



Alcohol Taxation Trends in Sri Lanka

Due to the 20% increase in alcohol tax in 2023:

- Alcohol sales dropped by 8.3 million absolute liters, compared to 2022.
- Government revenue from alcohol tax was increased by Rs. 11.6 billion.

Following a further 20% increase (comprising consecutive increases of 14% and 6%) in alcohol taxation at the start of 2024:

- Alcohol sales dropped by an additional 430,000 absolute liters.
- While the government revenue increased further by Rs. 42.15 billion.

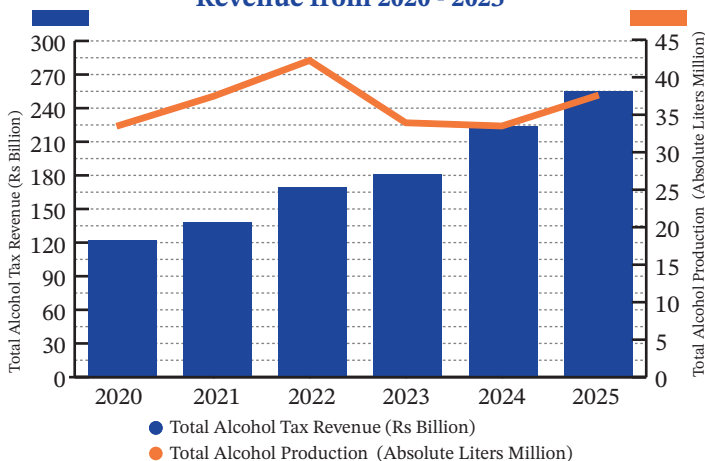
As recommended by the World Health Organization (WHO), alcohol taxation and pricing policies are among the most effective and cost-effective alcohol control measures. An increase in excise taxes on alcoholic beverages is a proven measure to reduce alcohol use and it provides governments revenue to offset the economic costs of alcohol use.

However,

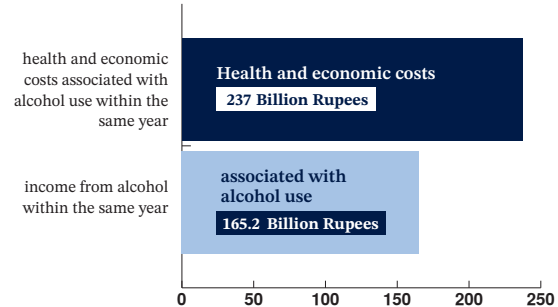
According to 2025 data, Beer production has increased by 5%, reaching 0.77 million liters, while hard liquor production recorded a rise of 17%, reaching 3.35 million liters, suggesting increasing consumption levels.

A key factor driving these trends is the lack of alcohol tax and price adjustments from the beginning of 2024 to the present. Without adjustments to reflect inflation and income growth, alcohol has become increasingly affordable over time. This rising affordability has directly contributed to higher production and increased government revenue, an outcome that reflects higher consumption rather than effective policy.

Alcohol Production and Excise Revenue from 2020 - 2025



The income from alcohol compared to the health and economic costs associated with alcohol use - 2022



Consequently, the health and economic costs associated with alcohol far exceed the revenue generated through alcohol tax, placing a substantial strain on the national healthcare system and overall economy.

In line with global best practices, the policy goal should be to reduce consumption while maximizing government revenue through higher and regularly adjusted alcohol taxation. This approach addresses the existing policy gap by reducing affordability, protecting public health, and ensuring sustainable revenue generation without incentivizing increased use.

Key recommendations:

- Establishing a system for specific taxation on alcohol, accompanied by an effective enforcement system which may take into account, as appropriate, the alcoholic content of the beverage.
- Increasing excise taxes on alcoholic beverages and regularly reviewing prices in relation to the level of inflation and income.
- Banning or restricting the use of direct and indirect price promotions, discount sales, sales below cost, and flat rates, ensuring effective implementation of the National Authority on Tobacco and Alcohol (NATA) Act.

Non-communicable diseases (NCDs) are the leading cause of death worldwide, while accounting for 83% of all deaths in Sri Lanka. WHO – NCD Country Profile, Sri Lanka, reveals that tobacco use and alcohol are among the 4 main risk factors that contribute to NCDs.

In Sri Lanka, alcohol use is responsible for the deaths of approximately 50 individuals per day, amounting to around 20,000 deaths annually.

Sources:

Investment Case for Alcohol Control in Sri Lanka UNDP
Central Bank of Sri Lanka
Excise Department of Sri Lanka

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