

**ALCOHOL PRODUCTS TAXATION: INTERNATIONAL
EXPERIENCES
AND SELECTED PRACTICES IN ASIA**

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I. INTRODUCTION

Long-standing relationship between humans and alcoholic beverages has always been a complex phenomenon. Despite numerous (unsuccessful?) attempts for prohibition, alcohol products seem to gain increasing popularity among people from all walks of life. So widespread is the consumption of alcohol that World Health Organization (WHO, 2003) estimates that over 2 billion people worldwide consume alcoholic beverages and over 76 million are diagnosed with alcohol-related illnesses. Consistently ranked as one of the leading causes of death, alcohol is estimated to directly cause about 1.8 million deaths per year (or 3.2 percent of total human deaths) and 4 percent of Disability-adjusted Life Years¹ lost. How should the problems arising from alcohol abuse be addressed? Assuming that alcohol consumption is a fact of life, what can be done to mitigate the negative impacts from alcohol? Is more stringent regulation or higher taxation by the government necessary? These are some of the questions of primary concerns to all societies.

This paper explores international experiences in implementing tax and non-tax public policies to deal with alcohol consumption and surveys tax practices in selected countries in Asia. In studying the taxes, the paper takes a comprehensive approach by taking into account all indirect taxes on alcohol products rather than considering only the excise tax on alcohol product alone. This is because it is believed that alcohol product consumers, like all other consumers, response to price changes and all indirect taxes imposed on alcohol products have effects on the changes. Moreover, when more than one tax is imposed on the same products their interaction effects are significance.

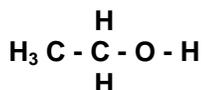
This paper comprises of seven sections. Section 2 gives an overview of alcohol problems, policies, regulation, and taxation. Section 3 deals with international experiences of taxation on alcohol. Section 4 discusses regional practices in alcohol product taxation in 8 selected Asian economies, namely: Singapore, Hong Kong, Malaysia, Indonesia, Vietnam, Republic of Korea, Taiwan, and the Philippines. Section 5 focuses on the taxation on alcohol and regulatory practices in Thailand. Section 6 discusses some policy issues related to taxing alcohol products. And Section 7 gives conclusion and recommendations.

II OVERVIEW OF ALCOHOL PROBLEMS, POLICIES, REGULATION, AND TAXATION

2.1 Definition and classification of Alcohol Beverage

Definition of Alcohol

Alcohol can be categorized into methyl and ethyl alcohol. Methyl alcohol is lethal and non-drinkable. The alcohol found in the alcoholic beverages is the ethyl alcohol (ethanol). The molecular structure of ethanol looks like this:



In this structure, C is carbon, H is hydrogen, O is oxygen and the hyphens are the chemical bonds between the atoms. For purposes of clarity, the bonds between the three hydrogen atoms and the left carbon atom are not shown. The OH (O-H) group on the molecule is what gives it the specific chemical properties of an alcohol. However, most

¹ **The disability-adjusted life year (DALY)** is an indicator of the time lived with a disability and the time lost due to premature mortality. Introduced in the 1993 World Development Report published by the World Bank, the DALY has emerged as a measure of the burden of disease and it reflects the total amount of healthy life lost, to all causes, whether from premature mortality or from some degree of disability during a period of time. The intended use of the DALY is to assist in setting health service priorities and in identifying disadvantaged groups and targeting of health interventions.

alcoholic drinks contain mixtures of deconcentrated alcohol as drinking pure alcohol can be deadly because it only takes a few ounces of pure alcohol to quickly raise the blood alcohol level into the danger zone.

The legislative definition of alcohol beverage is crucial as it can set the limit for when the law apply and to what beverages they apply. It can potentially have important implication on alcohol policy. The consequence of a limit that is set very high is that some beverages with lower alcohol content are not subject to any regulation or taxation. For example, beverages just below the legal limit are not subject to an alcohol specific tax. The definitions of alcohols by most countries surveyed by *the Global Status Report: Alcohol Policy* (WHO, 2003) are beverages with alcoholic content ranged between 0.1 to 12.0 percent or above, with the mean being 1.95 percent.

Classification of Alcohol Beverage

There are many possible classifications for alcohol beverages. However, they can be broadly grouped into 2 types:

1. **Fermented spirits** (i.e. beer, wine, champagne) – spirit produced by the fermentation process without distillation, and any undistilled spirits or a mixture with distilled spirits with ethanol concentration by volume less than 15 degrees.
2. **Distilled spirits** (i.e. rum, gin, vodka, whiskey) – spirit produced by distillation process or a mixture with undistilled spirits with ethanol concentration by volume more than 15 degrees.

2.2 Putting the Alcohol Problems in perspective

The negative impact of alcohol is well-known. It is obvious that overdrinking causes judgment and fine motor coordination impairment. Long-term effects of alcohol are serious and debilitating health risks such as liver and kidney damages. Behavioral and personality changes caused by the over-uses and the long-term uses of alcohol can lead to other problems such as family conflicts, crimes, accidents and other social ills.

However, it is important to emphasize that alcohol should not only be depicted in its negative aspects. Alcoholic beverages certainly have some positive factors. First, Alcohols are already assimilated into human daily lives and have since transformed into a major part of cultural heritage. One just has to think of France Bordeaux wines, Mexican Tequila, Pilsner beer, etc. Festivals and other human social activities are organized with alcohol as the central theme or an enhancement such as the Oktoberfest in Munich and Madigra festival in New Orleans. Second, it is generally accepted that moderate drinking generally is not problematic to the drinkers and the societies. Moreover, temperate uses can give a sense of well-being. Multiple studies have linked temperate alcohol uses to some health benefits particularly on cardiovascular system.

It is clear that alcohol has both the negative and positive impacts. Alcohol consumption is not harmful but the excessive consumption of alcohol is harmful. It is the excessive alcohol consumption with all its negative impacts on the consumers and society that raises real and justifiable concern. Alcohol-related problems (i.e. illnesses, injuries, crimes and deaths) have grasped national headlines. People demand their governments to enact alcohol policy in order to control the level of alcohol consumption and to alter destructive habits of alcohol abusers. In all, the consequences that alcohol abuse have, in economic terminology, *negative externality* – the decision to over-consume alcohol products lead to contingent and hidden costs not fully borne by drinkers themselves, but other individuals and society as well.

2.3 Alcohol Policies.

It is obvious that alcohol product is not a target for elimination from the society. This is why, unlike narcotic drugs, the governments generally do not ban alcohol products. Alcohol is likely to be an intrinsic part of most societies. Therefore, the debate should be how to live with alcohol harmoniously, rather than how to battle with it. The heart of the debate is the controversy over what should be a balanced approach to deal with the presence of alcohol in the society.

Complexity in the alcohol consumption problems have led to diverse views on the appropriate role of government to deal with alcohol consumption by its citizens. In order to alleviate the alcohol problems, countries have adopted different policies on dealing with alcohol. Alcohol policy or alcohol control policy comes in various types such as alcohol taxation, legislative restrictions on alcohol availability, age restriction on alcohol consumption, alcohol education and media campaign and measures targeting specific alcohol-related problems such as drunk driving. There are clear evidences that alcohol policy can help to reduce alcohol-related problems and the resulting harm. However, there is no single policy that is able to combat and reduce all alcohol problems. It is important to incorporate a range of measures in a comprehensive alcohol strategy. The right policy 'mix' can help the government to minimize the negative impact from alcohol consumption.

The common overriding objective of alcohol strategies is to control the supply and demand of alcohol to appropriate level, to promote public health, and to minimize the alcohol's burden to the society.

Major instruments of alcohol policy can be classified into two categories, the regulatory measures and the taxation.

2.4 The Alcohol Regulatory Measures

Regulation of alcohol production, distribution and consumption is justified because the government has an important role to enhance the social and economic well-being of the citizens, and upholding laws and order in the society. Since excessive alcohol usage has negative effects on the consumers and the society, government has the role to put forth regulations to ensure responsible actions of its citizens. The government regulation should aim at promoting socially-desirable alcohol consumption patterns – minimizing the social costs arise from the alcohol misuse by individuals.

Regulatory measures to change the behaviors of the alcohol users, such as, the ban on alcohol consumption, the limit on the drinking age, and the Blood Alcohol Concentration (BAC) requirements of drivers are the population-based approach to alcohol prevention in that they affect the drinking environment and alcohol availability. WHO's study suggests that individual approach to prevention (such as school based prevention program) are shown to have a smaller impact on drinking patterns and problems than the population-based approaches. Selected population-based regulatory measures are discussed as follows.

The ban on alcohol consumption.

The ban on consumption is probably the strongest regulatory measure that the government can impose on alcohol. However history has shown that prohibiting alcohol, particularly when there are no compelling cultural, religious or moral beliefs to support is unrealistic. Thus, few states today have imposed a ban on alcohol consumption, and they are mostly done based on religious considerations. Most countries nowadays choose to permit alcohol consumption, but under certain legal restrictions and often with substantial

imposition of tax and duties levied on alcohol products. The U.S. banned alcohol under the Prohibition Act during 1920-1933 in a nationwide effort to reduce crime and corruption, solve social problems, and improve health and hygiene. However, the policy proved to be short-lived as the ban was subsequently repealed after 13 years. It was estimated that the U.S. government had foregone revenue from liquor tax worth 36 billion U.S. dollar.

Restriction on Alcohol Availability

This refers to measures to control supply of alcohol beverages. The measures can be imposed at either the production stage or the distribution stage, or both. The measures include a variety of regulation from production monopoly, sale monopoly, production restriction, to sale restriction.

One of the choices available to the governments is to decide on the level of control over the sale and production of alcoholic beverages. Government can elect full control (state monopoly), partial control (licensing system) or no control (liberalized markets). At present, a large majority of countries surveyed by *the 2003 Global Status Report* follow the licensing scheme requiring a license for production and sale of alcoholic beverages. State monopoly approach remains the common practices among developing countries. Notable exceptions to this finding are Sweden and Canada where they still have state monopolies on all alcoholic beverages (beer, spirits, and wine). Only a handful of countries have neither a monopoly nor a licensing system; they are almost exclusively European such as Austria, Czech Republic and Germany. However, government control through state monopoly and licensing would be rendered less effective in countries where law enforcement culture is weak and where much of the alcohol supply is unrecorded, homebrewed, or smuggled.

Age Restriction of Alcohol Product Consumption

Another common restriction on alcohol consumption is the age requirements for purchase and consumption of alcoholic beverage. Most countries enacted law to prohibit both the sales of alcohol beverage to and the purchases of alcohol beverage by persons under certain age. Setting minimum age limits is a measure targeted at preventing young people from having easy access to alcoholic beverages. By far, 17/18 years is the most common age limit for purchase of alcohol products. This measure is effective and helpful in countries where law enforcement culture is strong. In many developing countries where such strong culture does not exist the law lead to many abuses. However, there are strong empirical supports that raising the drinking age requirements as well as more stringent enforcement could help to reduce alcohol consumption and problems among the young people.

Blood Alcohol Concentration (BAC) Requirement of Drivers

Drink driving legislation is aimed at reducing the number of accidents, injuries, and fatalities that result from driving while intoxicated. Most countries today enact the law forbidding driving while above a specified blood alcohol concentration (BAC). However, requiring driving below the legal BAC should be complemented with the use of Random Breath Testing (RBT). It is found that most countries have the BAC level ranging from 0.4 to 0.6 per milliliter. This refers to the amount of ethanol in grams in each liter of blood between 40 mg to 60 mg. Despite the widespread use of legal BAC limit, many countries do not perform RBT. In the effective enforcement of any drink driving legislation, frequent and random testing should ideally play a vital part.

2.5 Alcohol Taxation.

Taxation is one of the major policy instruments to control alcohol consumption and its related-problems. The taxation of alcohol is justified on three grounds. First, alcohol consumption causes negative externalities and the taxation of it help to internalize such externalities. Second, the demand for alcohol is generally inelastic, thus on economic efficiency ground, imposition of tax on it would cause minimal economic distortion. Third, taxation on alcoholic beverages often generate a considerable revenue for the government -particularly among the developing and less-developed countries where the tax collection agencies have less institutional capacity to handle more complex tax collection such as personal and corporate income taxes.

The utilization of alcohol tax as a tool to alleviate the negative externality problem of alcohol is considered to be an effective policy tool to control alcohol consumption. The WHO indicates that there are evidences of price-sensitivity of alcoholic beverage sales. With demand for alcohol sensitive to price movements, the basic law of demand says that as price increases, demand decreases, and vice versa. Therefore, the finding should give support to the government policy to affect the price of alcohol. Heavy drinkers have shown to be affected by policy measures, including price and alcohol availability.

According to the WHO survey, alcohol-specific taxes are common practices in many countries averaging between 10 to 29 percent of the retail price. The overall mean is 23.6 percent with a standard deviation of 26.1. There is a large differences exist in tax rate among countries, from negligible taxes to as high as 200 percent. In relative terms, developing countries, on average, have quite high tax rates compared to developed countries. It seems that developed countries especially do not currently use taxation to its full potential as a public health measure.

III. INTERNATIONAL EXPERIENCES OF TAXATION ON ALCOHOL.

3.1 Tax Rates.

Alcohol tax rates can be classified into 4 types, Specific, Unitary, Ad Valorem and Combination.

1. Specific

Taxes applied on a specific basis are expressed in terms of a uniform rate (or fixed amount) based on the volume of alcohol content usually as X units of currency per liter of pure alcohol or as X unit of currencies per liter per degree of alcohol content. This is particularly appropriate since it is alcohol contained in the product which is the common denominator between spirit drinks of different types and origins. For example, the United States, applies excise tax on all spirits at the rate of US\$ 13.50 per US proof gallon of pure alcohol. Chinese Taipei applies excise tax on reprocessed alcohol beverages that alcohol content less than 20% by volume at NT\$, 7 per liter per degree of alcohol content.

2. Unitary

Taxes applied on a unitary basis are expressed in terms of a fixed amount for a given quantity of product, irrespective of strength, usually as 'y' units of currency per liter. For example, Singapore levies excise tax on beer (stout and porter) at the rate of \$3.70 per liter.

3. Ad Valorem

Ad valorem taxes are expressed as a percentage of the value of the product. Thus, the higher the value of the product, the greater the amount of tax which is payable.

4. Combination rate

Combination rates are a combination of the specific/unitary and ad valorem methods of applying taxes. They generally consist of a specific rate and an ad valorem rate. For example, the excise tax levied by Thailand on beer is either 55% ad valorem or 100 baht per liter of pure alcohol whichever is higher.

3.2 The Tax Base.

The tax base is the amount on which the tax rate is applied. The tax base can be either the physical quantity or the monetary value of the product.

Physical Quantity Bases

In the case of alcohol products physical quantity is generally measured in terms of the physical volume of the liquid in liter or in gallon. The quantity being measured could be either the quantity of the product which normally is in the form of liquid containing some degree of alcohol or the quantity of the alcohol content in the product depending on whether the unitary or the specific rate is applied.

Monetary Value Bases.

The monetary value of the product is often referred to the selling price. However, the selling price can be either price inclusive of tax or price exclusive of tax. In most developed countries, it is customary to quote and charge prices exclusive of indirect taxes and the purchasers pay the price plus the taxes explicitly. However, in most developing countries such customs does not exist. In most developing countries, selling prices are usually quoted inclusive of tax so that when the purchaser pays the selling price he has already paid the tax implicitly. Taxes are not visible because they have already been buried in the prices. This gives rise to the distinction between the inclusive rate and exclusive rate. Inclusive rate refers to the tax rate which is applied on the selling price inclusive of tax. The exclusive rate refers to the tax rate which is applied on the selling price exclusive of tax.

Inclusive rates are found in the Korea and Thailand excise tax systems. These inclusive rates have come about in Thailand because the tax law specifies that tax is to be collected at the rate of X % of the selling price of the product. And it is a normal practice in Thailand for business to quote and charge selling price inclusive of tax. Thus tax is charged at X % of the selling price (which has already included tax). Inclusive rate system of tax yields higher revenue to the government than the exclusive rate system of an equal rate. In other words, to yield the same amount of tax revenue the exclusive rate has to be higher than the inclusive rate.

From the government point of view, the inclusive rate help reducing the negative reaction to the high tax rate, at least psychologically. However, from the tax payers' point of view, inclusive rate hides the reality of high rate of tax imposed and they consumed. It might be worthwhile to give an example here.

Suppose an ad valorem rate of tax on beer is 55 percent. This 55 percent rate is applied to the selling price inclusive of tax. If one bottle of beer is to sell at 100 Baht. The tax is 55 percent of 100 Baht which is 55 Baht. That is to say when the purchaser buys the bottle of beer, he pays 55 Baht as tax and pay 45 Baht for the beer.

This means the tax is 55 Baht on the base of 45 Baht. Thus the exclusive rate is $55/45 \times 100 = 122.22$ percent. In other words, if one were to collect 55 Baht from the bottle of beer (priced at 45 Baht) using exclusive rate one has to impose a rate of 122.22 Baht.

The relationship between the exclusive rate and the inclusive rate can be expressed is formula as follows.

$$\begin{aligned} \text{Re} &= \left(\frac{\text{Ri} - 100}{100 - \text{Ri}} \right) \\ \text{and } \text{Ri} &= \left(\frac{100 \text{ Re}}{100 + \text{Re}} \right) \end{aligned}$$

Where Re = the inclusive rate in %
Ri = the exclusive rate in%

3.3 Taxes on Alcohol Product

Alcohol beverages are commercial products and, as such, subject to the same economic principles as other consumer products. Retail prices of alcohol beverages are influenced by a number of factors including taxes. The taxes that exert influences on the prices of alcohol product are not only alcohol tax or excise tax on alcohol but all types of indirect taxes that imposed on the alcohol. Indirect taxes are taxes the burden of which can be passed on to consumers depending on price elasticity of demand for the product. In most cases, consumers end up pay some (or all) of the indirect taxes. Some indirect taxes may be imposed for other purposes, and not for the purpose of changing alcohol consumption pattern. Nevertheless, they still have influence on alcohol consumption behaviors because they have effects on the retail prices of alcohol products.

Indirect taxes that are common practices internationally are the custom duty, the general sales tax, and the selective sales tax or the excise tax.

The customs duty or import tax is generally imposed on all imported products including alcohol. The primary purpose of import tax is to protect the domestic industry and not for regulating alcohol consumption. However the level of import duty does have influence on alcohol consumption particularly when domestic alcohol beverage industry is absent, incomplete, or weak.

The general sales tax which could be in the forms of the Value-added Tax (VAT), the Good and Service Tax (GST), or the Retail Sales Tax (RST), is generally imposed on domestic sales of almost all goods and services including alcohol products. The primary purpose of the tax is to raise revenue for the government and not for regulating alcohol consumption. However, the tax does have influence on the alcohol consumption behaviors because the tax does have effects on the price of alcohol products.

The existence of the three indirect taxes together at the same time complicates the analysis of the effects of the taxes on the consumption behaviors of alcohol products. The total rate of the taxes is not simply the sumation of the rate of each individual tax.

The interaction effects of the tax are significant and need careful analysis. This is because these taxes are levied in succession. The tax which is levied first become part of the tax base of the second tax. And the first two taxes would become part of the basis for the third tax.

International practices are as follows.

For imported alcohol products.

The customs duty is imposed first on the basis of the c.i.f. value of the imported alcohol product. Then the excise tax is imposed on value of the alcohol products inclusive of customs duty (i.e. c.i.f. + customs duty). Then, for countries which have VAT or GST the VAT or GST is imposed on the value of the alcohol products inclusive of customs duty and excise tax (i.e. c.i.f. + customs duty + excise). For countries which have no VAT or GST but have RST instead, the RST tax will be imposed at the time of the retail sale on the basis of the retail price which include customs duty and excises (i.e. c.i.f. + customs duty + excise + retail margin).

For domestically produced alcohol products.

There is no customs duty imposed on domestically produced products. Thus excise tax is imposed first on the price of alcohol products at factory gate. Then for countries which have VAT or GST, the VAT or GST is imposed on the prices of the products inclusive of excise (i.e. ex-factory price + excise). For countries which has no VAT or GST, but have RST instead, the RST will be impose at the retail sales stage on the basis of retail prices which include customs duty and excises (i.e. ex-factory price + excise + retail margin)

IV SELECTED REGIONAL PRACTICES ON ALCOHOL PRODUCT TAXATION

4.1 Singapore

Singapore is a free port and has relatively few excise and import duties. The duties are mainly on few products, namely: motor vehicles, tobacco, liquor and petroleum products. Excise duties are imposed principally on tobacco, petroleum products and liquors.

The rates of Singapore’s Customs duty and Excise tax on alcohol products are Unitary in that they are expressed is term of \$X per liter of the products irrespective of the strength of the products in that category. However Singapore classifies alcohol products of different strength in different categories and subjected them to different tax rates. For example, Shandy exceeding 0.5% vol. but not exceeding 1% volume is subject to excise tax at \$ 1.00 per liter. However, Shandy exceeding 1% vol. but not exceeding 3% vol. is subject to excise tax at \$ 1.20 per liter.

The customs duties and excise taxes on alcohol products are as follows:

(Unit: \$ per liter of alcohol)

HS Code	Description	Customs rate	Excise rate
2203	--Stout & porter	\$1.70 per liter	\$3.70 per liter
	--Beer & ale	\$0.80 per liter	\$3.10 per liter
2204	--Sparkling wine, 2 liters or less	Nil	\$13.00 per liter
	--Still wine, 2 liters or less	Nil	\$9.50 per liter
	--Grape must, 2 liters or less	Nil	\$70.00 per liter
	--Still wine, more than 2 liters	Nil	\$9.50 per liter
	--Grape must, more than 2 liters	Nil	\$70.00 per liter
	--Other grape must	Nil	\$70.00 per liter

2205	-- Vermouth and other flavored grape wine, 2 liters or less	Nil	\$9.50 per liter
	-- Vermouth and other flavored grape wine, more than 2 liters	Nil	\$9.50 per liter
2206	--Cider & perry	Nil	\$3.30 per liter
	--Sake (rice wine)	Nil	\$48.00 per liter
	--Shandy exceeding 0.5% vol but not exceeding 1% vol	Nil	\$1.00 per liter
	--Shandy exceeding 1% vol but not exceeding 3% vol	Nil	\$1.20 per liter
	--Mead and other fermented beverages	Nil	\$70.00 per liter
2207	Ethyl alcohol, undenatured, 80% vol or higher	Nil	\$70.00 per liter

2208	--Brandy, not exceeding 46% vol	Nil	\$30 per liter
	--Brandy, exceeding 46% vol Whisky, not exceeding 46% vol		\$70 per liter
	-- Whisky, not exceeding 46% vol		\$30 per liter
	--Whisky, exceeding 46% vol		\$70 per liter
	-- Rum and tafia, not exceeding Nil 46% vol		\$30 per liter
	--Rum and tafia, exceeding 46% vol		\$70 per liter
	--Gin and Geneva, not exceeding 46% vol		\$30 per liter
	--Gin and Geneva, exceeding 46% vol		\$70 per liter
	--Vodka, not exceeding 46% vol		\$30 per liter
	--Vodka, exceeding 46% vol		\$70 per liter
	--Liqueurs and cordials, not exceeding 57% vol		\$30 per liter
	--Liqueurs and cordials, exceeding 57% vol		\$70 per liter
	--Bitters and similar beverages, not exceeding 57% vol		\$30 per liter
	--Bitters and similar beverages, exceeding 57% vol		\$70 per liter
	--Medicated samsoo	\$8 per liter	\$36.00 per liter
	--Other samsoo	\$8 per liter	\$36.00 per liter
	--Arrack & pineapple spirit		\$40.00 per liter
--Other spirituous beverages		\$70.00 per liter	

In addition, to customs duty and excise, Goods & Services Tax (GST) is also imposed on alcohol products. GST is a tax on consumption which is paid when money is spent on goods or services. The Singapore GST rate is currently stood at 5 percent.

The 1998 National Health Survey by the Ministry of Health found that 40 percent of Singaporeans (aged 18 to 69 years old) consumed alcohol, and only 5.1 percent of Singaporeans drank excessively. Overall, this survey indicates that alcohol consumption is not yet a major public health problem in Singapore.

4.2 Hong Kong

The Hong Kong Special Administrative Region of the People's Republic of China (HKSAR) has an open market policy. The city state is a free port with no customs tariff on goods imported into its territory. The government collects excise duties on only four types of goods irrespective of whether they are imported or locally manufactured. These four goods are liquors, tobacco, hydrocarbon oil and Ethyl alcohol. The Customs and

Excise Department acts as tax administrator responsible for the collection of duties and enforcement.

In Hong Kong, the rate of excise tax on liquor is unitary but classified into categories based on their alcoholic strength. This simplified tax system imposes 100% rate on liquor with an alcoholic strength of more than 30 percent. A lower rate (40%) is applied to products with an alcoholic strength not more than 30 percent. Wine is taxed differently. The tax base is the pre-determined value of the alcohol.

Table of excise tax rates on alcohol products: Hong Kong

Type of Liquor	Rate
Liquor with an alcoholic strength of more than 30 percent by volume measured at a temperature of 20°C	100%
Liquor, other than wine, with an alcoholic strength of not more than 30 percent by volume measured at a temperature of 20°C	40%
Wine	80%

There is no value-added tax or sales tax in Hong Kong.

4.3 Malaysia

According to the WHO data (2000), alcoholic consumption in Malaysia is relatively low with only 0.95 liter of pure alcohol per capita per year. The drinking population in Malaysia comprises mostly non-Muslim population who consume beer, stout, followed by hard liquors. The Chinese favor local Chinese beers and East Malaysian tribes produce and consume their own local alcohol products.

On legislation regulating alcohol, the Malaysian government required retailers to obtain a license to sell and serve alcoholic beverages. However a license is not required to sell beer in bottles and cans. Most coffee shops, however, will sell beer and routinely provide a bottle opener so that the beer can be consumed at the premises. This is illegal because the Beer House License is required to serve beer on the premises. The legal limit for driving is 80 mg of alcohol in 100 milliliters of blood. If caught driving while having BAC over the legal limit the penalty is a RM2000 (US\$800) fine or a maximum of six months jail sentence or both for the first offence along with loss of license.

In addition to duties and excise tax, the government levies a sales tax of 20 per cent on general goods and services. Alcohol taxes are often regarded as "sin" tax but the alcohol industry often lobbies to keep taxes low. All in all the government collects in total (import duties, excise duties and sales tax) about RM1billion in taxes from alcohol per annum.

Tariff Schedule on alcohol product: Malaysia

HS Code	Description	Duty Rate (%)
2203	Beer made from malt --Not exceeding 5.8% vol --Other	89 RM per liter 89 RM per liter
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading No. 20.09. --Sparkling wine --In containers holding 2 l or less: 2204 21 100 wine -grape must with fermentation prevented or arrested by the addition of alcohol --Other --wine --grape must with fermentation prevented or arrested by the addition of alcohol --Other grape must	425 RM per liter 120 RM per liter 112 RM per liter 120 RM per liter 125 RM per liter 112 RM per liter
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances. --In containers holding 2 l or less --Other	120 RM per liter 120 RM per liter
2206	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included. --Cider and perry --Rice wine (including sake and medicated rice wine) --Mead --Wines obtained by the fermentation of fruit juices, other than juice of fresh grapes (fig, date or berry wines), or of vegetable juices --toddy, bottled or canned --other	66RM per liter 36RM per liter 118RM per liter 112RM per liter 112RM per liter 112RM per liter
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength. --Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher -Ethyl alcohol and other spirits, denatured, of any strength: --ethyl alcohol, denatured to the satisfaction of the Director-General of Customs -- other	67 RM per liter 17 RM per liter 20 RM per liter

2208	<p>Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous beverages.</p> <p>-Spirits obtained by distilling grape wine or grape marc:</p> <p>--brandy</p> <p>--other</p> <p>--Whiskies</p> <p>--Rum and tafia</p> <p>--Gin and Geneva</p> <p>--Vodka</p> <p>- Liqueurs and cordials</p> <p>--Liqueurs and similar beverages not exceeding 57%</p> <p>--other</p> <p>-other</p> <p>--samsu (including medicated samsu)</p> <p>-- arrack and pineapple spirit</p> <p>-- Bitters</p> <p>--exceeding 0.5% vol but not exceeding 1.14%</p> <p>-- other</p>	<p>587 RM per liter</p> <p>587 RM per liter</p> <p>564 RM per liter</p> <p>556 RM per liter</p> <p>558 RM per liter</p> <p>553 RM per liter</p> <p>98 RM per liter</p> <p>72 RM per liter</p> <p>37 RM per liter</p> <p>37 RM per liter</p> <p>98 RM per liter</p> <p>2.76 RM per liter</p> <p>72 RM per liter</p>
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4.4 Indonesia

As a predominately Muslim country, Indonesia reports very low per capita consumption of alcoholic beverages. Population screening for coronary heart disease risk factors in urban Jakarta in 1990 found that only 2.7 percent of the population drank alcohol regularly. Non-Muslim groups such as the Balinese drink local products such as palm wine. A community survey of drinking patterns in a Balinese village in 1990 showed a relatively high prevalence (approximately 40 percent) of excessive consumption of locally produce palm wine.

Tariff Schedule on alcohol products: Indonesia

HS Code	Description	Duty Rate (%)
2203	- Stout and porter - Other, including ale	40 (MFN) 40 (MFN)
2204	Wines; grape must other than that of heading 20.09. -- Sparkling wine -In containers holding 2 liters or less - Wine --Of an alcoholic strength by volume not exceeding 15% vol -- Of an alcoholic strength by volume exceeding 15% vol - Grape must -- Of an alcoholic strength by volume not exceeding 15% vol -- Of an alcoholic strength by volume exceeding 15% vol -Other -Wine --Of an alcoholic strength by volume not exceeding 15% vol --Of an alcoholic strength by volume exceeding 15% vol -Grape must --Of an alcoholic strength by volume not exceeding 15% vol --Of an alcoholic strength by volume exceeding 15% vol - Other grape must --Of an alcoholic strength by volume not exceeding 15% vol --Of an alcoholic strength by volume exceeding 15% vol	170 170 170 90 90 170 170 90 90 170 170
2205	Flavored with plants or aromatic substances. -In containers holding 2 l or less --Of an alcoholic strength by volume not exceeding 15% vol --Of an alcoholic strength by volume exceeding 15% vol -Other --Of an alcoholic strength by volume not exceeding 15% vol --Of an alcoholic strength by volume exceeding 15% vol	170 170 170 170

2206	<p>Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.</p> <p>--Cider and perry --Sake (rice wine) --Toddy --Shandy of an alcoholic strength by volume exceeding 0.5% but not exceeding 1% --Shandy of an alcoholic strength by volume exceeding 1% but not exceeding 3% --Other, including mead</p>	<p>170 170 170 90 90 170</p>
2207	<p>strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength.</p> <p>--Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher -Ethyl alcohol and other spirits, denatured, of any strength : -Denatured ethyl alcohol, including methylate spirits : --Ethyl alcohol strength by volume of exceeding 99% vol --Other --Other</p>	<p>30 30 30 30</p>
2208	<p>strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages.</p> <p>-Spirits obtained by distilling grape wine or grape marc : --Brandy of an alcoholic strength by volume not exceeding 46% vol --Brandy of an alcoholic strength by volume exceeding 46% vol --Other, of an alcoholic strength by volume not exceeding 46% vol --Other, of an alcoholic strength by volume exceeding 46% vol --Of an alcoholic strength by volume not exceeding 46% vol --Of an alcoholic strength by volume exceeding 46% vol</p>	<p>170 170 170 170 170 170</p>

	-Rum and tafia :	
	--Of an alcoholic strength by volume not exceeding 46% vol	170
	--Of an alcoholic strength by volume exceeding 46% vol	170
	-Gin and Geneva :	
	--Of an alcoholic strength by volume not exceeding 46% vol	170
	--Of an alcoholic strength by volume exceeding 46% vol	170
	-Vodka :	
	--Of an alcoholic strength by volume not exceeding 46% vol	170
	--Of an alcoholic strength by volume exceeding 46% vol	170
	-Liqueurs and Cordials :	
	--Of an alcoholic strength by volume not exceeding 46% vol	170
	--Of an alcoholic strength by volume exceeding 46% vol	170
	-Other :	
	--Medicated samsu of an alcoholic strength by volume not exceeding 40% vol	170
	--Medicated samsu of an alcoholic strength by volume exceeding 40% vol	170
	--Other samsu of an alcoholic strength by volume not exceeding 40% vol	170
	--Other samsu of an alcoholic strength by volume exceeding 40% vol	170
	--Arrack and pineapple spirit of an alcoholic strength by volume not exceeding 40% vol	170
	--Arrack and pineapple spirit of an alcoholic strength by volume exceeding 40% vol	170
	--Bitters and similar beverages of an alcoholic strength by volume not exceeding 57% vol	170
	--Bitters and similar beverages of an alcoholic strength by volume exceeding 57% vol	170
	--Other	170

Alcohol products sold in Indonesia is 10 percent are subjected to 10 percent VAT.

4.5 Vietnam

In Vietnam, the most common type of alcoholic beverages is the “home-made” alcohol. It is normally made by a great number of households in the countryside and widely consumed by the majority of people, especially those in the countryside or with low income.

The total production of this type of alcohol is estimated at 242,412 liters per year (1997). However, the “home-made” alcohol is made in a traditional and primitive way.

Vodka is produced by two major vodka distillers which are state-owned companies located in Ha Noi (Ha Noi Alcohol Company) and Ho Chi Minh City (Binh Tay Alcohol Company). To a lesser extent, rum is also made from by products of sugar by manufacturers such as Bien Hoa and Hiep Hoa Sugar Company.

Alcohol Consumption in Vietnam:

With a population of 75 million people and the estimated annual output of 264,000,000 liters (figure of 1997), the annual alcohol consumption per capita in Vietnam is 1.32 liters of pure alcohol per person per year.

The “home-made” alcohol is popular in the countryside, while other local alcohol is widely consumed in the cities/towns. The imported alcohol is only used by a small minority of higher income-people in bigger cities. Advertisement of alcohol (together with tobacco) is prohibited in Vietnam. Therefore, alcohol producers and importers in Vietnam use several other ways to make their products known by the public. They normally send promotional staffs to public places where potential customers frequently go like discotheques, bars and restaurants to introduce their products.

Beer and wine to overshadow spirits in the future

Beer is the key driving force in the alcoholic drinks market in Vietnam. Growth of beer in Vietnam is likely to be attributed to an increase in the consumption of cheaper standard and economy lagers. As the various breweries attempt to increase their market shares, competition is set to get tougher.

Wine is expected to be the most dynamic alcoholic drink due in part to its small sales base and rising health consciousness coupled with westernization. Both wine and beer are expected to outshine spirits in growth terms. In line with trends in other countries in the Asia-Pacific region, spirits is losing out as a result of its high alcoholic content which does not appeal to the health conscious.

High tax leads to smuggling

Since alcohol is considered non-essential spending, the Vietnamese government does not encourage its consumption and as such, alcoholic drinks have been slapped with very high taxes. Apart from the import duty of 120 percent for spirits and 100 percent for wine, alcoholic drinks are further subjected to a special consumption tax of 75 percent for beer, 70 percent for spirits and 20 percent for wine. Such a restrictive tax policy has led a bustling black market for alcoholic drinks with supplies obtained through smuggling. This is really a loss for the government budget.

With an aim at regulating the market, the Vietnamese government has issued a stamp for imported alcoholic drinks. However, this measure has not been very effective as the stamp is available at the black market at a very cheap price and vendors have many methods of circumventing the law.

Tariff Schedule on Alcohol Products: Vietnam

HS Code	Description	Duty Rate (%)
2203	Beer made from malt	150%
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading No. 20.09.	150%
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances.	150%

2206	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included.	150%
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any strength.	150%
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liquors and other spirituous beverages.	75%

THE SPECIAL CONSUMPTION TAX TABLE

Category	Rate
Spirits	
a. Spirit of above 40 ^o vol of alcohol	70
b. Spirit from 30 ^o vol to 40 ^o vol of alcohol	55
c. Spirit from 20 ^o to under 30 ^o alcohol	25
d. Spirit of under 20 ^o , including spirit processed from fruits	20
e. Medicinal spirit	15
Beer	
a. Bottled beer, draught beer	75
b. Canned beer	65
c. Bock beer	50

4.6 Republic of Korea

Korea imposes various taxes on alcohol products. Ad valorem Customs duties are imposed on imported alcohol products based on the normal arrival price (C.I.F. price).

Tariff Schedule for Alcohol Products: Republic of Korea

HS Code	Description	Duty Rate (%)
2203	Beer made from malt	30
2204	Wine of fresh grapes, including fortified wines grape -- Sparkling wine -Other wine; grape must with fermentation prevented or arrested by the addition of alcohol: -In containers holding 2? or less -- Red wine -- White wine --Other -- Red wine -- White wine --Other -- Other grape must	15 15 15 15 15 15 15 15 15 30
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances. --In containers holding 2? or less --Other	15 15

a. Tax rate by quantity of liquor

Spirits (alcohol content 95 percent or more): 57,000 won per kl (600 won is added for every additional 1 percent of alcohol content)

b. Tax rate by the price of liquor

Item	Ad Valorem Tax Rate (%)
Takju	5
Yakju	30
Beer	90
Cheongju	30
Fruit wine	30
Distilled soju	72
Diluted soju	72
Whiskey	72
Brandy	72
General distilled spirits	72
Liqueur	72
Other liquors:	
(a) Liquors made by fermenting method other fermented liquor	30
(b) Liquors, except distilled liquor mixed with the fermented method and neutral spirits or distilled liquor:	72

The tax rates above can be adjusted within 30 percent of each rate for the purpose of supplying resources to be earmarked for the education investment fund.

Valued Added Tax Korea imposed 10% VAT on general goods and services including alcoholic products.

The VAT base for alcohol product is the aggregated prices inclusive of customs duties, liquor tax, and the education tax.

4.7. Taiwan

According to Taiwan's Tobacco and Alcohol Tax Act, alcohol products are defined as beverages having an alcohol content in excess of 0.5 percent by volume, or un-denatured ethyl alcohol and other ethyl products which can be used for manufacturing or preparing the aforesaid beverages.

Alcohol Products are classified into categories:

- (1) Brewed alcoholic beverages: following alcoholic beverages brewed from cereals, fruits or other plants containing starch or sugar, either by saccharification or not.
 - (i) Beer: saccharized and fermented carbonated alcoholic beverages brewed from malt and hops as primary ingredients, with or without other cereals or starch as

supplementary ingredients; complementary plant ingredients may or may not be added.

- (ii) Other brewed alcoholic beverages: Brewed alcoholic beverages other than beer, including various fruit-brewed alcoholic beverages, cereal-brewed alcoholic beverages and other alcoholic beverages made by using the brewing method.
- (2) Distilled spirits: alcoholic beverages made with cereals, fruits or other plants containing starch or sugar as ingredients upon fermentation and distillation, after or without saccharification.
 - (3) Reprocessed alcoholic beverages: alcoholic beverages made by using ethyl alcohol, brewed alcoholic beverages or distilled spirits as the base liquor, and adding supplemental ingredients of a zoological or botanical nature, herbs or minerals or other food additives for purposes of seasoning. Extracts of added ingredients should not be less than or equal to 2% of total volume.
 - (4) Rice spirits: distilled spirits made from rice utilizing the Amylo Process. This process involves cooking, saccharification, fermentation, distillation and blending with ethyl alcohol. Alcohol content of the produced spirits does not exceed 20% of the total volume, and the label on the container shall specify for cooking use only.
 - (5) Cooking alcoholic beverages: alcoholic beverages utilizing liquor made from cereals or other starch-containing plants added with ethyl alcohol after saccharification as a base, or utilizing brewed alcoholic beverages, distilled spirits or ethyl alcohol directly as a base; with a salt content of more than 0.5% of the total volume, and with or without other flavors.
 - (6) Other alcoholic beverages: alcoholic beverages other than those specified above, including powder liquors, honey liquors and other unlisted liquors.
 - (7) Ethyl alcohol: un-denatured ethyl alcohol with an alcohol content in excess of 80 percent of the total volume.

Alcohol content refers to the volume percentage of ethyl alcohol at 20 degree Celsius
 Alcohol tax is levied upon removal of alcohol products from the factory or upon importation. As for the imported alcohol, there are customs duties levied as follows:

HS Code	Description	Ad Valorem Rate for General Nation	Ad Valorem Rate for MFN
2203	Beer made from malt		
	--Beer made from malt	50	3.3
	--Beer made from malt, not for repackage	50	3.3
	--Beer made from malt, for repackage	50	3.3

2205	<p>Vermouth and other wine of fresh grapes flavored with plants or aromatic substances -In containers holding 2 liter or less</p> <p>-- Vermouth and other wine of fresh grapes flavored with plants or aromatic substances , in containers holding 2 liter or less</p> <p>--Vermouth and other wine of fresh grapes flavored with plants or aromatic substances, of an alcoholic strength by volume of 20% vol or less, in containers holding 2 liter or less</p> <p>--Vermouth and other wine of fresh grapes flavored with plants or aromatic substances, of an alcohol strength by volume of exceeding 20% vol, in containers holding 2 liter or less</p> <p>-Other</p> <p>--Vermouth and other wine of fresh grapes flavored with plants or aromatic substances, in containers over 2 liter</p> <p>--Vermouth and other wine of fresh grapes flavored with plants or aromatic substances of an alcoholic strength by volume of 20% vol or less, in containers holding over 2 liter but 5 liter or less, and not for repackage</p> <p>--Vermouth and other wine of fresh grapes flavored with plants or aromatic substances of an alcoholic strength by volume of 20% vol or less, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)</p> <p>--Vermouth and other wine of fresh grapes flavored with plants or aromatic substances, of an alcoholic strength by volume of exceeding 20% vol, in containers holding over 2 liter but 5 liter or less, and not for repackage</p>	<p>50</p> <p>50</p> <p>50</p> <p>50</p> <p>50</p> <p>50</p> <p>50</p> <p>50</p> <p>50</p>	<p>20</p> <p>20</p> <p>20</p> <p>20</p> <p>20</p> <p>20</p> <p>20</p> <p>20</p> <p>20</p>
	<p>--Vermouth and other wine of fresh grapes flavored with plants or aromatic substances, of an alcoholic strength by volume of exceeding 20% vol, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)</p>	50	20

- Gin and Geneva		
-- Gin and Geneva	50	Free
-- Gin and Geneva, in containers holding 5 liter or less, and not for repackage	50	Free
-- Gin and Geneva, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	Free
- Vodka		
-- Vodka	50	Free
-- Vodka, in containers holding 5 liter or less, and not for repackage	50	Free
-- Vodka, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	Free
- Liqueurs and cordials		
-- Liqueurs and cordials	50	Free
-- Liqueurs and cordials, in containers holding 5 liter or less, and not for repackage	50	Free
-- Liqueurs and cordials, in containers holding over 5 liter or for repackage (no matter the container is over 5 liter or not)	50	Free
- Other		
-- Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol	50	40
-- Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol, in containers holding 5 liter or less, and not for repackage	50	40
-- Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	40
-- Fruit brandy	50	Free
-- Fruit brandy, in containers holding 5 liter or less, and not for repackage	50	Free
-- Fruit brandy, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	Free
-- Rice Wine (Mijui) (manufactured by amylo process, of an alcoholic strength by volume of not more than 20%)	50	40
-- Mijui (an alcoholic substance made with rice as ingredient utilizing the Amylo Process, by cooking, saccharification, fermentation, and distillation, blended with ethyl alcohol, of an alcoholic strength by volume of 20% vol or less), in containers holding 5 liter or less ,and not for repackage	50	40

-- Mijui (an alcoholic substance made with rice as ingredient utilizing the Amylo Process, by cooking, saccharification, fermentation, and distillation, blended with ethyl alcohol, of an alcoholic strength by volume of 20% vol or less), in containers holding over 5 liter , or for repackage(no matter the container is over 5 liter or not)	50	40
-- Tequila, Mezcal	50	22
-- Tequila, Mezcal, in containers holding 5 liter or less ,and not for repackage	50	22
-- Tequila, Mezcal, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	22
-- Ouzo	50	Free
-- Ouzo, in containers holding 5 liter or less, and not for repackage	50	Free
-- Ouzo, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	Free
-- Korn	50	Free
-- Korn, in containers holding 5 liter or less, and not for repackage	50	Free
-- Korn, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	Free
-- Other spirits, liqueurs and other spirituous beverages	50	40
-- Other distilled cereal beverages, in containers holding 5 liter or less, and not for repackage	50	40
-- Other distilled cereal beverages, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	40
-- Other distilled fruit beverages, in containers holding 5 liter or less, and not for repackage	50	40
-- Other distilled fruit beverages, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	40
-- Other re-processed alcoholic beverages, of an alcoholic strength by volume of 20% vol or less, in containers holding 5 liter or less, and not for repackage	50	40

	-- Other re-processed alcoholic beverages, of an alcoholic strength by volume of 20% vol or less, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	40
	-- Other re-processed alcoholic beverages, of an alcoholic strength by volume of exceeding 20% vol, in containers holding 5 liter or less, and not for repackage	50	40
	-- Other re-processed alcoholic beverages, of an alcoholic strength by volume of exceeding 20% vol, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	40
	-- Other spirits and other spirituous beverages, in containers holding 5 liter or less, and not for repackage	50	40
	-- Other spirits and other spirituous beverages, in containers holding over 5 liter, or for repackage (no matter the container is over 5 liter or not)	50	40

The excise tax on alcohol products are as follows:

1. Brewed alcoholic beverages:
 - (1) Beer: NT\$ 26 per liter.
 - (2) Other brewed alcoholic beverages: NT\$ 7 per liter, per degree of alcohol content.
2. Distilled spirits: NT\$ 185 per liter.
3. Reprocessed alcoholic beverages: alcohol content exceeding 20% by volume at NT\$ 185 per liter; alcohol content less than 20% by volume at NT\$ 7 per liter per degree of alcohol content.
4. Rice spirits: NT\$ 185 per liter.
5. Cooking alcoholic beverages: NT\$ 22 per liter.
6. Other alcoholic beverages: NT\$ 7 per liter per degree of alcohol content.
7. Ethyl alcohol: NT\$ 11 per liter.

Taiwan does not impose Health and Welfare Surcharge on alcohol products, the Surcharge is imposed only on tobacco products.

The value-added tax rate in Taiwan is 5 percent based on the price of the products. For alcohol products, the calculated price (tax base) is the price of the products inclusive of the amounts of import duty (if applicable) and the alcohol tax.

4.8 The Philippines

In the Philippines, imported Alcohol products are subject to customs duty at ad valorem rates as follows.

Tariff Schedule of Alcohol Products: The Philippines

HS Code	Description	Ad Valorem Rate
2203	Beer made from malt	N/A
2204	-- Sparkling wine	5
	-Other wine; grape must with fermentation prevented or arrested by the addition of alcohol:	
	--In containers holding 2 l or less	5
	--Other	5
	-- Other grape must	5

2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances.	N/A
2206	Other fermented beverages(for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	N/A
2207	--Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher --Ethyl alcohol and other spirits, denatured, of any strength	15 15
2208	--Spirits obtained by distilling grape wine or grape marc --Whiskies --Rum and tafia --Gin and Geneva --Vodka --Liqueurs and cordials --Other	15 15 15 15 15 15 15

The Philippines systems of excise tax on alcohol is of specific rate but the rate increases in accordance with the net retail prices. For example, for certain alcohol product if the net retail price per bottle of 750 ml is less than 250 pesos the rate is 15 pesos per proof liter, but if the net retail price per bottle is between 250 pesos and 675 pesos the rate is 150 pesos per proof liter.

On distilled spirits sold in the Philippines, the excise taxes are collected as follows:

1. If the alcohol beverages are produced from the sap of nipa, coconut, cassava, camote, or buri palm or from the juice, syrup or sugar of the cane, provided such materials are produced commercially in the country where they are processed into distilled spirits, they are levied excise tax of eight pesos per proof liter.

However, if they are produced in a pot still or other similar primary distilling apparatus by a distiller producing not more than one hundred liters a day, containing not more than fifty percent (50%) of alcohol by volume, they are levied four pesos per proof liter.

2. If they are produced from raw materials other than those mentioned in the preceding paragraph, the excise tax shall be in accordance with the net retail price per bottle of 750 ml. volume capacity (excluding the excise tax and the value-added tax) as follows:
 - (1) The net retail price is less than 250 pesos - 75 pesos per proof liter;
 - (2) The net retail price is between 250 pesos up to 675 pesos – 150 pesos per proof liter; and
 - (3) The net retail price is more than 675 pesos - 300 pesos per proof liter.

For the above purpose, '**net retail price**' shall mean the price at which the distilled spirit is sold on retail in 10 major supermarkets in Metro Manila, excluding the amount intended to cover the applicable excise tax and the value-added tax as of October 1, 1996.

On wines, the excise taxes shall be collected per liter of volume capacity as follows:

- (a) Sparkling wines/champagnes regardless of proof, if the net retail price per bottle (excluding the excise tax and value-added tax) is:
 - (1) 500 pesos or less - 100 pesos per proof liter
 - (2) More than 500 pesos - 300 pesos per proof liter.

- (b) Still wines containing 14 percent of alcohol by volume or less, the excise tax rate is 12 pesos per proof liter; and
- (c) Still wines containing more than 14 percent but not more than 25 percent of alcohol by volume, the excise tax rate is 24 pesos per proof liter.

Fortified wines containing more than 25 percent of alcohol by volume shall be taxed as distilled spirits. **'Fortified wines'** shall mean natural wines to which distilled spirits are added to increase their alcoholic strength.

Fermented Liquor – Products such as beer, lager beer, ale, porter and other fermented liquors are levied excise taxes except tuba, basi, tapuy and similar domestic fermented liquors in accordance with the following schedule:

- (a) If the net retail price (excluding the excise tax and value-added tax) per liter of volume capacity is less than 14.50 pesos, the tax shall be 6.15 pesos per liter;
- (b) If the net retail price (excluding the excise tax and the value-added tax) the per liter of volume capacity is 14.50 pesos up to 22 pesos, the tax shall be 9.15 pesos per liter;
- (c) If the net retail price (excluding the excise tax and the value-added tax) per liter of volume capacity is more than 22 pesos, the tax shall be 12.15 pesos per liter.

The VAT rate in the Philippines is 10 percent. However, the Government is reviewing its policy to increase the VAT rate to 12 percent.

V. ALCOHOL TAXATION AND REGULATORY PRACTICES IN THAILAND

The main objective of this section is to examine taxes that are levied on alcohol products in Thailand. However, before dealing with the taxes a brief history together with the present situation of the Excise Tax Department and the alcohol industry will be discussed.

5.1 The Excise Department

The Excise Department acts as the main regulatory agency for alcohol production and distribution in Thailand. Under the Ministry of Finance, the Department is also responsible for collection of excise tax which is imposed on selected goods and services including alcohol products. In the past, the Department was responsible not only for regulation and tax collection but also the production of alcohol products as well. In the past alcohol manufacturing plants were owned by the government through the Excise Department. However, after liberalization, the Department now acts only as regulator and tax collector but not producers.

5.2 The Alcohol Beverage Industry.

In Thailand, the production of alcohol beverages had been monopolized by the government. Later on, the government granted concession to allow private enterprises to operate government owned alcohol beverage manufacturing plants.

Prior to liberalization in the year 2000, production of alcohol beverages in Thailand is restricted to 12 licensed factories authorized by the Excise Department to operate government owned plants. Under this system, private companies compete in the open bidding for production licenses through competitive bidding which authorizes them to produce alcohol products. The government received fixed concessional fees from these licensees the licensees enjoyed oligopolistic power, and later on these licensees had entered into merger and acquisitions to form a single conglomerate and enjoyed

monopolistic power over the market. Since January 2000, however, the government has liberalized alcohol production and distribution in Thailand, but continues to maintain strong regulations over the industry. However, at present competition in the industry is still in its emerging stage as the market continues to be dominated by few large producers. The industry is gradually evolving from the oligopoly structure (major market shares are now in the hands of a few large-sized producers) to greater market competition. The new entrants to the market now are mostly specialized in producing Thai traditional spirits.

5.3 The Taxes on Alcohol Beverages.

Despite liberalization, the government continues distinct tax regime and regulatory control over the alcoholic beverages produced and sold in Thailand. Liquor tax remains a very important factor in shaping the industry and is currently still a major contributor to the government revenue. At present, the government levies 4 types of indirect taxes and a surcharge on alcohol products – customs duty (applicable to imported alcohol products), excise tax, value added tax, local tax and surcharge on spirits earmarked for National Health Promotion Fund.

These indirect taxes on alcohol contribute significant revenue to the government of Thailand. The amount of taxes collected from alcohol product in 2004 are presented in the following Table.

5.3.1 Custom duty on alcohol products.

Like all other imported goods, imported alcohol products must pass through customs clearance and are levied the applicable taxes and duties by the Customs Department. As a procedure, the Customs officials collect all related taxes on imported alcohol products at the customs clearance points, any non-customs taxes would then be remitted to the relevant tax collecting agencies and the National Health Promotion Fund.

The current Customs tariff nomenclature of Thailand is based on the WCO Harmonized System (HS) Convention. In following its obligations under the WCO HS Convention, Thailand adopted and incorporated into its national tariff system the Harmonized System. The harmonized tariff schedule of Thailand that was enforced under the Customs Tariff Decree B.E. 2530 went into effect on 1 January 1988. The import duty amount together with surcharge where applicable are assessed on the C.I.F value of alcohol imports. Then, the amount of import duty and surcharges will be added to the C.I.F. price to form the base for further calculation of excise tax. The VAT is, then, imposed on the basis of the C.I.F value of the product plus customs duty and surcharge (if applicable) plus excises.

Tariff for customs duties on alcoholic beverages are quoted in both the ad valorem rate as well as the specific rate. The applicable rate is the higher of the two rates. The schedule of current tariff rate on alcohol products is listed below.

Customs Duty Rate of Alcoholic Beverages in Thailand (2005)

HS Code	Description	Ad Valorem Rate (%)	Specific Rate
2203	Beer made from malt	60	25 Baht per liter
2204	Wine of fresh grapes, including fortified wines; grape must other than that of heading 20.09		
	-- Sparkling wine	60	20 Baht per liter
	- Other wine; grape must with fermentation prevented or arrested by the addition of alcohol:		
	-- In containers holding 2 liters or less	60	20 Baht per liter
	-- Other	60	20 Baht per liter
	-- Other grape must	60	10 Baht per liter
2205	Vermouth and other wine of fresh grapes flavored with plants or aromatic substances.		
	-- In containers holding 2 liters or less	60	20 Baht per liter
	-- Other	60	20 Baht per liter
2206	Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	60	10 Baht per liter
2207	Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol or higher; ethyl alcohol and other spirits, denatured, of any Strength		
	- Undenatured ethyl alcohol of an alcoholic strength by volume of 80% vol. or higher		
	- - - Import for the purpose of denaturizing	-	2.5 Baht per liter
	-- - Other	-	80 Baht per liter
	- Ethyl alcohol and other spirits, denatured, of any strength	-	2.5 Baht per liter
2208	Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80% vol; spirits, liqueurs and other spirituous, beverages		
	--Spirits obtained by distilling grape wine or grape marc	60	20 Baht per liter
	--Whiskies	60	20 Baht per liter
	--Rum and tafia	60	20 Baht per liter
	--Gin and Geneva	60	20 Baht per liter
	--Vodka	60	20 Baht per liter
	--Liqueurs and cordials	60	20 Baht per liter
	--Other	60	20 Baht per liter

5.3.2 Excise tax on alcohol products.

Excise tax is levied on alcohol products in accordance with the Liquor Act B.E. 2493 (1950). The law defines "spirit or liquor" as any material or mixture that contains alcohol and is consumable or becomes consumable after mixing with water or other liquids. Alcohol beverages are classified into 2 groups:

- **Fermented spirits** – Undistilled spirits or mixtures of fermented spirits with distilled spirits with alcohol volume less than 15 degrees. Examples of fermented spirits are beers and wine, etc.
- **Distilled spirits** - Distilled spirits or mixtures of distilled spirits with fermented spirits with alcohol volume more than 15 degrees. Examples of distilled spirits are whiskey, brandy, rum, vodka, gin, etc.

The main objectives of excise tax on alcohol in Thailand are:

1. To generate government revenue. Alcohol taxation generates significant revenue for the government and has relatively low administrative costs because taxes are collected directly from the alcohol producers and the importers. The price-elasticity of alcohol taxes is low meaning any differential changes in price do not have significant impact on the consumption pattern, thus the tax provides a stable source of revenue for the government.
2. To internalize the negative externalities caused by the consumption of alcohol products. As discussed earlier, the excise tax on alcohol products is justified on the ground that excessive alcohol consumption has substantial social costs in terms of public health and social problems.

The law (1950) requires that the persons and entities are liable for excise taxes on alcohol are as follows:

1. Licensed alcohol producers must pay excise taxes on their alcohol products before moving these alcoholic beverages out of their jurisdiction (e.g. factories). In specific cases, some producers may be exempted from excise tax in cases where the alcohol products are intermediary products intended for uses to make other end-products such as vinegar. This exemption does not permit them to sell alcohol.
2. Licensed importers are liable for excise taxes in addition to the customs duties. Under the Thai law, one liter or less of alcohol can be imported into Thailand without authorization by the Excise Department. Excise tax must be paid for excess importation of alcohol along with the custom duties at the custom checkpoints.
3. Licensed persons or entities that alter the containers of alcoholic beverages are liable for excise taxes. An example is an alcohol importer who had paid all relevant duties and taxes on the tank of alcohol imported into Thailand. When such importer transfers alcohol into a different container (i.e. bottles), they are required to pay additional excise tax at half the amount paid at the time of importation.
4. Unauthorized persons and entities that receive untaxed alcohol products. An example is a person may have special privilege for excise tax exemption on alcohol under international agreement. However, if the ownership of such alcohol is changed to another person who does not have the same privilege, then the recipient of alcohol products is liable for excise tax.

The Liquor Act B.E. 2493 sets both specific and ad valorem ceiling rates (legislative rates) on alcohol products. The law authorizes the Minister of Finance to announce the applicable rate (called applied rate) at no more than the ceiling rates.

Current Excise Tax Rate on Alcohol Products in Thailand (2005)

Description	Legislative Rate		Applied Rate	
	Ad Valorem (%)	Specific Rate (Baht per liter of pure alcohol)	Ad Valorem (%)	Specific Rate (Baht per liter of pure alcohol)
Fermented Spirits				
(1) Beer	60	100 Bt	55	100 Bt
(2) Wine and Champagne from grape	60	100 Bt	60	100 Bt
(3) Traditional Fermented Spirits	60	100 Bt	25	100 Bt
(4) Other fermented spirits	60	100 Bt	25	100 Bt
Distilled Spirits				
(1) White Spirits	50	400 Bt	25	70 Bt
(2) Blended Spirits	50	400 Bt	50	240 Bt
(3) Special mixed spirits	50	400 Bt	50	240 Bt
(4) Special spirits				
- Whiskey	50	400 Bt	45	240 Bt
- Brandy	50	400 Bt	35	240 Bt
- Other Spirits	50	400 Bt	50	240 Bt
(5) Sam-Tab (Absolute alcohol over 82%)				
- Used for industries	50	400 Bt	2	1 Bt
- Used for medicine, pharmacy, science	50	400 Bt	0.1	0.05 Bt
- Others	50	400 Bt	10	6.0 Bt

The excise tax in Thailand is of combination rates. Tax rates are specified in both specific and ad valorem and the applicable rate is whichever is higher. For example, the excise for white spirit is 25% ad valorem or 70 baht per liter of pure alcohol. Suppose a type of white spirit has 30% alcohol content. A bottle of the spirit of 750 ml. would be subject to a specific tax rate of $0.75 * 0.30 * 70 = 15.75$ baht. the spirit is sold at exfactory price of more than 63 baht per bottle (inclusive of tax) the spirit will be subject to an ad valorem rate of 25%.If ad it is sold at less than 63 baht per bottle (inclusive of tax) it will be subject to the specific rate at 15.75 baht per bottle. In other words, if the spirit is sold at ex-factory price exclusive of tax at lower the 47.25 baht per bottle than the specific rate is applied.

The total revenue collected from liquors by the Excise Department between 1999-2005 is as follows:

Unit: Million U.S. Dollar

Fiscal Year	1999	2000	2001	2002	2003	2004	2005
Liquor Tax	515.0	262.5	250.0	217.5	517.3	662.5	680.4
Beer Tax	557.5	798.8	760.0	821.8	791.3	1,092.5	1,256.9
Total	1,072.5	1,061.3	1,010.0	1,039.3	1,308.5	1,755.0	1,937.3

1. Fiscal year starts from 1 October to 30 September of such year
2. Exchange Rate = 40 Baht per U.S. Dollar
3. Revenue for FY 2005 is a forecasted figure.

5.3.3 Local Authorities Tax

All alcohol products in Thailand are levied an additional 10 percent of the national excise tax under the Allocation of Excise Liquor Tax Revenue Act B.E. 2527 (1984). This tax is directly transferred to the Ministry of Interior for allocation to the local authorities.

5.3.4 Valued-added Tax

Under the Revenue Code, all domestic sales of manufactured goods are subjected to 7 percent of valued-added tax. Alcohol products sold in Thailand are therefore liable for VAT tax.

5.3.5 Surcharge to the National Health Promotion Fund

For health promotion purposes, the government enacted the Health Promotion Foundation Act B.E. 2544 (2001) in order to establish the Thai Health Promotion Fund ("ThaiHealth") with the main objectives in promoting good public health in accordance with the national health policy. The Fund would support various health promotion activities particularly the ones which would increase public awareness on the risks of excessive consumption of alcohol and tobacco. Under the law, a Committee of the National Health Promotion Fund chaired by the Prime Minister of Thailand was created with power to make policy decisions on the uses of the Fund's resources and to undertake periodic review of the Fund's management plan. The law stipulates that 2 percent surcharge on the excise taxes collected from alcohol and tobacco products would be earmarked for the Fund.

5.4 Regulatory measures on alcohol products

To control and monitor the domestic production and sales of alcoholic beverages, the government requires that all alcohol producers and distributors must obtain licenses issued by the Excise Department for particular authorizations, namely (1) license for alcohol production and possession of related equipments (2) license for importation of more than one liter of alcohol (3) license for transportation of untaxed alcohol from the factory (4) license for transportation of more than ten liter of alcohol (5) license for transportation of more than one liter but less than ten liter of alcohol between specified territories (provinces) and (6) license for selling alcohol products.

Licensed producers are required to pay all applicable taxes on their alcoholic beverages produced and sold in Thailand prior to transporting the alcohol out of the factory. Excise stamps are used to indicate that the excise duties on alcohol products have been paid. Furthermore, alcohol producers are required to submit their monthly accounting statements to the Excise Department for monitoring purposes. By law, excise officials have the power to prosecute tax-evaders on both criminal and civil offences under the Thai judicial system.

VI. POLICY ISSUES ON ALCOHOL PRODUCT TAXATION

6.1 The issue of specific rate versus ad valorem rate

Alcohol taxation is commonly assessed based on specific rate and/or ad valorem rate method. Specific taxes are taxed as a fixed amount per unit such as liter or liter of absolute alcohol and ad valorem taxes are calculated as a percentage of the price of alcohol. Which is a better tax structure is not a clear and simple answer as each approach has advantages and disadvantages that require the tax administrators to determine which approach could offer a more effective and efficient tax collection system.

Pros of specific taxes

- **Specific taxes are easy to administer**

Specific taxes facilitate the collection of revenues by governments. Based on alcohol content, the amount of taxes to be paid can be easily determined. The incentive for importers to under-invoice their products to avoid the full payment of taxes is eliminated, while tax officials are not empowered to make arbitrary judgments about the value of the products. As a result, the opportunities for cheating and corruption are reduced, and the revenues collected by government are maximized.

- **Specific taxes do not penalize high quality products**

Specific taxes eliminate the penalty on quality, which is inherent in an *ad valorem* system. With a constant tax burden per unit, producers have a greater incentive to develop higher quality products that can benefit the consumers.

Cons of specific taxes

- **Specific taxes are flat rate which can be “sticky” in an inflationary environment.**

Since the specific taxes are fixed rate per unit of alcohol, the tax does not change with the price level. This may result in decline in government revenue in real terms in the situation of price increases.

- **Specific tariffs and taxes may act as “regressive” taxes.**

They are discriminative against cheaper products which are mostly consumed by the lower-income people. Under specific taxes, the tax burden as a proportion of the final price will be higher on the cheaper good than the more expensive goods.

Pros of ad valorem taxes

- **Ad valorem taxes are progressive tax**

On the equity issue, ad valorem taxes may be more equitable than the specific taxes. Since the tax base depends on the value of the alcohol products, more expensive alcohol products bought by wealthier individuals has higher tax burden than lower price alcohol.

Cons of ad valorem taxes

- **Ad valorem taxes are more complicated to administer.**

Ad valorem taxes raise the issue of valuation problems. When consider relative to the specific tax, ad valorem taxes has greater complications on tax administration and gives discretionary power to the tax collectors. The costly tax administration must be weighted against the additional revenue gained from ad valorem approach.

- **Ad valorem taxes function as a progressive tax on quality**

High quality products generally require lengthy development periods and substantial production costs. For example, many branded spirits are subject to lengthy maturation periods, which add to their production cost and increase their value to the consumer. As a result, they are priced relatively highly. Under an *ad valorem* system, such products attract a high duty/tax burden, which renders them unattractive from a price standpoint to many consumers. This, in turn, makes it difficult for producers to generate the sales and profit margins necessary to remain in business. The additional tariff and tax burden resulting from ad valorem penalizes producers for developing quality products, and discourages consumers from buying them.

Ad valorem tax also penalizes the development of quality packaging (such as cans and bottles etc). This is because the cost of the packaging is often included in the tax base.

When the alcohol products are sold with high quality packaging, the tax burden is also higher. It is difficult to exclude the value of packaging from the alcohol content.

- ***Ad valorem taxes act as barriers to trade***

This is particularly true with regard to tariffs, which are applied only to imported products. In some instances, ad valorem tariffs may be sufficient to price imported good out of the market, particularly when the basis on which they are assessed is inflated to include the cost of insurance and freight. (Distilled spirits are subject to very high freight and insurance costs because they are shipped in glass bottles.) As a result, consumers are denied the opportunity to choose from a full range of products (imported and domestic) and often are forced to buy lower cost products of inferior quality. The price

6.2 The Uniform VS Multiple Rates

The most widely-used tax base for alcohol products is the alcohol volume. However, when it comes to taxing the alcohol, different countries vary in their practices. Some may suggest that uniform rate is best. Others may prefer multiple rates others may prefer multiple rates.

The administrative complexities for multiple rates can be significant. However, some countries that have good available information regarding price elasticities of demand, and production functions, differential tax rate based on differences in price elasticity of demand for various alcoholic beverages may be preferable. It would help to further increase the amount of revenue collected.

Taxing alcohol is to internalize the externalities of alcohol products on the public health. Higher alcohol content may be more hazardous to human health. Therefore, higher alcohol-content beverage may need to be taxed at higher rates.

6.3 Classification of alcohol

Currently, alcohol product classification for tax purposes varies from country to country. The classification practices in various countries are different and are not following any standard. More over, it does not adequately take into account the variety of alcohols that are currently available in the market. In the trend towards freer trade liberalization, there needs to be an international convergence in the classification of spirits. This is to facilitate inter – countries comparison of practices and statistics. This should start first at the region to organize a forum for technical discussion of alcohol beverage classification for tax purposes.

6.4 Equity issue

While on the economic efficiency respect (the impacts of taxes on the decisions of producers and consumers), alcohol taxation is not a great concern since economists believe that the taxes induce a relatively small welfare cost (distortion less than other type of taxes). However, other equity respect, there is concern by many as the tax burden may fall heavily on a certain portions of the population. The ad valorem tax with its progressive tax nature may help to alleviate some of the inequity impact of alcohol taxation.

6.5 Impact on smuggling and counterfeit

At first glance the two topics of smuggling and counterfeit appear to be unconnected. Smuggling is bringing something into a country illegally, whilst counterfeiting is copying someone else's work. However, both are very much linked and that they both can have

significant impact on pattern of alcohol consumption and the alcohol policy of the government.

From the moment that the very first person imposed a tax or a charge or a custom duty or in some way inhibited the free flow of goods from one location to another, smuggling operations began. As new duties and taxes were levied on alcohol products, they became targets for the smuggler. The import duties on these products were so high that smugglers could charge well below the official price and still make a handsome profit. Adam Smith the economist defined a smuggler as "a person who no doubt is highly blamable for violating the laws of his country but is frequently incapable of violating those of natural justice."

Customs do stop some of this smuggling but vast quantities still get through. Methods of smuggling are as many and varied as the smuggler has imagination to dream up. From concealment to bribery, smuggling leads to revenue losses by the government and often the seeds for other crimes

On counterfeit issue, hundreds of millions of dollars worth of counterfeit goods are made and sold each year costing the original producer vast amounts of money in lost potential income. Providing the sale price is much greater than the product cost then it will be ripe for being copied. A list of some of the items that are counterfeited is as follows:

Alcohol products are eagerly counterfeited as they double the profits; the counterfeiters making money on both the product and the tax. Counterfeit goods cause monetary losses by both the producers and government in tax foregone. In addition, they have potential health implications for the unwitting consumers as their alcoholic beverages sold are not produced under regulations by relevant health authorities.

To control smuggling and counterfeit, the following approaches should be undertaken:

1. Culturally changes need to be made to change attitudes. In some countries where the taxes on alcohol products are relatively low, yet there is still a very high acceptance of the culture of street selling.
2. Governments must be urged to normalize their tax regimes. A realistic view must be taken over soft drugs. Taxation should be used to control the consumption of alcohol, not to forbid the alcohol consumption. Laffer Curve says that with exorbitantly high tax rate, the government would receive no revenue at all. Legal alcohol industry would not be commercially viable.
3. There should be effective enforcement and people caught smuggling should face massive penalties.

6.6 Trend in the region for earmarking of alcohol taxes for health program

Earmarking of alcohol taxes for health programs has been the trend for many countries. However, earmarking policy of alcohol taxes is yet to be a common practice. According to the paper's findings, Korea has earmarked alcohol taxes for educational purposes, and Thailand set a 2 percent surcharge on the Thai Health Promotion Fund since April 2001.

While some economists have reservation on earmarking of taxes as they think taxes should go directly to the budget and to be allocated through appropriate legislation. This is the marginal efficiency argument for utilizing the public money. However, in practice, earmarking of alcohol taxes can indeed serve to ensure that there will be sufficient funding to the health programs that target treatment and prevention of negative health impacts due to alcohol. Furthermore, there is a link between those who pay the taxes, alcohol users, and those who would receive the benefits from health program.

However, to be effective, the health programs should aim at both preventive and treatment measures. Preventive measures are obviously less expensive and more effective to implement than treatment measures. Preventive programs are targeted at decreasing of the amount of alcohol consumption at the early stage and setting the right habits particularly among the youths. These programs can cultivate informed and sensible attitudes as well as behaviors and activities not involving alcohol consumption among the youth.

VII. CONCLUSION

Alcohol taxation should be considered as a part of government efforts to regulate and control public misuse of alcohol. The alcohol regulation and taxation should complement each other in the efforts to control public consumption of alcohol. Taxation should be seriously considered as an effective policy instrument to internalize the cost of alcohol consumption, and make the drinkers pay for the social costs of alcohol. This is similar to the increasingly popular environmental taxes in which the polluters have to pay for their behaviors that adversely impacted the environment. Studies have shown that demand for alcohol can be lessened by increases in price. It may be the time for governments to review their alcohol taxation policy and to share their experiences in implementing their alcohol policy. Social costs arising from excessive alcohol consumption is a preventable problem that requires proper balance between regulation measures and taxation.

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