

Impacts of excise tax raise on illegal and total alcohol consumption: A Thai experience

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Aim: In 2007, the Thai government raised the excise taxes of brandy, blended spirits and white spirits to reduce alcohol consumption. The study objectives were to explore the consumption of illegal white spirits, and estimate the price response on total alcohol consumption at the national level, after 2007 taxation policy.

Methods: Consumption behaviour of illegal white spirits was surveyed 6 months after the taxation policy in two rural communities, with and without traditional production of white spirits. The quantity of total alcohol consumption was estimated for a year after taxation using baseline consumption based on the third National Health Examination Survey, market prices surveyed by the Bureau of Trade and Economic Indices and price elasticities for the demand.

Findings: After raising the alcohol taxes, the spirits prices increased within 2 months. From the community survey, illegal white spirits consumption was prevalent only in the community with a production. At the national level, estimated increase in this consumption was very small. Estimated total alcohol consumption slightly decreased when taking into account substitution effects among beverages.

Conclusion: The impact on illegal white spirits consumption is not a significant issue. Raising the taxes of the distilled spirits together with their taxed

substitutes should be considered for future policy option.

INTRODUCTION

The total per capita consumption (both recorded and unrecorded) of alcoholic beverages in Thai adults is 8.47 litres of pure alcohol (LPA) based on the World Health Organization (WHO) Global Status Report; this is rank 42 in the world. Two litres of this per capita consumption are estimated to be unrecorded (World Health Organization (WHO), 2004). The top two consumed alcoholic beverages are white spirits (the Thai colourless distilled spirits) and beer, which accounted for 49.4% and 22.0% of total alcohol consumption, respectively (Sornphaisarn et al., 2009). White spirits have long been consumed by Thai people and are produced locally in rural communities. Because of the relatively cheap prices, these alcoholic beverages are most consumed by people living in the rural areas who have low income or low education level (Laixuthai, Na Ayudhaya, & Poshychinda, 2001).

Before 1990, alcohol production in Thailand was monopolistic under a concession system. To earn the revenue from alcohol taxation, the government used to prohibit the home production of white spirits. However, in 2003, the government announced a traditional beverage legalization policy to permit this