wine, or beer, the effects of ethanol are the same. Discriminatory tax policies send the dangerous message that some forms of beverage alcohol are 'safer' than others.

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Equivalence in Alcoholic Beverages.

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