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ADIC Media Release

What are the consequences of implementing the Excise Commissioner General's proposal to introduce low-priced alcohol?

Three main points were raised during a media briefing held by the Commissioner General of the Excise Department recently:

1. Introducing a legally and properly produced, low-cost alcohol bottle to reduce the use of illicit alcohol.
2. Enabling the government to obtain the tax revenue lost due to the use of illicit alcohol.
3. Introducing a low-cost alcohol bottle to minimize the health harms associated with illicit alcohol and protect the health of those who consume it.

The Alcohol and Drug Information Center (ADIC) emphasizes that this proposal by the Commissioner General of Excise is unsupported by scientific evidence and will in no way achieve its intended goals.

We confirm, through the following facts, that the Excise Commissioner General's proposal does not achieve its desired objectives:

1. It is a myth to claim that illicit alcohol can be controlled by reducing the price of legal alcohol.

If any product exists in a market, there will be legal or illicit alternatives sold at a lower price than the original product. Otherwise, there would be no demand for such alternatives.

The price of moonshine or any other illicit alcohol will always be maintained at a lower price than legal alcohol. If, as suggested by the Excise Commissioner General, a low-priced alcohol bottle is introduced into the market, the price of illicit alcohol will be lowered further to remain relevant in the market.

Therefore, it is a myth to claim that illicit alcohol can be controlled by reducing the price of legal alcohol. Moreover, this opinion is a falsehood propagated by the alcohol industry.

Recent history has also proven this to be a myth. In 1996, the former finance minister made a similar claim and reduced beer taxes by more than 50% to control legal alcohol. The result was a more than 200% increase in beer consumption. If the former finance minister's objectives had been achieved at that time, this discussion would not be happening again.

2. It is another myth that introducing a low-priced alcohol bottle can recover the tax revenue lost to the country through illicit alcohol.

Introducing a low-priced alcohol bottle, as proposed by the Excise Commissioner General, will cause consumers of higher-taxed legal alcohol to shift to the cheaper option. This shift will significantly reduce the government's tax revenue from alcohol.

Additionally, this proposal will encourage youth to initiate alcohol consumption.

3. It is yet another myth to claim that introducing a low-priced legal alcohol bottle can minimize the health harms associated with illicit alcohol use.

Introducing a low-priced legal alcohol bottle will increase the purchasing power of legal alcohol consumers, leading to higher alcohol consumption rates. Simultaneously, the reduction in illicit alcohol prices to match the legal option will also result in increased consumption of illicit alcohol.

Consequently, the third objective of the Excise Commissioner General will also not be achieved. Increased alcohol consumption will negatively impact users' physical and mental health, disrupt family happiness and unity, and cause adverse consequences for individuals, society, and the country as a whole.

This situation will lead to both short- and long-term increases in the country's healthcare costs and directly reduce the productivity of the workforce.

According to the latest studies conducted by the World Health Organization (WHO), it has been scientifically proven that there is no safe limit for alcohol consumption. Non-communicable diseases (NCDs) cause 8 in 10 preventable deaths globally, and alcohol use is among the four main causes of NCDs. Increased alcohol consumption in a country has been linked to higher mortality rates and heart disease prevalence.

In Sri Lanka, alcohol consumption kills 50 people daily, amounting to approximately 20,000 deaths annually.

Last year, alcohol taxes were increased twice, by 20% and 14%, resulting in an increase in government excise tax revenue by Rs. 11.8 billion. According to the Excise Department, the excise tax revenue for this year has risen to Rs. 232 billion—the highest in history. Moreover, compared to 2022, alcohol consumption (measured in pure alcohol) decreased by 8.3 million liters in 2023. These factors have positively contributed to increased government revenue and reduced healthcare costs, benefiting the country in every way.

Although alcohol excise revenue is portrayed as a significant portion of the country's tax revenue, Central Bank reports indicate that alcohol taxes account for only 11% of Sri Lanka's total tax revenue. It is scientifically proven that even this is not an income, but an expenditure on a country. In 2022, alcohol tax revenue amounted to Rs. 165 billion, yet a 2023 United Nations Development Program (UNDP) survey revealed that the health and economic costs of alcohol consumption for the same year were Rs. 237 billion.

According to the World Health Organization, the recommended action for any country is to increase alcohol and tobacco taxes to control their usage. Scientific evidence from the WHO and other research organizations in this field confirms that the most effective best practice solution to reduce current alcohol consumption and prevent future initiation is to increase alcohol taxes.

We emphasize that the responsibility of the Excise Commissioner General is not to increase alcohol-related illnesses, destroy families, escalate road accidents, deprive children of happiness and freedom, or promote violence against women. Their responsibility is to control the prevalence of illicit alcohol by; collecting alcohol taxes correctly, identifying alcohol

products in the market that evade paying excise duties, holding fraudulent businessmen accountable, and taking steps to prevent such activities from occurring.

Furthermore, the Alcohol and Drug Information Center strongly emphasizes the need to prevent reducing alcohol prices under the guise of minimizing illicit alcohol consumption. Measures must be taken to avoid creating favorable conditions for alcohol companies to increase consumption, thereby entrapping citizens in the alcohol trap.

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