

# Alcohol taxation advantages and disadvantages



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## Introduction

Governments have utilized their political power to raise income all throughout the history to back the objectives of government which is to ensure individual freedoms and to advance the well-being of the society as a whole. This income is for the most part acquired through levy which move assets from private people and organizations to the government. These funds are utilized to complete the capacities of government, for example, in construction or development of infrastructure, healthcare, education, military defence, and implementation of laws, social insurance, and public services, like in transport and asset administration.

Overabundance drinking is an issue for many nations and their families. Excessive alcohol consumption contributes to a variety of health and social problems, including unintentional injuries (e. g., injuries due to motor vehicle crashes); suicide; homicide; liver cirrhosis; gastrointestinal cancers; vandalism; and lost productivity (Elder, R. et al, 2013). It is additionally an issue for the groups in which they live, corrupting general wellbeing and security and eventually bringing down our expectation for everyday comforts.

This report will analyse the concept of an excise tax on alcohol beverages.

## Body

The most fundamental law of economics connects the cost of an item to the interest for that item. Appropriately, increases in the fiscal cost of liquor (i. e., through excise tax increases) would be relied upon to lower liquor

utilization and its unfriendly results. Studies examining such a relationship found, to the point that liquor costs were one variable affecting liquor utilization among youth and adolescent grown-ups. Different studies verified that increases in the total cost of liquor can diminish drinking and driving and its outcomes among all age gatherings; bring down the incidence of diseases, harms, and losses identified with liquor use and ill-use; and decrease liquor related brutality and other wrongdoing (Chaloupka, F. J., Grossman, M., & Saffer, H., August 2002).

In May 2003, the New Zealand Government introduced a special type of tax for beverages, if the alcohol level below 14- 23 percentage imposed a low excise tax and that is much cheaper than the 24 percentage and above alcohol. So the increased tax rate in the same level for 14-23 percentage alcohol and now the consumers have to pay \$40. 035 per litre of absolute alcohol. So a single tax rate resolves the higher sale and discourage with alcohol of 14 and above. Alcohol has an unforeseen relationship with over 60 types of diseases and injuries and it is considered as a third largest risk factor for erupt the social problems and thread to the developed world. It is quite surprising that 39 admissions in 1997-1999 because toxicities over drunk among 10-14 year old teenagers and it increased 73 admissions in 2000- 2002. In New Zealand recently change the tax of alcohol it shows a great impact, the alcohol tax imposed in the 14-23 percent alcohol range ( that is 750ml bottle of sherry wine by around \$4. 00), because of the changes, the fortified wines consumption decreased by 41 percentage in 2003 (Alcohol Health Watch, 2004).

One study recently found that the 10 percent of alcohol taxation decreased the drink driving in US (7% in, males and 8% females), may be the result far better than before especially people under 21 years old. (Kenkel, 1993). And another study led in Switzerland had found that, at the time of market reforms in 1999 the price of alcohol dropped and arise so many social issues, the correlation between price and alcohol related problems for heavy drinkers and it's affected badly to the welfare of the society (Alcohol Health Watch, 2004).

The New Zealand of Ministry of Health and the accident Compensation Corporation involved BERL (Business and Economic Research Limited) to calculate the social cost of harmful alcohol use in New Zealand. This study shows that, the over use of harmful alcohol caused the social cost and welfare cost in 2005/06 are \$6, 525 million and \$1, 963 respectively. This research study, calculated the avoidable cost of alcohol compared with other harmful drugs estimated values, the tangible cost of alcohol was \$2, 220 million and intangible cost of alcohol was \$780 million. Meanwhile, if we consider the total social cost of alcohol, we can see a big difference between the estimated social costs of alcohol was 34% and other harmful drugs social cost were 11% and 5%. However, the avoidable cost was \$3, 260 million, though the total social cost comes up by 50%, so the international studies suggest that if the social cost is up to 50% it could be avoided. On the other hand, the injury cost analysis, the tangible cost of alcohol was \$624. 4 million and intangible cost was approximately \$967. 5 million, so the total injury cost of alcohol was \$1, 591. 9 million (81. 6%), but the other harmful drugs injury cost only 18. 4%. So all together the tangible cost of alcohol and

other harmful drugs, the estimated injury cost was \$17.5 million (97.0%), almost these entire cost associated with health care. (Slack et al. 2009)

### Viewpoints on Taxing Alcohol

In most societies, alcohol drinks like beer, wine, cider, and distilled spirits – is subject to levy, mostly as an excise tax.

The principal purpose behind tariff is to produce general government income. In numerous nations, liquor is an essential hotspot for raising government income and has long been a built focus for taxation. Excise taxes are required by national, state or local governments, and regularly in mix with one another. The genuine expenses of excise taxes are by and large passed along to shoppers as higher costs, putting descending weight on customer request. Who bears the expense of the duty is determined by the elasticity of the good. For more inelastic products, in the same way as cigarettes and gas, just about the greater part of the expense is paid by the buyer. For liquor drink, there is impressive verbal confrontation with respect to the flexibility in the middle of alcohol and non-alcoholic drink parts and between classes inside the refreshment alcoholic beverages sector (e. g., juice, wine, beer and spirits).

Notwithstanding, governments have additionally utilize imposes on liquor drink for a few different purposes: to make an effort to lessen misuse and mischief by making liquor less available; to make barriers on exchange and trades; to patronize buying of local produce over transported in items (ICAP, 2006). The efficiency of taxation and pricing policies as community health

and social tools for diminishing utilization, misuse and issues has been tremendously debated about and can be considered from a few viewpoints.

### An Economic View

The positive impact of liquor drink to society takes various structures, some quantifiable, others less so. Some of these profits are financial in nature, while others have an immediate effect on society and wellbeing.

- Economic and social advantages around liquor includes those got from direct and indirect occupation in its production and delivery.
- Local production has a significant economic effect in both industrialised and developing countries, particularly in rural areas.
- Liquor contributes strongly to government income in the form of taxation and excise duty and signifies an essential component of the stability of trade in many nations. Where liquor selling is controlled through state-run monopolies, sales are a basis of net benefit for the government.
- Advertising, retail, and tourism businesses are a major source of work and income.

### Public Health View

The logic behind increasing taxation on liquor as a strategy measure is somewhat simple – by making alcoholic beverages more extravagant, for every capita utilization will be diminished and with it the occurrence of issues. The general wellbeing point of view, which is not so much concerned with financial effectiveness or corporate benefit, sees checking liquor utilization as an issue of keeping a scope of social and health issues and <https://assignbuster.com/alcohol-taxation-advantages-and-disadvantages/>

diminishing the liquor related load on society. Considering this thinking, numerous governments execute a scope of measures restricting the physical accessibility and economic availability of liquor (ICAP, 2006).

#### Pros of Increase Alcohol Taxation.

The rationale behind increasing taxation on alcohol as a policy measure to making beverage alcohol more expensive to reduce alcohol consumption.

The biggest point reduction include reducing teenager consumption, inhibiting moderate and heavy drinkers from becoming very heavy drinkers and reducing addiction drinking. The strongest point of economic reason is a public health and social costs. In essential, teenagers will become adult in the future and be employment mechanism to developing in each country. Therefore, teenager is big group to focus on them. Teenager will respond to the price of alcohol more than adults because they have less income than adults. Many researches show the number of consumption in teenagers who are drinking or starting to drink alcohol drop that means the result of raising alcohol taxation is successful in the group of teenagers. In research studies are supported by a large body of evidence which has shown an impact of prices on harm caused by alcohol, also indicating thus that heavy drinker has been reduced. Research also compares differing alcohol taxes or price with data on harm, such as in the USA, indicate that they impact to reduce consumption and liver cirrhosis. Several studies have shown that the price of alcohol and alcohol tax increase can effect on rates of crime, violence and injury. In New Zealand, according to Public Health Association of NZ has shown that increasing alcohol taxes contributes to the subsequent reduction of a range of negative health outcomes including road traffic injuries and

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fatalities, educational failures, sexually transmitted diseases, crime, domestic violence and child abuse. Another view, the increasing alcohol taxes improve a public health and social that cause of harm alcohol such as, injury, health problem related to harm alcohol. The government refund to a public health and also to social that it may add securing to reduce crime or it may improve a public transport.

### Cons of Increase Alcohol Taxation

Alcohol industry is also a part government revenue because industries have to pay excise duty to government. The increasing tax on beverage alcohol that clearly impact to alcohol industry and also to retail shops. The entrepreneur of alcohol industries have to change policy to still get profit. The points from producers can be low quality of products, can decrease employment thus who will impact all of those. The rate of unemployment will increase that impact to government will lose money to people who are unemployed. Government will have more burden. People who are drinker will be looking for cheaper price of alcohol that means unsafe drinks can be harm. Government should also control the quality of products. If alcohol industries broke, the government would also effect by losing revenue, it would have black market then the government would get a new problem to find solution. In New Zealand, alcohol industry is a part to run economy because New Zealand exported 30% of alcohol. The price of alcohol is already high that people still drink. Some countries, the price of alcohol is inelasticity that people less respond to the price increasing. Alcohol supports entertainment industry that the price going up will kill several industry involve alcohol consumption. The government can make another campaign

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to improve health care. Drinking alcohol should be individual responsibility more focus on increasing alcohol taxes.

## Conclusion

Alcohol taxation has both of advantages and disadvantages in economic each country. Government should be careful to set taxation of alcohol. In positive, increase in alcoholic beverage taxes and price lead to significant reductions in alcohol consumption. Government will generate significant new tax revenue. Long-run effect of price on alcohol demand larger than short-run effects. Youth and adults have more react to price changes than adults. Alcoholic beverage taxes and price reduce many consequences of alcohol include alcohol abuse, injury, crime and illness alcohol-related. On the other hand, increasing of alcohol taxes can be harmful to several alcohol industries and also effect to increasing of the number unemployment. All of those are side effect of increasing the price alcohol taxes. Government should weigh both of advantages and disadvantages which side have more heavy to benefit to people.

The Public Health Association (PHA) considers that an overall composed tax-policy can support advance wellbeing and diminish unexpected losses. A superior tax-policy arrangement could decrease the utilization of hurtful items, lessen wage and resource disparity in the public arena, and help the economy. Besides, income from " health protecting" charges can be utilized to reserve programs that advance and secure wellbeing, give wellbeing administrations and trust other fundamental taxpayer driven organizations, for example, training and social welfare.