



**Is fulfilling the requirements of the alcohol industry, the official duty of the Excise Department of Sri Lanka?**

Considering excise duty as government revenue is an outdated economic method, and the amount obtained by calculating the amount of money obtained from excise duty cannot be regarded solely as government revenue. The gap between the excise duty and the cost borne by the government due to health, economic and other consequences resulting from alcohol use should be calculated to scientifically determine whether excise duty is an actual revenue to the government.

A study conducted by the World Health Organization (WHO), Sri Lanka, the National Authority on Tobacco and Alcohol (NATA) and the Ministry of Health revealed that the excise revenue received in 2015 was LKR 105,234 million, while the health and economic loss incurred on the government due to alcohol consumption within the same year was LKR 119,660 million. Therefore, these study findings emphasize the fact that considering only the excise duty with regard to government revenue is a narrow economic vision in terms of economic development, but rather, considering the economic loss due to alcohol use is more effective. This method is currently used in developed countries and these countries focus on gradually reducing alcohol usage in the country, while introducing correct alcohol taxation systems.

For every 10 seconds, alcohol use causes 1 death globally. The decline in alcohol use within a country has been identified as a main factor which reduces the number of deaths and diseases in that country. According to the World Health Organization (WHO), alcohol taxation and pricing policies are among the scientifically proven most effective and cost-effective alcohol control measures. An increase in excise taxes on alcoholic beverages is a proven measure to reduce harmful use of alcohol, while reducing initiations, and it further provides governments revenue to offset the economic costs of harmful use of alcohol.

In year 2022, the alcohol industry increased the prices of their products, providing the reason as increased production costs. The government did not establish policies to increase excise tax in parallel with the price increase in alcohol products, which led to a large revenue loss from excise duty to the government.

From the last budget, the government decided to increase the excise duty on alcohol by 20% from the initial amount. At present, it is clear that the intention of this decision, which was to increase the government revenue and discourage alcohol use among individuals is gradually being achieved.

Under such circumstances, the proposal by the Excise Department to reduce excise duty, mentioning that the sales of alcohol companies have gone down, which is being broadcasted through media is questionable. The reasons for the proposal have been presented as the loss suffered by the alcohol companies and the increase in illicit alcohol use.

Therefore, it seems that the current responsibilities of the Excise Department are as follows:

- Increasing profits of alcohol companies.
- Reducing prices of legal alcohol, to control the illicit alcohol market.

None of the above should be the responsibilities of the Excise Department, but they should focus entirely on taking necessary steps to increase excise duty and collaborate with the Sri Lankan Police, to control and act against the illicit alcohol industry.

Even if the responsible parties try to emphasize the fact that excise duty brings the largest revenue to the government, according to records of the Central Bank of Sri Lanka, only a small revenue percentage of 11% is contributed by the excise duty. Even this cannot be considered as a revenue to the government at a period where the country lies at a difficult economic juncture. According to the findings of the above-mentioned study in 2015, when the government earned LKR 288.31 million a day from excise duty, the economic loss due to consequences of alcohol use was 327.86 million.

Taking action for alcohol control is always advantageous for a country, while it provides disadvantages for the alcohol industry. Therefore, the Alcohol & Drug Information Centre (ADIC) firmly states that the duty of the responsible government officers should be effectively implementing government alcohol control policies, rather than answering to the requirements of the alcohol industry.

**Alcohol & Drug Information Centre (ADIC)**

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