

Tax on Ireland's drinks and hospitality sector

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)

October 2020

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Foreword

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

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

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

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

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

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

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

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

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

Though they face this hardship, business owners have nevertheless adapted their business and operational models to the pandemic, investing thousands of euros in masks, partitions, Perspex screens, and deep cleaning to keep their staff and

customers safe and their doors open. However, the pub experience we all know and enjoy is no longer what it was under the current operating environment with restrictions and public health measures which are necessary and the priority.

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

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

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

Liam Reid

Chair of Drinks Industry Group of Ireland

Corporate Relations Director at Diageo Ireland

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 EU 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.
- 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 HPLA (hectolitre (100 litres) of pure alcohol) is 17.0% higher than Ireland's, €4,046 compared to Ireland's €3,458. Sweden's composite rate is 10.6% below the Irish rate and the UK rate is 19.9% 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 HPLA is €500 or 14.5% of the Irish level of €3,458.
- France's composite level of €861 is 24.9% 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 12.8%, the price of a glass of wine in a restaurant by 16.3%, and the off-licence price of a bottle of whiskey by 38.8%.
- 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 cent 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 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 2020) 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 2020 when compared with the large majority of the other 27 economies of the EU. (The UK is treated in the report as an EU member for purposes of comparison).

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 80.1% 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 2020, Ireland has:

- The highest wine excise in the EU 27 and UK.
- The second highest beer excise in the EU 27 and UK behind Finland.
- The third highest spirits excise in the EU 27 and UK 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 which 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 2020.

The main indicator used is excise in euro per hectolitre (100 litres) of pure alcohol (HLP). 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 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 111.9% higher than Denmark's. In wine, Ireland's excise level is 181.7 % higher than the Danish level and in beer Ireland is 245.3% 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 157.3% higher than Denmark.

The EU excise tables' euro-denominated excise levels for May 2020 for non-euro countries are based on the October 2019 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 countries, the excise gap is so large that short-term exchange rate changes will 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 August 2020.

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, 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. The Irish VAT rate has been temporarily reduced to 21% as part of measures to combat Covid-19 economic impacts.

There are different excise levels for the individual beverages categories. In all EU+UK countries, the spirits excise per HLP 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, Czechia, Germany, Greece, Hungary, Italy, Luxembourg, Portugal, Romania, Slovakia, Slovenia, and Spain. Of the 13 that do have a wine excise, France has a very low rate of €35 per HLP and Malta has a rate of €186. This compares with the Irish rate of €3,862. Greece introduced excise on wine in 2016 but this was abolished in 2019.

This report examines the current (defined as May 2020) 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 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 much 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, the Netherlands, and Belgium also have relatively low alcohol excise rates.

4. Ireland's comparative ranking in excise

The comparative position of Ireland relative to the 28 countries is presented in Table 1. 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 1: EU alcohol tax rates (excise) (euro per HLPA), May 2020, 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 | 810 | 0 | 540 | 450 | 24 |
| Cyprus | 957 | 0 | 600 | 519 | 20 |
| Czechia | 1,253 | 0 | 311 | 521 | 19 |
| Denmark | 2,009 | 1,371 | 653 | 1,344 | 8 |
| Estonia | 1,881 | 1,344 | 1,270 | 1,498 | 5 |
| Finland | 4,880 | 3,609 | 3,650 | 4,046 | 1 |
| France | 1,787 | 35 | 761 | 861 | 12 |
| Germany | 1,303 | 0 | 197 | 500 | 21 |
| Greece | 2,550 | 0 | 1,250 | 1,267 | 9 |
| Hungary | 996 | 0 | 484 | 493 | 22 |
| Ireland | 4,257 | 3,862 | 2,255 | 3,458 | 2 |
| Italy | 1,036 | 0 | 755 | 597 | 17 |
| Latvia | 1,642 | 964 | 780 | 1,129 | 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 | 1,433 | 361 | 489 | 761 | 14 |

| | | | | | |
|-----------------------|----------|----------|----------|----------|----------|
| Portugal | 1,387 | 0 | 418 | 602 | 16 |
| Romania | 718 | 0 | 179 | 299 | 27 |
| Slovakia | 1,080 | 0 | 359 | 480 | 23 |
| Slovenia | 1,320 | 0 | 1,210 | 843 | 13 |
| Spain | 959 | 0 | 199 | 386 | 26 |
| Sweden | 5,011 | 2,309 | 1,960 | 3,093 | 3 |
| UK | 3,190 | 3,003 | 2,118 | 2,770 | 4 |
| Ireland's rank | 3 | 1 | 2 | 2 | 2 |

Source: *Spirits Europe, Summary of EU member states + UK, Brussels (Excise rates as of May 2020). The exchange rates are those of Oct 2019 as used in the EU excise tables, except for the UK and Sweden for which we use August 2020 monthly average rates. Composite level is the unweighted average of the three rates.*

The ranking position of Ireland is summarised in Table 2. 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 2: Ireland's high alcohol excise taxation, May 2020

| Category | Position |
|---------------------|--------------------------------|
| Wine | Highest in EU28 (including UK) |
| Beer | Second highest in EU28 |
| Spirits | Third highest in EU28 |
| Composite indicator | Second highest in EU28 |

The data in Table 1 are shown again in Table 3 in order of magnitude of the composite excise rate. This further illustrates the gap between the top four countries, including Ireland, and the rest of the EU. 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. Seven countries have a composite rate of lower than €500.

Table 3: EU alcohol tax rates (excise) (euro per HLPA), May 2020, composite level and rank in order of magnitude

| | Composite level | Rank of composite level |
|-----------------------|-----------------|-------------------------|
| | € per HLPA | |
| Finland | 4,046 | 1 |
| <i>Ireland</i> | 3,458 | 2 |
| Sweden | 3,093 | 3 |
| UK | 2,770 | 4 |
| Estonia | 1,498 | 5 |
| Lithuania | 1,411 | 6 |
| Belgium | 1,392 | 7 |
| Denmark | 1,344 | 8 |
| Greece | 1,267 | 9 |
| Latvia | 1,129 | 10 |
| Netherlands | 1,083 | 11 |
| France | 861 | 12 |
| Slovenia | 843 | 13 |
| Poland | 761 | 14 |
| Malta | 676 | 15 |
| Portugal | 602 | 16 |
| Italy | 597 | 17 |
| Austria | 567 | 18 |
| Czechia | 521 | 19 |
| Cyprus | 519 | 20 |
| Germany | 500 | 21 |
| Hungary | 493 | 22 |
| Slovakia | 480 | 23 |
| Croatia | 450 | 24 |

| | | |
|------------|-----|----|
| Luxembourg | 413 | 25 |
| Spain | 386 | 26 |
| Romania | 299 | 27 |
| Bulgaria | 251 | 28 |

Source: As for Table 1.

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 €44.83 at the August 2020 exchange rate.

The 2020 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 110.7% 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 members + UK are more clearly illustrated when comparing the levels between the different economies instead of the ranking. In Table 4 below, we compare the other EU countries + UK 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 17% greater than Ireland's rate. Sweden is relatively close to the Irish level at 89.4% of the Irish level. The UK composite rate is 80.1% 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 39.0%. Seventeen EU economies have a composite rate which is less than one quarter of the Irish rate. France is close to 25% with a figure of 24.9%.

Table 4: EU alcohol tax rates (excise) (euro per HLPA), May 2020, composite level and position relative to Ireland =100

| | Composite level | Position of composite level relative to Ireland=100 |
|-----------------------|------------------------|--|
| | € per HLPA | |
| Finland | 4,046 | 117.0 |
| <i>Ireland</i> | <i>3,458</i> | <i>100</i> |
| Sweden | 3,093 | 89.4 |
| UK | 2,770 | 80.1 |
| Estonia | 1,498 | 43.3 |
| Lithuania | 1,411 | 40.8 |
| Belgium | 1,392 | 39.0 |
| Denmark | 1,344 | 38.9 |
| Greece | 1,267 | 36.6 |
| Latvia | 1,129 | 32.6 |
| Netherlands | 1,083 | 31.3 |

| | | |
|------------|-----|------|
| France | 861 | 24.9 |
| Slovenia | 843 | 24.4 |
| Poland | 761 | 22.0 |
| Malta | 676 | 19.5 |
| Portugal | 602 | 17.4 |
| Italy | 597 | 17.3 |
| Austria | 567 | 16.4 |
| Czechia | 521 | 15.1 |
| Cyprus | 519 | 14.8 |
| Germany | 500 | 14.5 |
| Hungary | 493 | 14.3 |
| Slovakia | 480 | 13.6 |
| Croatia | 450 | 13.0 |
| Luxembourg | 413 | 11.9 |
| Spain | 386 | 11.2 |
| Romania | 299 | 8.6 |
| Bulgaria | 251 | 7.3 |

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

- Finland's composite rate is 17.0% higher than Ireland's, €4,046 compared to €3,458. Sweden's composite rate is 10.6% below the Irish rate and the UK rate is 19.9% below the Irish rate.
- Estonia has the fifth highest composite excise rate of €1,498 and is 56.7% below the Irish rate.
- Lithuania and Belgium have the two next highest composite rates at 40.8% and 39.0% 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 HLPAs of €4,046 to €2,770 (Finland, Ireland, Sweden, and the UK) are substantially higher than the next four highest countries €1,498 to €1,344 (Estonia, Lithuania, Belgium, and Denmark).
- Germany's composite alcohol excise per HLPAs is €500 or 14.5% of the Irish level.
- France's composite level of €861 is 24.9% of the Irish level.

- Spain's composite rate is €386 or 11.2% of the Irish level.
- Referring to the individual drinks excise levels that are presented in Table 1, 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 is 2.4 times the level of France which is €1,787 and 4.1 times the level of Italy.
- Ireland's beer excise is very close to the UK level, €2,255 in Ireland and €2,118 in the UK (the Irish rate is 6.5% higher). Ireland's spirit excise is much higher than the UK, €4,257 compared to €3,190 (the Irish rate is 33.4% higher) and Ireland's wine excise is €3,862 compared to €3,003 in the UK (the Irish rate is 28.6% higher). Ireland's cider excise is more than double that of the UK.

An aggregate indication of the higher alcohol excise tax burden 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 HLPAs 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.

Ireland pays about €1,053.9m more annually in alcohol excise tax than German rates would imply. This estimate does not take into account of 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 HLPAs 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 HLPAs. 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 €2,118 per HLPAs and the Irish rate is €2,255 as shown in Table 1. The Irish rate is 6.5% higher than the UK. The Irish excise per pint is €0.55 and the UK figure is €0.52 (rounded), which results in Ireland being 5.8% 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 HLPAs indicator. These excise amounts relate only to excise and do not include the VAT that 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 (75 cents), the UK (62 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 which charge wine excise are each 20 cent 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 89 cent on a pint of lager in Finland to four cents in Romania. 21 countries have a beer excise per pint of lager of less than 20 cents. The Irish level is 55 cents.

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

Excise charges on off-licence purchases of bottles of wine or whiskey are very large. The whiskey excise per bottle ranges from €14.03 (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 5: Excise on various drinks, EU countries, € and €cents, May 2020

| | 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 | 69 | 89 | 87 | 75 | 13.66 | 2.98 |
| Ireland | 60 | 55 | 54 | 80 | 11.92 | 3.19 |
| Sweden | 71 | 48 | 47 | 48 | 14.03 | 1.91 |
| UK | 45 | 52 | 51 | 62 | 8.93 | 2.48 |
| Denmark | 28 | 16 | 16 | 28 | 5.63 | 1.13 |
| 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 |

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|------------|----|----|----|----|------|------|
| France | 25 | 19 | 18 | 1 | 5.00 | 0.03 |
| Latvia | 23 | 19 | 19 | 20 | 4.60 | 0.80 |
| Lithuania | 29 | 17 | 17 | 31 | 5.67 | 1.24 |
| Poland | 20 | 12 | 12 | 7 | 4.01 | 0.30 |
| 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 | 14 | 12 | 12 | 0 | 2.79 | 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 | 7 | 0 | 3.51 | 0 |
| Croatia | 11 | 13 | 13 | 0 | 2.27 | 0 |
| Luxembourg | 15 | 5 | 5 | 0 | 2.91 | 0 |
| Spain | 14 | 5 | 5 | 0 | 2.69 | 0 |
| Romania | 10 | 4 | 4 | 0 | 2.01 | 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. 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 that 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. The details are presented in Table 6.

Of course, the same exercise can be undertaken for all of the other countries. The prices, excluding on-licence and off-licence wine, are from the CSO's consumer price index. February 2020 is the month chosen because it was the last pre-Covid month. The usual Irish VAT rate of 23% is used. The rate has been temporarily reduced to 21% as part of the Government's July Jobs Stimulus for a six month period from the start of September 2020.

Table 6: Impact of applying German excise rates to Irish prices, cents and % impact February 2020

| Alcohol product | Price Feb 2020, 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 | 4.67 | 54 | 5 | 49 | 60 | 12.8 |
| Pint of lager in bar | 5.06 | 55 | 5 | 50 | 62 | 12.3 |
| Standard whiskey in bar | 4.54 | 60 | 18 | 42 | 52 | 11.5 |
| Glass of wine in restaurant | 6.00 | 80 | 0 | 80 | 98 | 16.3 |
| Off-licence 70cl bottle of whiskey | 26.19 | €11.92 | €3.65 | €8.27 | €10.17 | 38.8 |
| 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 Feb 2020 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.