

## Alcohol, No Ordinary Commodity: Its Tax Implications for Thailand

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to Celebrate Its 39<sup>th</sup> Anniversary  
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## Agenda for the Study

- I. Introduction – Fact & Puzzle
- II. Alcohol, no ordinary commodity
- III. Alcohol Industry Overview in Thailand
- IV. Alcohol Tax Evolution: Past, Current and Future after AFTA & AEC
- V. Potential tax leakages and Policy Implications



## Alcohol, No Ordinary Commodity: Fact & Puzzle – The Big Business

- Alcohol is one of the **oldest** (9,000 yrs old) beverages and reputed for some **health benefits**, if taking in moderation.  
>>>> 2, 3, 4 >>>>
- 2 types of alcohol – Ferment & Distilled are divided by 15 degree line because natural limit of 15% ABV as most yeasts cannot reproduce beyond this level.
- Beer is the **3<sup>rd</sup>** popular drink in the world after water & tea.
- The largest alcoholic beverage firm in Thailand pay more the **4%** of fiscal budget.
- More than 30,000 people directly employed by Alcohol Industry and **100,000+** more people indirectly by related industries.



## Alcohol, No Ordinary Commodity: Fact & Puzzle – The Health Concern

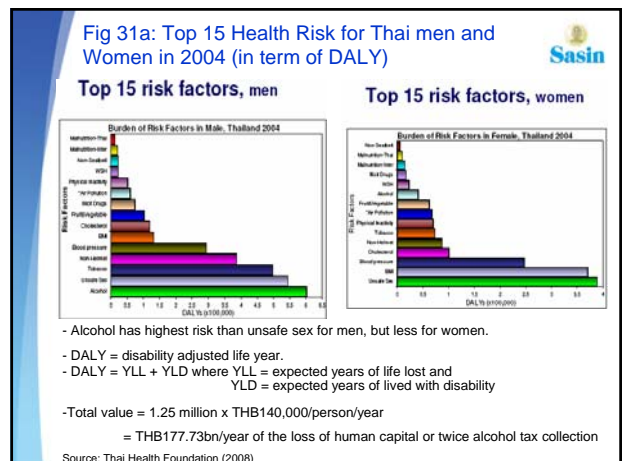
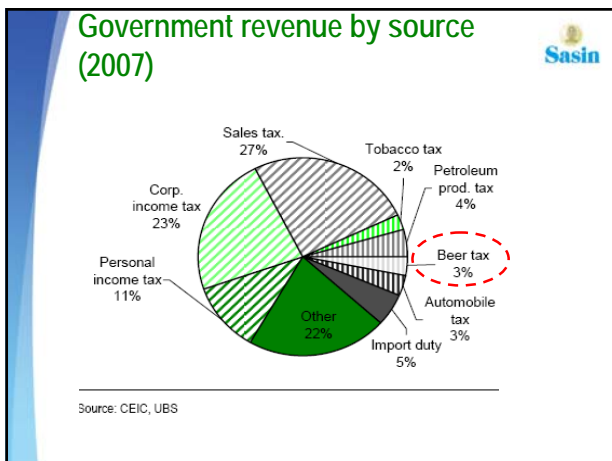
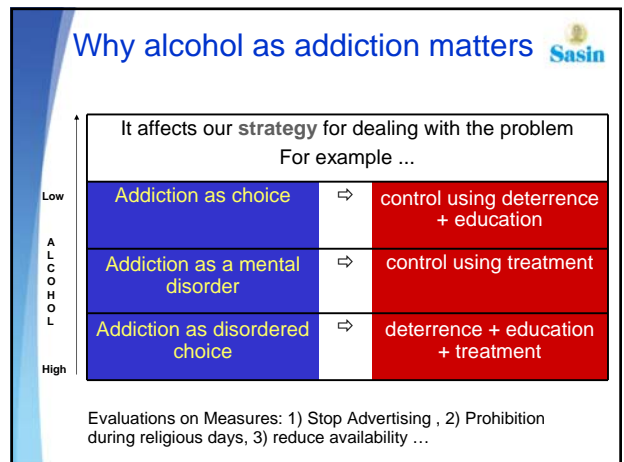
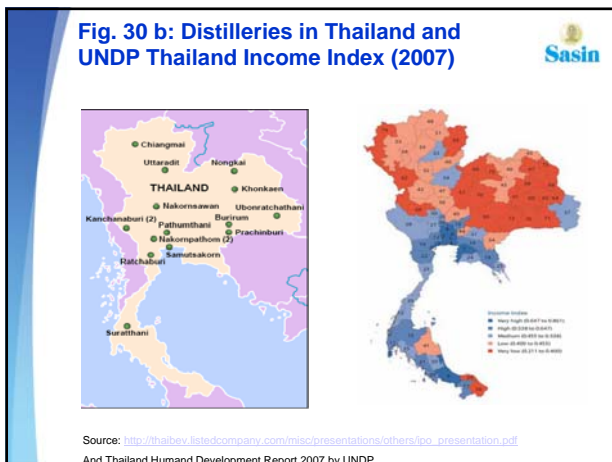
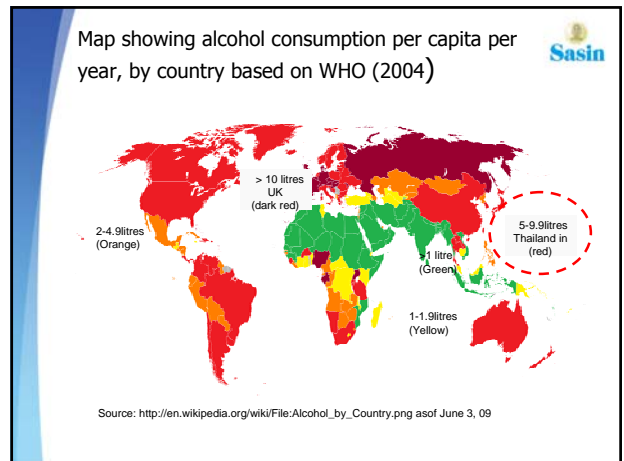
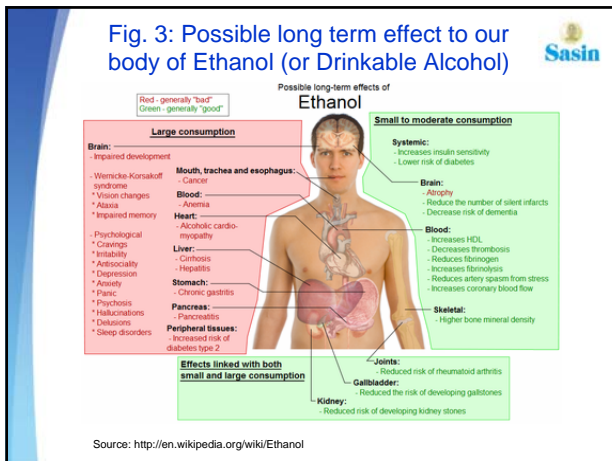
- In UK, one people die from heroin every 2 days, but die from alcohol related every 20 minutes.
- **Thailand** is the **5<sup>th</sup>** largest alcohol consumption per capita in the world, just behind UK.
- Alcohol is practically **addictive substance** that can cause brain disease beyond reasonable doubt if consume excessively.
- Alcohol is generally associated with **poverty**.
- Alcohol industry is typically **"a natural monopoly"** due to its high political involvement and economy of scale, but **"freely operated"** in Thailand.

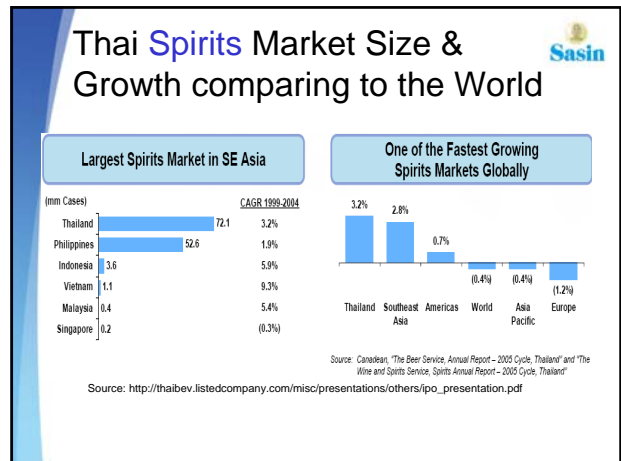
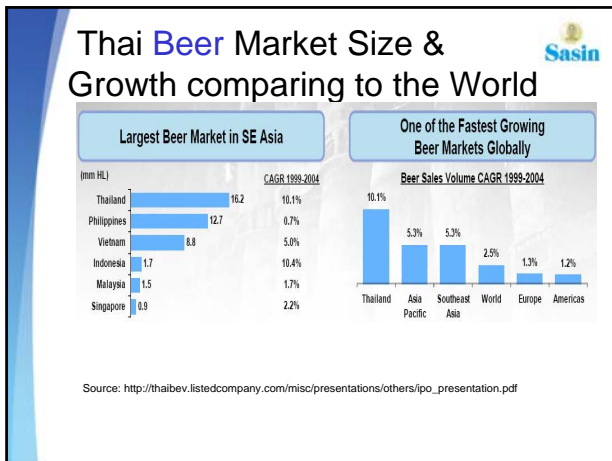


## Alcohol, No Ordinary Commodity: Fact & Puzzle – Tax Issues

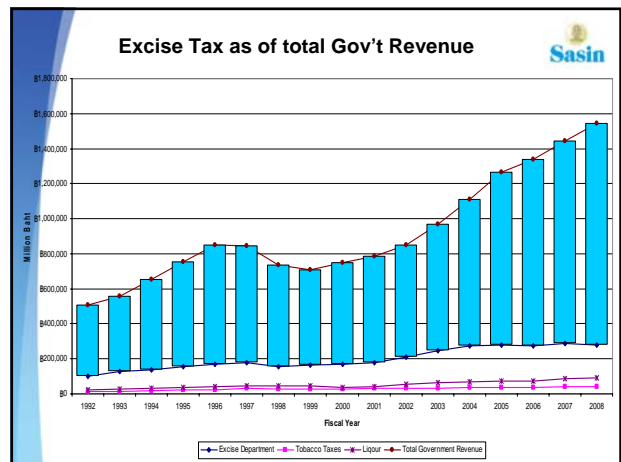
- **The more we hike tax rate, the more people consume more alcohol per capita..Why ?**
- Thai obsolete tax structure that **amplifies** the price disparity encourage people to drink cheap beverage with high alcohol content.
- Over 10,000 tons of Alcohol smuggling per y ear and 90% of community "white spirit" production are estimated to pay no-tax. (Dr Nipon)
- **Every baht that we collect**, we has to pay roughly **two baht** in health related and social costs.







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### Excise Tax Revenue, YTD 2009

Fig. 15 Excise Tax Revenue statistics include all types of Excise Department\*A2 Fiscal year 2008 - Monthly October 2008 - January 2009

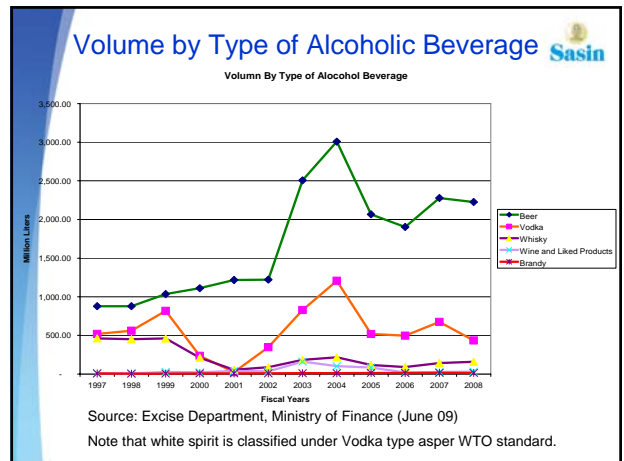
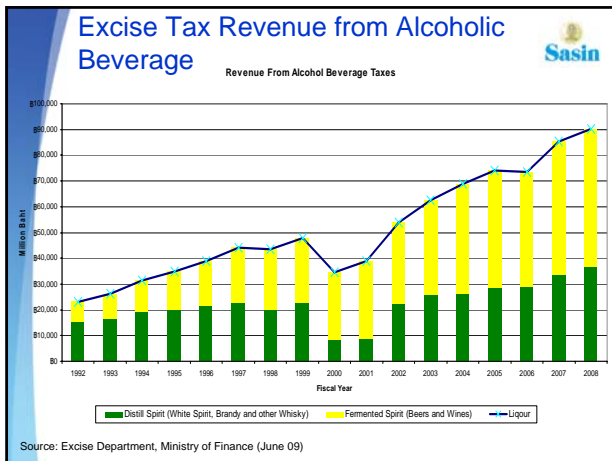
No.	Income categories	Collected FY to date Oct 2008- Jan 2009	Collection last Fiscal Year Oct 2007- 2008
1	Taxes and fuel oil products.	6,730.03	25,387.45
2	Tobacco taxes.	13,463.96	14,090.88
3	Alcohol taxes.	11,741.36	12,424.09
4	Beer tax.	16,884.13	19,043.00
5	Motor vehicle tax.	1,458.43	47,049.36
6	Beverage tax.	3,790.52	3,942.91
7	Tax electrical	1,027.09	1,142.68
8	Motor vehicle tax.	611.29	501.65
9	Duty battery	603.66	617.13
10	- Tax Services - racecourse	24.83	30.72
11	- Tax Services - Golf Course	139.9	158.95
12	Tax incentive products	64.36	50.68
13	Tax glass and glassware	13.03	26.84
14	Tax beverage	12.29	19.63
15	Tax card	7.85	9.7
16	Tax ship	0	0
17	Tax break of atmospheric	2.78	1.7
18	Tax marble and granite.	0	0
19	Miscellaneous income.	176.99	170.70
20	Total	72,283.52	95,458.67
21	Tax nightclub and discotheque	31.31	40.01
22	Tax bathing facilities.	56.96	66.98
23	The lottery tax	0	0
24	Telecommunications tax affairs.	86.97	108.97
Total		72,370.49	95,668.74

Note: Data as at 27 February 2009.  
Source: Excise Department, Thailand.

### Alcohol Tax Structure, as of March 2009

Type of Spirits	Excise Tax		Local (%)	VAT (%)	Thai Health (%)	Thai PBS (%)
	Ad Valorem (%)	Specific Tax (baht/litre*)				
<b>1. Fermented (Tax ceiling)</b>	<b>60</b>	<b>100</b>				
1.1 Beer	60	100	10	7	2	1.5
1.2 Wine and Wine Sparkling	60	100	10	7	2	1.5
1.3 Local Fermented Spirit	25	70	10	7	2	1.5
1.4 Other than 1.1-1.3	25	70	10	7	2	1.5
<b>2. Distilled Spirit (Tax ceiling)</b>	<b>50</b>	<b>400</b>				
2.1 White Spirit	50	120	10	7	2	1.5
2.2 Blend Spirit	50	300	10	7	2	1.5
2.3 Alcohol Spirit	50	400	10	7	2	1.5
2.4 Special Spirit						
(1) Brandy	48	400	10	7	2	1.5
(2) Whisky	50	400	10	7	2	1.5
(3) Other than (1) and (2)	50	400	10	7	2	1.5

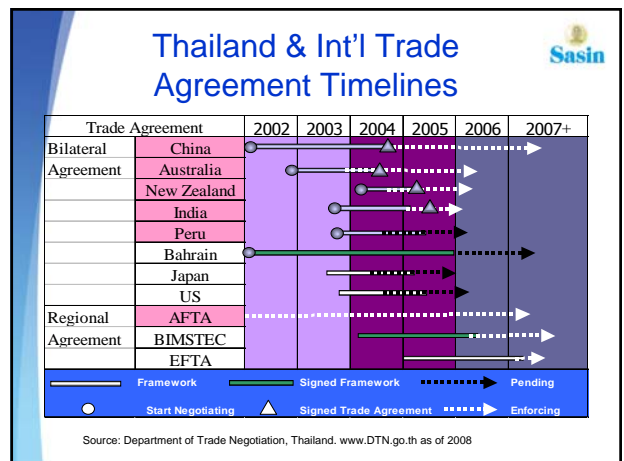
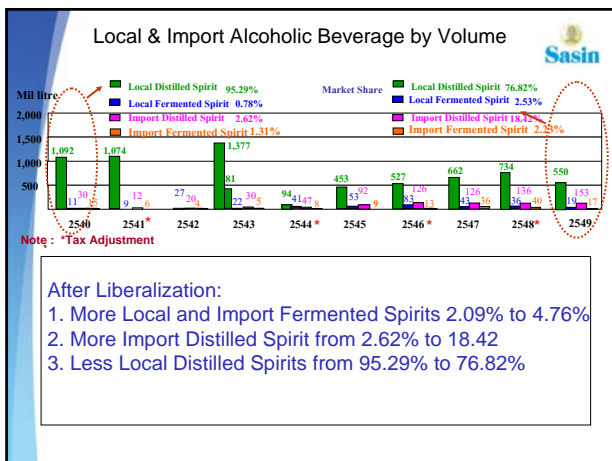
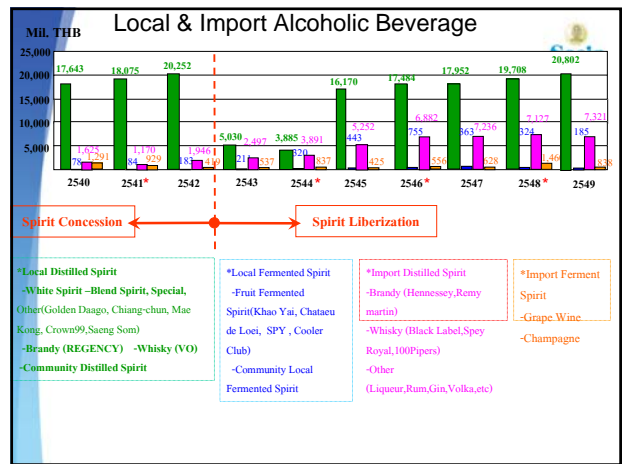
Note \* litre of Pure Alcohol ; \* Red - Tax Ceiling  
\*Chose either Ad Valorem Tax or Specific Tax rate at which ever is higher.  
Source: Excise Department, Ministry of Finance as of May 2009

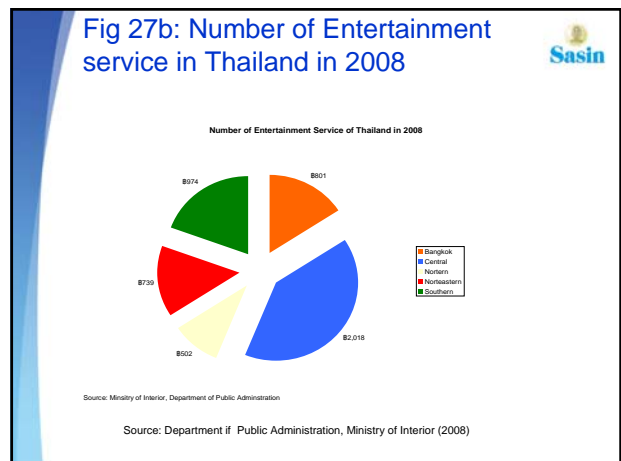
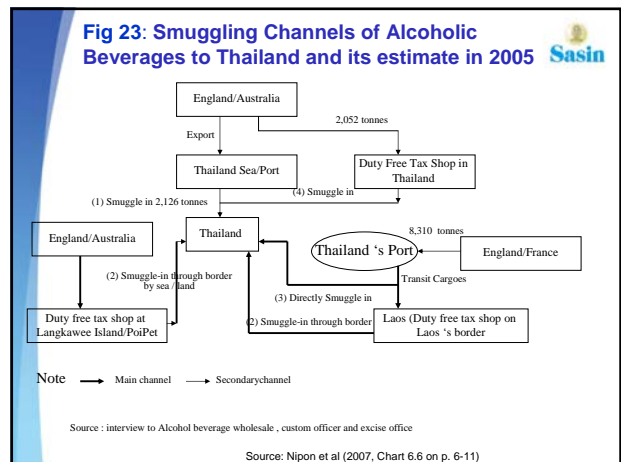
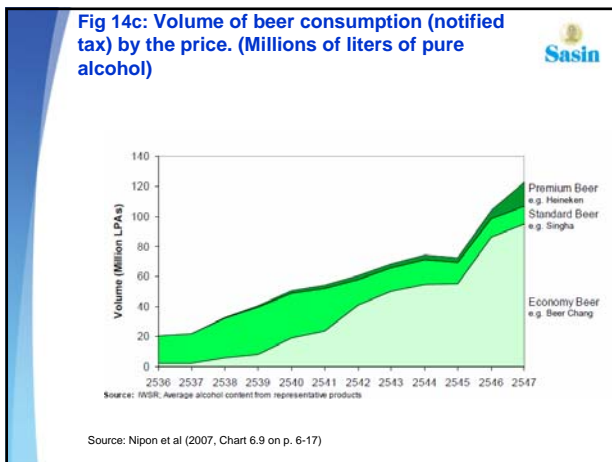
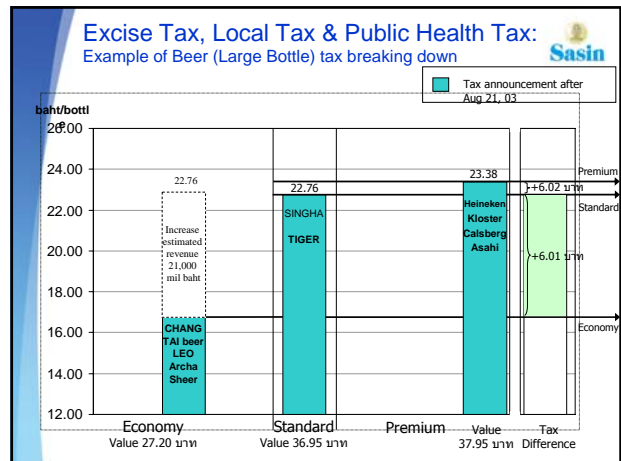
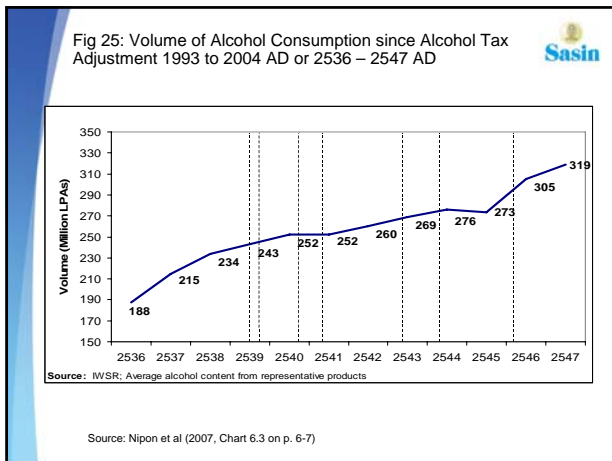


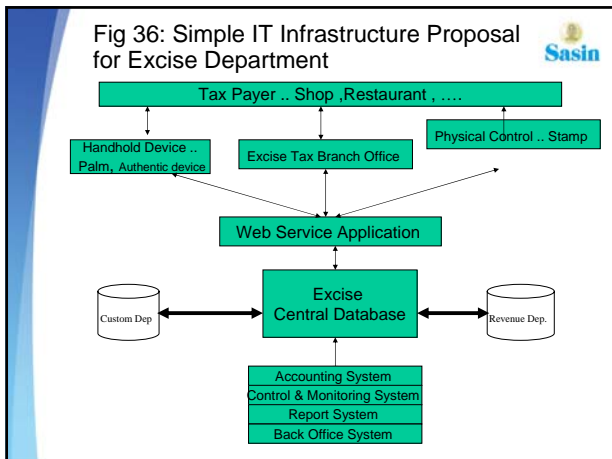
### Alcoholic Produce in Thailand (2004)

Type of Alcohol drink	Number of Producer		Sample Brand
	Import	Local	
1. Fermented Spirit			
1.1 Beer		SINGHA, CHANG, HEINEKEN	
1.2 Wine and Wine Sparkling		Chateau De Laif, Khao Yai, Bile 2	
1.3 Local Fermented Spirit	13 cases	33 major cases 142 community cases	U. Sathu, Krachao
1.4 Other than 1.1-1.3		SPY WINE COOLER	
2. Distilled Spirit			
2.1 White Spirit		White Spirit 28 30 35 40 Degree Brand Ruang Khan 28 degree Community Distilled Spirit	
2.2 Blend Spirit	6 cases	25 major cases 4232 community cases	Chiang-chun, Shinghong, Golden Dragon, Shark Tiger, Bann Gai Lam, First Tiger, Golden Kawan Mac King, Crown 99
2.3 Alcohol Spirit		REGENCY, Haseopy	
2.4 Special Spirit		100 Pipers, J.W. Black, Red, Chhru, Jpey Royal Yodka, Cia, Ruan Bille, Master Mend, Jangpoom	

Note : pink - local spirit, green - import spirit







### Conclusion (1)

- Alcohol industry is a big business that generates jobs and revenue for our economy at high social cost.
- Outdated Tax structure has de-merited incentive for Thai people to drink **cheap beverage with high alcohol content**. (Trade down Behavior).
- The more we hike the alcohol tax rate in the obsolete law, the more Thai people drink alcohol !?!**

### Conclusion (2)

To earn additionally THB30bn tax per year and to improve overall social welfare, we recommend

- **1<sup>st</sup> best solution:** is to have tax rate that is according to alcohol content by **amending its law**.
- **2<sup>nd</sup> best solution** is to have **synthetic volume based rate** that is proportional to alcohol content with only MoF's directive.
- To modernize administrative system and **to digitalize the tax administrative process** to track, acquit & audit foregone taxes & its leakages in effectively & timely manners.

# END

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