



AlcoholAction
Ireland

**A RESPONSE TO THE COMMISSION ON TAXATION
AND WELFARE PUBLIC CONSULTATION:
YOUR VISION, OUR FUTURE**

JANUARY 2022

About Alcohol Action Ireland

Alcohol Action Ireland (AAI) is the independent advocate for reducing alcohol harm.

We campaign for the burden of alcohol harm to be lifted from the individual, community and State, and have a strong track record in effective advocacy, campaigning and policy research.

Our work involves providing information on alcohol-related issues, creating an understanding of alcohol-related harm and offering public policy solutions with the potential to reduce that harm, with an emphasis on the implementation of Ireland's Public Health (Alcohol) Act, 2018.

Chapter 1 - General Questions

1. What elements of the taxation and welfare systems do you feel are working well?

In our view, the taxation and welfare systems broadly work in line with the demands and expectations of the democratic system.

Our principal focus in making this submission is to highlight a number of issues surround alcohol related harm that we believe could be addressed by a progressive taxation system.

2. What elements of the taxation and welfare systems do you feel are not working well?

In general, our primary view is that the current taxation systems seems to have an inability to target the economic actors, who largely benefit from the revenue of alcohol products, while the state bears the cost in relation to managing the societal related harm.

An IGEES report from Department of Public Expenditure and Reform, and Health (2021), has re-stated that: 'the societal cost of problem alcohol use have produced estimates ranging from €2.4 to €3.7 billion per year, with annual healthcare costs alone having been estimated at between €0.8 and €1.5 billion.

The revenue from alcohol excise tax is only €1.2 billion.

3. Good quality public services, welfare provision and infrastructure are financed mainly from taxation and PRSI. What are the features that you think our taxation and welfare systems should have in order to meet these needs?

We believe that if the principle that those who produce the harm bore the costs of managing to prevent damage to human health, was adopted, then the provision of quality public services, welfare provision and infrastructure, particularly to those who are impacted by alcohol harm, could be sustainably resourced and significantly improved.

The social and economic loss of such chronic levels of alcohol use is profound. The OECD has estimated, based on Ireland's current use of alcohol, that the burden on Ireland's GDP is likely to be 1.9% lower on average between now and 2050.

In Ireland today, we have an estimated 90,000 people living with a severe alcohol use disorder (AUD), yet only 3,500 new people are able to secure timely alcohol treatment services annually. There are a further 485,000 citizens whose drinking pattern is consistent with mild to moderate AUD.

There are over 200,000 children living in homes today where problem drinking hampers their positive development.

The alcohol market in Ireland is valued at €7.651 billion annually, with off-trade alcohol sales alone valued at €2.712 billion, and while alcohol excise taxes are collected - €1.2 billion annually for general expenditure purposes - no dedicated fund to tackle the related alcohol harms exists.

4. In your view, what main reforms are necessary so that the Irish taxation and welfare systems can embrace the opportunities and meet the challenges that Ireland may face over the next 10-15 years?

A principal reform we believe necessary is the adoption of the 'polluter pays' principle outlined above and that the taxation system (Dept of Finance) would adopt greater flexibility to 'ring-fence' specific revenues raised that have the real capacity, if given to dedicated resources, to ease the financial burden of alcohol related harm to the state, and allow dedicated sustainable funding to be draw to areas of the greatest need.

In the context of alcohol levies, the principle of dedicated revenues is not unusual in other countries. For example, New Zealand applies a levy on all alcohol and is tiered according the strength of the product.

Additionally, in our view all alcohol excise duties must be linked to the Consumer Price Index to ensure that alcohol affordability is not increased. This is common practice in other countries and in Australia, for incident, the CPI review twice annually.

Chapter 2 - Fiscal Sustainability

1. What reforms to the taxation and welfare systems should be considered to ensure the system is sustainable and resilient and that there are sufficient resources available to meet the costs of public services in the medium and longer term?

In our view, the introduction of specific levies on all alcohol economic operators is necessary to ensure sustainable and resilient resources are gathered to meet the costs of timely public services, such as alcohol treatment or child and adult psychology services, and meaningful preventative programmes.

Please specify welfare reforms you consider important:

AAI do not wish to express any views on welfare reforms, other than to highlight that while estimates are now somewhat out of date, the Regulatory Impact Assessment provided to the Oireachtas on the Public Health Alcohol Bill 2015, outlined that the cost of lost output due to alcohol related absenteeism annually was €195m, and the cost of alcohol related accidents at work was €185m.

Furthermore, in the 2018 HSE/TCD 'Untold Story' research report, its authors outline "one in seven (14%) workers reported experiencing problems due to the drinking of co-workers. Two of the work-related harm items (extra hours worked, days off) allowed for an estimation of the economic cost of the negative effects in the workplace from the drinking of others."

3. Given approaching demographic pressures and future uncertainties, future funding of public services is a critical issue. In order to meet these challenges, what is the appropriate balance between the taxation of a) earned income, b) consumption e.g. VAT and c) wealth e.g. capital acquisitions tax?

As an NGO focused on creating a society free from alcohol harm, AAI does not hold an informed position to contribute to this question.

Chapter 8 - Public Health

1. How well do the taxation and welfare systems support good public health outcomes, addressing health challenges including but not limited to those caused by or related to tobacco and alcohol use, obesity, poverty and/or environmental issues?

In our view, the taxation system could better support good public health outcomes, addressing harms caused by alcohol to both the individual users and others.

Ireland's Public Health Alcohol policy as defined with the National Substance Misuse Strategy (2012), debated across the Oireachtas (2015-18) and enacted within the measures of the Public Health Alcohol Act October 2018, recognises the burden to all society from our excessive levels of alcohol use, aims to reduce alcohol use by 20% over a seven-year period (aligning to a previous 2013 OECD recorded average: 9.1 litre per capita (2018: 8.68 litres)), and seeks to curb the inextricable capture of a new generation, by establishing statute controls on the central drivers of alcohol consumption: price, promotion and availability, and ensure citizens are accurately informed of the risk from use to their health and wellbeing.

Ireland's alcohol excise taxes broadly reflect the common provisions for alcohol products under EU law: Directive 92/83/EEC, amended by Directive (EU) 2020/1151, applicable from 1 January 2022, which enables a hybrid system of taxation between unitary and specific (volumetric).

The OECD in its health policy study "Preventing harmful Alcohol Use" states: 'there is strong evidence to support the inverse relationship between prices of alcoholic drinks and consumption'.

In 'normal' pre COVID times an estimated 65% or two-thirds of all alcohol use in Ireland was purchased from the off-trade. This alcohol retail marketplace, since the abolition of the Groceries Order 2005, has been characterised by a hyper competition amongst retailers, supported by the producers, to severely discount alcohol. This action at that time was lauded as 'a liberating day for competition policy' but little consideration was given to the downstream public health consequences.

This practice, as demonstrated by the OECD, has ensured alcohol affordability in Ireland has broadly doubled in the last two decades (<https://stat.link/gzonmy>) and encouraged heavy episodic 'binge' drinking amongst young people - see trends in alcohol affordability for young people 2013-18 (<https://stat/link/x9n15l>)

In our view, the widespread availability of cheap alcohol in Ireland has driven harmful alcohol use and exacerbated existing health inequalities. The Alcohol Action Ireland off-trade price survey, conducted annually, has consistently shown that one could purchase a volume of alcohol - consistent with DoH/HSE low-risk weekly alcohol guidelines for adults - for less than 80% of the hourly minimum wage rate (50% for women guided by a lower alcohol threshold).

Furthermore, alcohol excise taxes have remained unchanged since 2013, and in the period since 2000, there have only been three alterations to the rates.

Since the introduction of the euro (2002), excise tax rate on beer, for instance, has increased by 13.48% while the Consumer Price Index inflation figure for the same period stands at 33.1% (CSO).

It is anticipated that the commencement of Section 11 of the Public Health Alcohol Act (minimum pricing for alcohol products) will alleviate some of the most egregious commercial practices and, over time, could contribute a modest 8% reduction in population alcohol use. However, more can be done within a reformed taxation system.

2. What changes would you like to see to better promote the goal of good public health? In our view, while progress is being made to improve public awareness of the risk from alcohol use, and provisional Revenue data (H1, 2021) show tentative signs of a consumption reduction, as a society we remain enthralled to a substance that is directly responsible for three deaths every day; a healthcare demand that requires 11% of all health expenditure and contributes to over a 1,000 cases of cancer diagnosis annually.

In 2019, pre COVID conditions/restrictions, Ireland's alcohol use was measured at 10.78 litre per capita (>15 years old)

There is no level of drinking that is without risk. Low-risk drinking reduces the risk of alcohol-related problems. Adherence to Department of Health/HSE weekly low-risk alcohol guidelines would reduce population alcohol use to 7 litres or a 35% reduction on current levels of consumption.

The Health Research Board (2019-20 Irish National Drug and Alcohol Survey: Main Findings (2021)), has found that there are 2,904,000 current drinkers in Ireland; 39% engaged in heavy episodic drinking at least once per month, while the prevalence of alcohol use disorder (AUD) in the general population was found to be 14.8% corresponding to one in seven or 578,000 adults in Ireland.

The highest prevalence of AUD was observed among female drinkers aged 15-24 years (38%) followed by male drinkers 25-34 years (37%).

A recent research paper 'Modelling the impact of increased alcohol taxation on alcohol-attributable cancers in the WHO European Region' (Kilian et al, 2021: <https://www.sciencedirect.com/science/article/pii/S2666776221002106>) estimated the number of potentially avoidable cancers in countries of Region in 2019 for scenarios in which current excise duties on alcoholic beverages were increased. While differing tax interventions had notable outcomes, by doubling excise duties one could prevent 1,086 female breast cancer deaths, every year.

With many economic analysts and influencers advancing the primacy of a dynamic talent strategy to drive Ireland's global competitiveness, once sustained by a unique corporate tax position, Alcohol Action would ask:

how can we not tackle our troubled engagement with alcohol use, the scale of the harm endured and the immeasurable cost to our economy and society of lost creativity, enterprise and human potential?

Much can be done, and while this consultative forum is not the place to expand on the many alcohol preventative and treatment programmes that are necessary, what we would wish the Commission to consider are a number of changes that establishes dedicated sustainable resources for timely services and innovative programmes and research, and closes public funding to the alcohol industry.

Three principal proposals:

- Establish an Alcohol Harm levy on all alcohol revenues
- Re-establish an alcohol excise tax regime annually adjusted for inflation.
- Disestablish alcohol industry from all public tax reliefs and subvention.

More widely, and reflecting some recent work from the Center for Global Development (USA: <https://www.cgdev.org/>) that explored 'Meeting the Global Health Challenge to Reduce Death and Disability from Alcohol, Tobacco, and Sugar-Sweetened Beverage Consumption with Corrective Taxes', AAI would reiterate that real ambition is now required and that Ireland can reap substantial macroeconomic benefits from better health by pursuing a progressive tax regime on alcohol.

Chapter 10 - Submit Your Ideas

1. Taking into account the Terms of Reference, submit any other thoughts, ideas or feedback on taxation and welfare in Ireland:

AAI will take the opportunity to briefly expand on the three themes outlined

- **Alcohol Harm levy on all alcohol revenues.**

In our view, an Industry funding levy should be established. The purpose of this levy is to fund the cost of public preventative programmes and treatment services.

In our Budget submissions to the Minister of Finance in recent years we outlined how adequate resources could be gathered to meaningfully address the paucity of public alcohol interventions and services.

In our 2022 submission, AAI outlined a two-tiered approach to such a levy - 1% on the On-trade, and 2% on the Off-Trade sales revenues - mindful of the on and off-trade split, this could yield €99m annually.

In New Zealand, the alcohol-related work at Health Promotion Agency is funded from a levy on alcohol produced or imported for sale in New Zealand.
(<https://www.hpa.org.nz/levy-on-alcohol>)

Collecting a levy at the same point as alcohol excise tax has a certain economy to its operation.

Additionally, AAI is mindful that government is likely to pursue a significant modernisation of licensing laws and application processes in the immediate term. It is our view that an appropriate fee/levy should also be placed on the applicant and holder of any alcohol licence, reflective of the harm arising and the impact to public health facilitated by even greater availability of alcohol.

- **Re-establish an alcohol excise tax regime annually adjusted for inflation.**

The OECD in its report 'Preventing Harmful Alcohol Use' 2021 recognises that alcohol pricing is a key method used to reduce consumption and highlights the impact of not having alcohol excise tax adjusted for inflation: "The impact of an alcohol excise tax decreases over time if it is not adjusted for inflation. Failing to adjust for inflation can exacerbate existing health inequalities."

The OECD reports that one-fifth of all OECD countries periodically adjust alcohol taxes for all beverage types. Four Member States of the European Union: Italy, France, Spain and Belgium, have alcohol taxes adjusted for inflation and all hold a significantly lower index of alcohol affordability than Ireland. Each of these countries also have lower alcohol use per capita than Ireland.

Additionally, the WHO Europe's: Alcohol Pricing in the WHO European Region (2020) report, while supporting the use of specific taxation i.e., tax payable is directly proportional to the alcoholic content, to reduce alcohol consumption and associated harm, also recommends that 'alcohol taxes should be directly linked (indexed) to inflation to prevent the affordability of alcohol increasing over time".

While minimum unit pricing will impact on the price of the cheapest, strongest alcohol products, inflationary pressures since it was first proposed in 2013 have eroded its efficacy and will enhance alcohol affordability unless regularly reviewed.

While AAI anticipates modest reductions in alcohol use in the medium term with full implementation of the public policy within the Public Health Alcohol Act, which will impact on state revenues collected, ensuring rates alignment with inflation provides some certainty to receipts forecasting.

AAI strongly recommend that the Commission examine this matter further.

- **Disestablish alcohol industry from all public tax reliefs and subvention.**

In our view the Commission should, in recognising the objectives of public health alcohol policy that seeks to reduce alcohol use and related harm, encourage a rational approach that enables the State to cease subsidising the production and sale of alcohol while advancing public health policy objectives .

An overview of the Microbrewery relief shows a state subsidy to alcohol producers of over €6 million annually: in excess of €30million since commencement. Additionally national and local enterprise agencies, continue to fund and invest in alcohol producers: €4.516 million between 2018 and 2020.

By comparison, the HSE public facing campaign device to reduce harmful alcohol use 'Ask About Alcohol' spent €54,245 in 2020 and the budget for 2021 was €67,000. (PQ 45228/21)

Alcohol Action Ireland
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