

Comparative Analysis of Alcohol Excise Taxation and State Alcohol Policies in Russia and Germany

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ABSTRACT

The influence of excise policy on alcohol consumption has been a focus of interest among Russian and international researchers. In Russia, the socio-economic effects of alcohol abuse are as damaging to the country as its health effects. This problem can be addressed by stimulating a shift of consumer preferences from spirits towards low-alcohol beverages, such as wine and beer. The purpose of this study is to evaluate the efficiency of state alcohol policies, in particular the price and non-price measures, in Russia and Germany and the influence of these policies on alcohol consumption. Based on our research findings, we are going to devise recommendations for improvement of the state alcohol excise policies in these countries. The hypothesis is that for Russia, a feasible solution would be to readjust its alcohol excise policy by increasing the tax burden on spirits and reducing the burden on low-alcohol beverages, which would change the price structure for different kinds of alcohol products. The research methodology involves the analysis of the current state and characteristics of alcohol excise taxation in Russia and Germany, the measures of the state alcohol policies implemented in these countries and their influence on tax revenues and alcohol consumption. We also conducted comparative analysis of the restrictive measures of manufacture, distribution, sale and consumption of alcohol products in Russia and Germany; the dynamics and types of alcohol excise rates in Russia and EU countries. Yet another question discussed in this study is the influence of restrictive measures, especially excise duties, on the amount and structure of alcohol consumption in Russia and Germany. Our study has shown the need to readjust the alcohol excise policy in Russia by taking into account the experience of Germany and other European states.

KEYWORDS

excise tax, alcohol beverages, alcohol policy, tax rates, alcohol consumption, price and non-price measures of state regulation

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Сравнительный анализ антиалкогольных мер в контексте государственной акцизной политики России и Германии

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АННОТАЦИЯ

Влияние государственной акцизной политики на потребление алкоголя вызывает растущий интерес как отечественных, так и зарубежных ученых. Злоупотребление крепкими алкогольными напитками в современной России формирует ряд негативных последствий и приводит к значительному бремени для

здравоохранения, экономики и общества в целом. Поэтому смещение потребительских предпочтений в сторону потребления слабоалкогольной продукции, вина и пива является крайне актуальной задачей. Целью данного исследования является анализ и оценка результативности мер государственной антиалкогольной политики ценового и неценового характера Российской Федерации и Германии и их влияния на потребление алкогольных напитков и разработка предложений по совершенствованию государственной акцизной политики по алкогольной продукции в этих странах. Гипотеза исследования состоит в том, что совершенствование акцизной политики по алкогольной продукции в Российской Федерации посредством увеличения фискальной нагрузки на крепкий алкоголь и сокращения налогового бремени по алкоголю с низким содержанием этилового спирта позволит изменить ценовую структуру различных видов алкогольной продукции. Методика исследования включала в себя изучение современного состояния и особенностей акцизного налогообложения алкогольной продукции России и Германии, а также мер государственной антиалкогольной политики и ее влияния на величину поступлений акцизного налога в бюджет и потребление алкогольных напитков населением этих стран. Проведен сравнительный анализ ограничительных мер, касающихся производства, реализации и потребления алкогольных напитков в России и Германии, а также величины, динамики и видов ставок, применяемых при налогообложении алкогольной продукции в России и в странах Европейского Союза. Проведено исследование динамики объема и структуры потребления алкогольных напитков в России и в Германии под влиянием мер государственного регулирования, в частности инструментов акцизного налогообложения и иных ограничительных мер. Обосновывается необходимость совершенствования государственной акцизной политики России в сфере налогообложения алкогольной продукции с учетом опыта Германии и стран Евросоюза.

КЛЮЧЕВЫЕ СЛОВА

акцизное налогообложение, алкогольные напитки, государственная политика по алкогольной продукции, налоговые ставки, потребление алкогольной продукции, ценовые и неценовые меры государственного регулирования

Introduction

Excessive alcohol consumption constitutes a substantial socio-economic burden for many countries. The World Health Organization (WHO) attributes 3.3 million deaths a year to alcohol misuse¹. In Russia, alcohol abuse has long been one of the most serious medical and social problems. According to the WHO, in 2008, registered alcohol consumption per capita (15 years and older) in Russia was 12.09 litres in pure alcohol. In 2016, this figure dropped to 8.42 litres per person. In Germany, registered alcohol consumption per capita (15 years and older) fell from 10.71 litres of pure alcohol in 2008 to 9.55 litres in 2016. Nevertheless, the level of alcohol consumption in both countries is still higher than the level recommended

by the WHO (not more than 8 litres per person per year).

In order to deal with the negative consequences of alcohol abuse, most countries adopt alcohol regulation policies. In the last decades, Russia has been tightening control over its alcohol market.

The Russian alcohol market is characterized by the following:

- relatively high level of overall alcohol consumption;
- large percentage of spirits in the alcohol consumption structure (spirits consumption more than twofold exceeds the recommended 'ideal' structure of alcohol consumption that is likely to result in minimum harm [1];
- considerable percentage of unregistered alcohol (up to 24% of total consumption)²;

¹ World Health Organization (WHO), Global Status Report on Alcohol 2004, Department of Mental Health and Substance Abuse, WHO, Geneva, Switzerland, 2004.

² World Health Organization (WHO), Global Status Report on Alcohol 2004, Department of Mental Health and Substance Abuse, WHO, Geneva, Switzerland, 2004.

- rigorous state control and regulation of manufacture and sale of alcohol, ban on alcohol advertising, restrictions on alcohol selling time and on the density and location of alcohol outlets.

Germany is a EU member country, which means that its excise taxation conforms with the European Commission's directives of 19 October 1992 as far as the list of taxable products and the tax rates are concerned (Directive 92/83/EEC and Directive 92/84/EEC)³. The alcohol market in Germany is characterized by the following:

- relatively high level of overall alcohol consumption;
- healthier alcohol consumption structure, prevalence of low-alcohol drinks (beer and wine account for 82%);
- considerable differentiation of excise tax rates for spirits and low-alcohol beverages;
- stimulation of beer and wine-making through lower rates of beer duty and a zero tax on natural wine;
- insignificant share of unregistered alcohol.

Since Russia and Germany have similar mentality and drinking cultures but different types of alcohol consumption, it is interesting to compare their price and non-price measures of state alcohol regulation and identify priority areas for improving their state alcohol policies.

In recent years, per capita alcohol consumption in Russia has started to decline while the share of low-alcohol drinks, especially beer, started to grow. In general, however, the national drinking habits in Russia, with spirits remaining the preferred type of drink, remain quite persistent. Abuse of hard liquors is a major source of such problems as the rising crime rates; social degradation; upsurge in premature deaths and alcohol-related health problems. Ensuring a radical shift of consumer preferences towards low-

³ European Commission. Taxation and customs union. Reading allowed: Tax information Communication database, 2019. Available at: https://ec.europa.eu/taxation_customs/business/excise-duties-alcohol-tobacco-energy/excise-duties-alcohol/excise-duties-alcoholic-beverages_en.

alcohol beverages such as wine and beer is an important task, which will contribute to the improvement of the demographic situation in the country, increase life expectancy, reduce mortality and encourage people to lead a healthier lifestyle [2].

The purpose of this study is to analyze and evaluate the efficiency of state alcohol policies in Russia and Germany, in particular the price and non-price measures, and their influence on alcohol consumption. Based on the research findings, we are going to devise recommendations for improvement of the state alcohol excise policies in these countries.

The hypothesis of this study is as follows. The readjustment of the alcohol excise policy in Russia by increasing the tax burden on spirits and reducing the burden on low-alcohol beverages will lead to changes in the price structure for different kinds of alcohol products. This, in its turn, will contribute to shifting consumer preferences from spirits towards low-alcohol beverages (wine and beer) and result in a reduction in the share of spirits in the overall alcohol consumption structure.

1. Literature review

Alcohol stands apart from other product types as its misuse is linked to a number of harmful consequences such as anti-social behaviour, growing crime and morbidity rates and, consequently, increased health care expenditures [3; 4].

Wagenaar et al. [5] showed the significant positive effects of public policies affecting the price of alcoholic beverages on alcohol-related disease and injury rates. The results of numerous studies of the efficacy of alcohol policies in the USA, Canada, Finland, Spain, Denmark, Switzerland and Russia show the positive impact of such measures on alcohol-related traffic fatalities [6–8], incidence of violence [9], and alcohol-related mortality [7; 10].

The global strategy to reduce harmful use of alcohol approved by the WHO in 2010 recommends national governments to restrict physical availability of alcohol. According to the WHO, the most cost-effective measures are the regulation of the number and location of retail alcohol

outlets, the hours and days during which alcohol may be sold; establishing a minimum legal age for consumption of alcohol; and restricting drinking alcohol in public places. The WHO's recommendations are supported by ample evidence showing that restrictions on physical availability of alcohol are in fact quite effective [4; 11].

Yet another impactful measure is pricing. Pricing strategies entailing a rise in the retail price of alcohol beverages are considered to be among the most effective in international practice. Excise taxation plays a key role in such strategies. There is research showing the importance of alcohol price regulation with the help of excise duties [12; 13]. An increase in alcohol excise taxes is a proven measure leading to a rise in prices and, consequently, a decline in alcohol sales and in drinking [14–16]. The relationship between excise taxes, retail prices and alcohol consumption in different countries has received a lot of scholarly attention [5; 17]. The negative price elasticity of demand for alcohol has been demonstrated by Wagenaar et al. [5], Mäkelä P. et al. [2018] and Razvodovsky Yu. [19].

State alcohol regulation has different aspects related to alcohol production and consumption, which have been studied extensively by research groups across the world. State seeks to regulate alcohol consumption, on the one hand, and, on the other, to increase its tax revenues. In order to balance these two goals, the government needs to devise an effective state policy to control production, distribution, sale and consumption of alcohol. The effectiveness of these measures has been discussed by Babor T. et al. [4] and Wagenaar et al. [5]. Substantial data on alcohol consumption and state alcohol policies have been collected for different countries, including Russia [20; 21]. It should be noted that judging by the available evidence, so far, the alcohol control policy implemented in Russia has been quite successful.

For each of the aspects discussed above, sufficient research data have been gathered. The influence of tax rate differentiation on alcohol consumption, however, still remains an underexplored question.

2. Research methodology

Our analysis of alcohol excise taxation and alcohol policies in Russia and Germany focused on the period of 2008–2017. Methodologically, this study uses comparative analysis of the contemporary state of alcohol excise taxation in Russia and Germany as well as price (through excise duties) and non-price measures (restrictions on physical access to alcohol) constituting state alcohol policies in these countries. We compared the restrictive measures used in both countries to control manufacture, distribution, sale and consumption of alcohol as well as the amount of excise taxes, tax rates and their overall dynamics in Russia and EU countries.

We analyzed alcohol policies in Russia and Germany by focusing on the instruments of excise taxation for the main types of alcohol beverages (spirits, beer, wine and other alcohol containing products).

In Russia, the category 'spirits' includes distilled beverages containing more than 9% ABV. The largest share in this category is held by vodka, but this category also comprises cognac, liqueurs, brandy, calvados, etc. The category 'beer' comprises beer above 0.5% and in the period of 2013–2016 in this category there were also included the so-called 'beer drinks', that is, beverages made by adding alcohol and beer-based beverages. Other alcoholic beverages with ABV below 9% include low-alcohol drinks such as *med-ovukha*, cider, perry, champagne and sparkling wine.

In Germany, the category 'spirits' comprises ethyl alcohol of any strength (including denatured alcohol), fortified wine, grape must, vermouth and other fermented drinks containing 22% ABV or more. The category 'champagne' (sparkling wine) includes beverages with ABV from 1.2% to 15%. Other alcoholic beverages (intermediate products) include such drinks as port, sherry and Madeira wine (aperitifs), of 1.2% to 22% ABV.

We also analyzed the dynamics in the volume and structure of registered adult alcohol consumption in Russia and Germany in 1963–2016, in particular the role played by excise taxation. We also used

the WHO data on the registered amount of alcohol consumed in these countries per year (in litres of pure alcohol per person (15 years and older)).

The data on the amount of excise taxes for different types of alcoholic beverages and tax rates were obtained from the websites of the Federal State Statistics Service (gks.ru), Federal Tax Service (nalog.ru), and the European Commission (ec.europa.eu). The data on alcohol consumption were provided by the web-site of the World Health Organization (apps.who.int). Methodologically, this study draws from Russian and international research and on the authors' previous works.

3. Results and discussion

3.1. Alcohol excise taxation in Russia and Germany

In Russia, the following types of alcohol excise duties are currently applied: excises on spirits with over 9% alcohol (vodka, cognac); on beer, cider, perry, medovukha, champagne and sparkling wine and other alcohol production with less than 9% alcohol. Taxes on beer, wine, champagne and sparkling wine are calculated based on the amount of alcohol sold (volume-based) expressed as roubles per litre while taxes on other kinds of alcoholic beverages are calculated per unit of absolute alcohol.

We should keep in mind that Germany is a EU member state and that indirect taxation is harmonized throughout the EU, which means that German excise legislation conforms with the EU legislation. Beer, wine (still and sparkling), intermediate products (e.g. port and sherry) and spirits (ethyl alcohol) are the main categories of taxable alcoholic drinks. It should be noted that the EU legislation only sets harmonized minimum rates, which means that EU countries are free to apply excise duty rates above these minima, according to their own needs. Since the harmonizing directives took effect in 1993, EU countries have been following common provisions regarding taxation of specific alcohol categories and the minimum tax rates.

In Germany, since 1993, excise duties have been levied on spirits (ethyl alcohol),

beer, sparkling wine and intermediate products (port and sherry). In 2005, Germany started to levy an additional excise duty on 'alcopops' – sweet beverages containing alcohol – to improve the protection of young people against the dangers of alcohol consumption. The alcopop duty is non-harmonized. Apart from Germany, it is applied only in two other EU countries – Denmark and France; it is also used in Switzerland. It should be noted that natural still wine in Germany is tax-exempt. Only sparkling wines are taxed at a rate per litre of beverage. For other types of alcohol beverages, including spirits, beer and intermediate products, the amount of tax depends on the content of pure alcohol in the product. Excise tax rates have remained unchanged in the 30-year period: the last time the rates were raised was in 1982, when they were increased by 30%.

Alcohol excise duties play an important role in excise taxation in Russia and Germany alike. There are, however, differences between the two countries in terms of excisable alcoholic beverages. For instance, while in Russia natural still wines are taxable, in Germany they are tax-exempt. Spirits and beer account for the largest shares in the structure of alcohol tax revenue both in Germany and Russia.

3.2. Comparative analysis of state alcohol policies in Russia and Germany and their influence on alcohol consumption

State alcohol policy regulates the availability of alcohol by reducing physical access to alcohol and/or by controlling the costs of alcohol, that is, regulating its affordability.

International practices of state regulation of manufacture and sale of alcoholic beverages include several forms: full control (monopoly); partial control (licensing); and no formal control over the manufacture and sale of alcohol. The majority of European countries exercise control through license systems. Only Finland, Norway (alcohol with higher than 4.75% ABV) and Sweden (alcohol with above 3.4 % ABV) have state monopolies over retailing of alcohol beverages [22]. State regulation of production, distribution and sale of alco-

hol products may include the following: restrictions on hours and days of alcohol sale; regulations of public drinking places; bans or limitations on alcohol consumption in certain places (health care and education facilities, government offices, public transport, sports events, youth festivals, etc); regulation of alcohol outlet density; setting minimum purchase and consumption age limits for alcohol; regulation of alcohol marketing (TV, online, printed materials, boards and signs) [2]. The efficiency of these measures in this or that country depends on a range of factors, such as local customs, drinking habits, religious traditions and so on [23; 24].

3.2.1. Analysis of state alcohol policies in Russia and Germany aimed at limiting physical access to alcohol

In the first years after the collapse of the USSR, alcohol policy was not among the top priorities of the Russian government. As market relationships were actively developing, the state abandoned its control over the manufacture and sale of alcohol, the restrictions on the days and hours of alcohol sale were also lifted.

A new stage in state alcohol regulation began in the early twenty-first century. Table 1 illustrates the chronological order in which this policy was implemented in 2008–2017.

Table 1
Stages of state alcohol policy development and implementation in Russia in 2008–2017

Year	Measures
2008	Introduction of the mandatory Unified State Automated Information System (USAIS) for state control over the volume of production and turnover of ethyl alcohol, alcoholic beverages and alcohol-containing products
2009	Creation of the Federal Service for Alcohol Market Regulation (Rosalcogolregulirovanie) Adoption of the 'Concept of Implementation of the State Policy to Reduce Alcohol Abuse and Prevent Alcoholism among the Population of the Russian Federation for the Period until 2020' (Government Decree of 30 December 2009 № 2128-p)
2010	The minimum retail price on vodka was set
2011	Ban on the sale of alcoholic beverages at gas stations Setting new technical requirements for alcohol producers in order to drive small producers out of the market (the minimum capital required for vodka manufacturers was raised to 80 million roubles) Relicensing of alcohol manufacturers and distributors, with the resulting reduction in their total number of 30–40%
2012	More frequent indexation of alcohol excise rates and rise of the minimum retail price of vodka Limitations on the sale of alcohol in the evening and night hours (the federal legislation prohibits the sale of alcohol from 11 p.m. until 8 a.m.; regional and local authorities can add their own limitations by introducing extra hours) Restrictions on location of liquor stores (restrictions on the placement of alcohol outlets near sensitive locations such as schools, hospitals, sport facilities and cultural institutions) Piecemeal limitations, ending with a total ban of alcohol advertising on TV, radio and printed media
2013	Ban on selling beer in the street (from stalls and kiosks). Alcohol beverages (including beer) are allowed to be sold only in restaurants, cafes and stores with an area of at least 50 square meters
2015	The restrictions on beer commercials on TV were relaxed, more specifically, beer advertising was permitted during sports broadcasts. It was also allowed to place beer ads in points of sale Radio and TV advertising of wine made of Russian-grown grapes was permitted The minimum retail price on vodka was lowered by 16%
2016	The use of the USAIS made compulsory for alcohol wholesalers and retailers
2017	Ban on production, distribution and sale of alcohol in PET bottles with the volume exceeding 1.5 litres

Source: [20].

The reform entered its most active phase in 2009, when the Federal Service for Alcohol Market Regulation (Rosalcogol-regulirovanie) was established. At the end of 2009, the Russian government also adopted the new 'Concept of State Anti-Alcohol Policy' aimed at ensuring a more than twofold reduction in the total alcohol consumption by 2020. In 2012, the government introduced limitations on the sale of alcohol in the evening hours and at night and the location of alcohol outlets. Moreover, alcohol advertising in mass media was banned. An important role in the Russian state alcohol policy is played by the Unified State Automated Information System (USAIS), which is used for controlling the volume of production and turnover of ethyl alcohol, alcoholic beverages and alcohol-containing products. The USAIS allows the authorities to monitor the movement of alcohol from suppliers to end customers and thus deal with the problem of off-the-books sale of alcohol and counterfeit alcohol.

In 2015, the alcohol reform in Russia slowed down: for the first time since the minimum retail price on vodka was set, it was lowered by 16%. The rules concerning beer and wine marketing were also relaxed somewhat. In 2015–2016, the government stopped raising excise rates for most types of alcoholic beverages to stabilize the market, increase the share of legal and reduce the amount of unregulated alcohol. One of the reasons behind a large percentage of alcohol being illegally imported from EAEU countries (mainly Belarus and Kazakhstan) through 'grey' schemes is that in these countries excise rates and, consequently, alcohol prices are significantly lower. Starting from 2016, manufacturers, wholesalers and retailers in Russia have been obliged to use and record the data on the products they produce and sell in the USAIS system, which reduced the amount of unrecorded counterfeit alcohol. In 2017, alcohol excise rates were raised again.

Let us now consider the non-price measures of alcohol policy in Germany. Like in Russia, there is no state monopoly on alcohol production and no liquor licensing. There are, however, restrictions on hours of sale and the areas and loca-

tions where alcohol can be sold. There are also certain alcohol marketing restrictions concerning beer, wine and liquor advertising on the radio and TV as well as on signs, billboards, in newspapers or other publications. Like in Russia, in European countries there are requirements that warning labels should be used on alcoholic beverages with information about the risks associated with alcohol consumption.

In Germany, state alcohol regulations concerning physical availability of alcohol and alcohol marketing are not as stringent as in Russia. Germany, like other European 'beer' or 'wine' countries, implements protectionist policy in relation to its breweries and wineries, which includes a range of tax and other preferences. These countries are not trying to deal with the problem of excessive alcohol use by prohibiting alcohol consumption or inducing cuts in the production of alcoholic beverages but instead resort to other methods to combat heavy drinking among the population [25–27] such as the development of national brewing and wine-making traditions, encouraging public celebrations such as beer festivals and promoting social drinking in cafes and bars as opposed to solitary drinking at home. Price methods are also actively used. Differentiated rates of taxes on spirits and beer and zero-tax on natural wine are an effective way to achieve a shift in alcoholic beverage consumption patterns, encouraging consumers to choose healthier options.

In general, it can be concluded that Russia tends to impose more stringent measures to regulate the production, distribution and consumption of alcohol than Germany and most European countries which are closer to Russia in terms of their cultural mindsets and alcohol consumption patterns.

3.2.2. Analysis of alcohol tax policies in Russia and Germany

In Germany, like in most other EU countries, excise rates remained stable throughout the given period. In Germany, the alcohol excise tax was last raised by 30% in 1982. It is interesting to compare the rates of excise taxes on strong and

low-alcohol beverages in Germany and other EU countries. Remarkably, 15 out of 28 EU countries have zero taxes on natural wine. Table 2 illustrates the results of our

comparative analysis of excise tax rates in Russia, Germany and other EU countries for the main types of alcoholic beverages as of 2020.

Table 2

Comparative analysis of the rates of excises on the main types of alcoholic beverages in Russia and EU countries in 2020

Countries	Excise rates						
	Spirits		Beer and mixed beer beverages**		Wines (except for champagne and sparkling wines)**		Champagne and sparkling wines***
	€/litre of absolute alcohol	EU country's ranking position	€/litre	EU country's ranking position	€/litre	EU country's ranking position	€/litre
Russia*	7.698	-	0.311	-	0.439	-	0.566
Minimum rates of excise duty in the EU	5.500	-	0.090	-	0	-	0
Germany	13.030	17	0.094	25	0	14-28	1.360 / 0.510
Austria	12.000	19	0.240	17	0	14-28	1.000
Belgium	29.928	5	0.241	16	0.749	8	2.563
Bulgaria	5.624	28	0.092	27	0	14-28	0
Cyprus	9.568	25	0.288	13	0	14-28	0
Czech Republic	12.529	18	0.147	23	0	14-28	0.909
Denmark	20.0927	7	0.362	9-10	1.508/0.694	4	1.957/1.143
Estonia	18.810	9	0.745	5	1.470/0.634	5	1.478/0.634
Greece	24.500	6	0.600	6	0	14-28	0
Spain	9.589	24	0.099	24	0	14-28	0
Finland	48.800	1	1.538	1	3.970/2.750	2	3.970/2.750
France	17.866	10	0.356	11	0.039	13	0.096
Croatia	7.151	27	0.259	14	0	14-28	0
Hungary	9.958	23	0.252	15	0	14-28	0.491
Ireland	42.570	3	1.082	2	4.248	1	8.497
Italy	10.350	22	0.362	9-10	0	14-28	0
Latvia	15.640	12	0.202	21	1.010	6	1.010
Lithuania	18.320	8	0.341	12	1.647/0.655	3	1.647/0.655
Luxembourg	10.411	21	0.095	26	0	14-28	0
Malta	13.600	15	0.232	18	0.205	12	0.205
Netherlands	16.860	11	0.380	8	0.883/0.442	7	0.883/0.442
Poland	14.355	13	0.220	19	0.397	10	0.397
Portugal	13.869	14	0.206	20	0	14-28	0
Romania	7.452	26	0.090	28	0	14-28	0.107
Sweden	47.813	2	1.002	4	0.507/0.242	9	0.507/0.242
Slovenia	13.200	16	0.581	7	0	14-28	0
Slovakia	10.800	20	0.172	22	0	14-28	0.795/0.542
UK	32.308	4	1.004	3	0.344/0.103	11	0.428/0.141

Source: European Commission. Taxation and customs union. (2019). Reading allowed: Tax information Communication database. Retrieved from: http://ec.europa.eu/taxation_customs/tedb/spl-SearchForm.html, authors' calculations

* Excise duties in Russia were converted into euros by using the average exchange rates of the Central Bank of Russia as of January-March 2020 (1€ = 70.6647 rbs.).

** In EU countries, beer excise rates vary in proportion to alcohol content while in Russia, the excise rates are set in roubles per litre. Since beer excise rates are expressed in a variety of ways, for the purpose of comparability, these rates were converted to euro per litre of beer of 12 degrees Plato or 4.8% ABV.

*** Excise rates for wines of different strength (champagne) are indicated after the slash, the highest rate is imposed on stronger alcoholic beverages.

In setting their excise duty rates, EU countries including Germany follow the Directive 92/83/EEC and 92/84/EEC, which provide a harmonized list of excisable alcoholic beverages and the minimum tax rates for them. As Table 2 shows, Finland, Ireland, Sweden, Estonia, Denmark, Belgium and Greece levy the highest excise duties on alcohol beverages. Taxes on alcohol are lower in Germany than in many other European countries: in Germany, natural still wine is exempt from excise duties, the tax on beer is set close to the minimum level and on spirits it is only 2.4 higher than the minimum.

Interestingly, the vast majority of European countries levy much higher excise duties on spirits. The only country whose spirits tax rate is close to minimum is Bulgaria. In 19 EU countries, including Germany, the spirits tax rate exceeds the minimum rate more than 2 times (68%) and in 11 countries, more than 3 times (39%). As for low-alcohol drinks, the situation is radically different: first, European states can make still wines and champagne exempt from taxation, which is a widely spread practice among these countries. 15 countries out of 28 (54%) have zero taxes on still wine and 9 countries, on champagne (32%). Second, the minimum rate of excise duties on beer is 61 times lower than on spirits. The actual rate of excise duties on beer only slightly exceeds the minimum rate in seven countries (25%). These countries include such well-known leaders in beer production and consumption as Germany and the Czech Republic, but also Bulgaria, Spain, Luxembourg, Romania and Slovakia. Only in 12 countries out of 28 (43%), the rates of excise duties on beer more than 3.5 times exceed the minimum rate and are at the same level or above the rate applied in the Russian Federation. In Germany, the current rate of excise on spirits exceeds that on beer 139 times. Thus, in Germany and other EU countries, the governments regulate alcohol consumption and ensure shifting of consumer preferences from strong liquors to low-alcohol drinks through differentiated tax rates on various products.

Unlike Germany and other EU countries, in Russia alcohol excise duties are raised almost every year. Let us consider the dynamics of alcohol excise duties and their structure in Russia in 2008–2020 (Table 3).

In the recent decade, Russia's alcohol tax policy has been oriented towards a steady increase of excise taxes. A negative trend worthy of attention is a disproportionate increase in excise rates on certain types of alcoholic beverages. In other words, the rates of taxes on low-alcohol beverages grow much faster than those on strong liquor. In 2008–2017, alcohol taxes were increased from 3 times (on spirits) to 7.7 times (on beer and wine). Interestingly, the alcohol tax revenue grew only 3.1 times, which shows that there has been a considerable decline in alcohol consumption in Russia (see Fig. 1, Table 4). Analysis of the data in Tables 2 and 3 leads us to some interesting conclusions about Russia's and Germany's alcohol tax policies.

Excise taxes on spirits (ABV over 9%) in the given period demonstrated a more noticeable threefold increase. Such situation does not stimulate consumers to reduce their consumption of spirits and explains why it retains its top position in the overall consumption structure (Fig. 2, Table 4). The cross-national comparison of spirits taxation has shown that Russia belongs to the group of countries with the minimum rates, which is in fact quite untypical for northern countries. For instance, in Finland, Sweden and Ireland, the spirits tax rates are 5.5–6.3 times higher than in Russia (see Table 2), in Germany 1.7 times higher. Thus, it is recommended that the Russian government should explore the possibilities of excise tax rise for spirits.

In Russia, in 2007–2017, the rate of excise on beer with ABV from 0.5 to 8.6 % rose 7.7 times and in 2017 it reached 21 roubles per litre, which is much higher not only in comparison with other countries of the Eurasian Economic Union (EAEU) but also with other leaders in terms of beer production and consumption, such as Germany (3.3 times higher)

and the Czech Republic (2.1 times higher). The rate of excise on stronger beer (ABV above 8.6%), however, increased only 4.4 times, which means that the whole situation is not conducive to shifting consumption towards low-alcohol beer types. As far as Germany is concerned, apart from the relatively low standard beer tax rate, there are reduced rates to support small and medium-sized breweries. Depending on the annual production, a reduced tax scale is applied:

for breweries with the annual production from 2 to 4 mln litres a year, the excise rate is lowered by 16%; for breweries with 1 to 2 mln litres, by 22%; for those with 500,000 to 1 mln litres, by 33%. The maximum reduction of 44% is available to breweries with the annual production of less than 500,000 litres a year. Furthermore, amateur home brewers in Germany are allowed to produce up to 2,000 litres of beer for their own consumption and in this case their production is tax exempt.

Table 3

Indicators	Years											Change in 2017, in % to 2008	For reference		
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2020		2020*	Change, in % 2020 ^(adj) in relation to 2020	
													(adj)		
<i>1. Excise tax, rouble/litre of ethyl alcohol</i>															
1.1. Ethyl alcohol	25	27	30	33	37	59	74	93	102	107	428.0	544	281.4	1125.6	
1.2. Beverages with over 9 % ABV	173	191	210	231	300	400	500	500	500	523	302.3	544	281.4	162.7	
1.3. Beverages with less than 9% ABV	110	121	158	190	270	320	400	400	400	418	380.0	435	225.0	204.5	
<i>2. Excise rates, rbs/l</i>															
2.1. Wines, fruit wines, winy beverages produced through natural fermentation without adding ethyl alcohol (except for champagne and sparkling wine)	2.35	2.6	3.5	5	6	7	8	8	9	18	766.0	31	16.0	680.9	
2.2. Champagne and sparkling wines	10.5	10.5	14	18	22	24	25	25	26	36	342.9	40	20.7	197.1	
2.3. Beer, 0.5-8.6% ABV	2.74	3	9	10	12	15	18	18	20	21	766.4	22	11.4	416.1	
2.4. Beer, over 8.6% ABV	8.94	9.8	14	17	21	26	31	31	37	39	436.2	41	21.2	237.1	
2.5. Cider, perry, medovukha	-	-	-	-	-	-	8	8	9	21	-	22	11.4	-	

Source: Federal Tax Service of the Russian Federation. Official site (2019). Retrieved from: https://www.nalog.ru/rn66/related_activities/statistics_and_analytics/forms/, author's calculations

* The values of excise duties were calculated by dividing the excise rates as of 2020 by coefficient 1.993, which reflects the ratio between the yearly average euro exchange rate set by the Central Bank in 2020 (1€ = 70.6647 rbs) and in 2008 (1€ = 36.4466 rbs).

It should be noted that, unlike Russia, in most countries with developed beer industry, the excise tax rates have remained practically the same for many years.

There are differences in beer taxation between Russia and EU countries, includ-

ing Germany. For EU countries, the Directive 92/83/EEC and Directive 92/84/EEC require that the minimum rate of excise duty on wine, fermented beverages (e.g. cider) and intermediate products (fortified wines, liqueurs) should be fixed per hec-

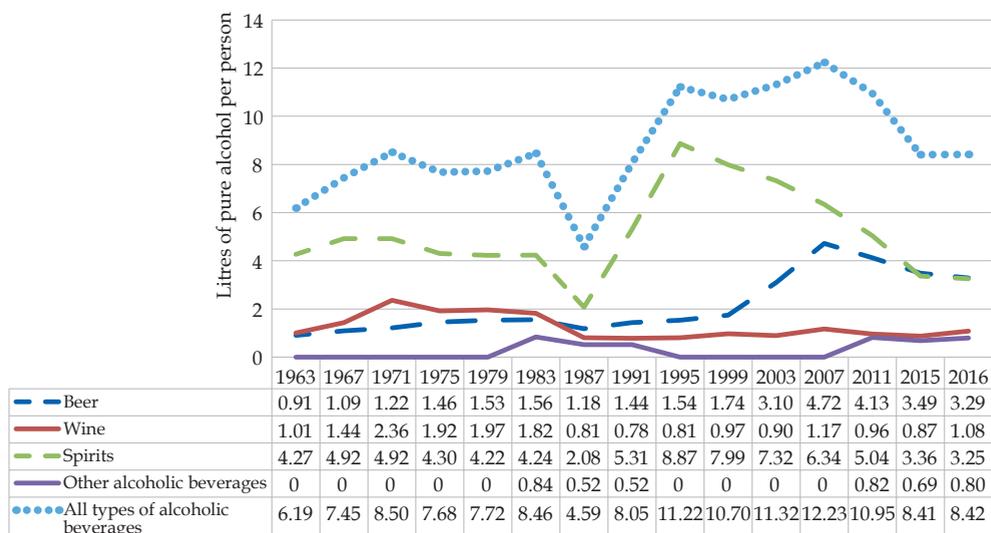


Fig. 1. Registered alcohol consumption per capita (15 years and older) in Russia in 1963–2016, litres of pure alcohol per person

Source: World Health Organization. Official site (2019). Available at: <http://apps.who.int/gho/data/node.main-euro.A1039?lang=en&showonly=GISAH#>, author's calculations

Table 4

Registered alcohol consumption per capita (15 years and older) in Russia and consumption structure in 2008–2016

Indicators	Years									Change in 2016, in % (percentage points) to 2008
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<i>1. Registered alcohol consumption in litres of pure alcohol</i>										
All types of alcoholic beverages, including:	12.09	11.25	10.98	10.95	10.89	9.92	8.85	8.41	8.42	69.6
Beer	4.66	4.20	4.09	4.13	4.17	3.96	3.64	3.49	3.29	70.6
Wine	1.27	1.26	1.02	0.96	0.93	0.84	0.89	0.87	1.08	85.0
Spirits	6.16	5.79	5.06	5.04	4.95	4.36	3.60	3.36	3.25	52.8
Other alcohol beverages	0	0	0.81	0.82	0.84	0.76	0.72	0.69	0.80	–
<i>2. Structure of registered alcohol consumption, %</i>										
All types of alcoholic beverages, including:	100	100	100	100	100	100	100	100	100	0
Beer	38.5	37.3	37.2	37.7	38.3	39.9	41.1	41.5	39.1	0.6
Wine	10.5	11.2	9.3	8.8	8.5	8.5	10.1	10.3	12.8	2.3
Spirits	51.0	51.5	46.1	46.0	45.5	43.9	40.7	40.0	38.6	–12.4
Other alcoholic beverages	0	0	7.4	7.5	7.7	7.7	8.1	8.2	9.5	–

Source: World Health Organization. Official site (2019). Available at: <http://apps.who.int/gho/data/node.main-euro.A1039?lang=en&showonly=GISAH#>, author's calculations

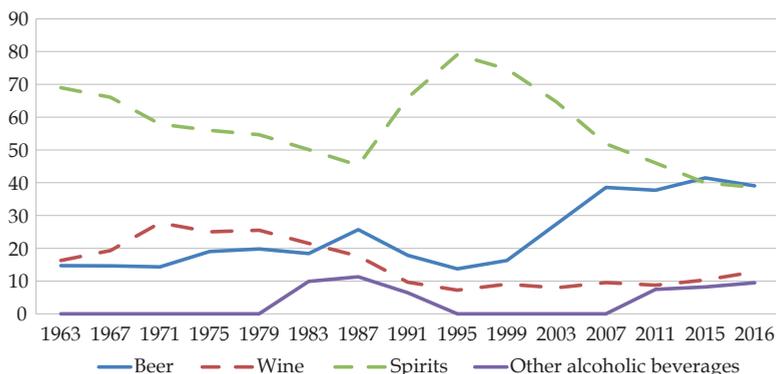


Fig. 2. Registered alcohol consumption per capita (15 years and older) in Russia in 1963–2016, %

Source: World Health Organization. Official site (2019). Available at: <http://apps.who.int/gho/data/node.main-euro.A1039?lang=en&showonly=GISAH#>, author's calculations

tolitre of product and for beer and spirits, per hectolitre of pure alcohol⁴. A similar approach to alcohol taxation is used in other OECD countries which are not members of the EU. In Russia, the excise taxes on wine, champagne and beer of different strength are set at the rouble-per-litre rate while for ethyl alcohol, spirits and other low-alcohol drinks, at rouble-per-litre of pure alcoholic content. Thus, in Russia a similar excise tax rate is applied both for low-alcohol beer and stronger beer with ABV closer to 8.6%. A more promising approach would be to raise the excise on beer in proportion to the increase in alcohol content [2].

Excise taxes on wine (except for champagne and sparkling wine) in the given period in Russia were quite low. However, in the 10-year period, the tax rates for this type of alcohol beverages grew considerably – 7.7. times. Moreover, in 2020, the excise tax on wine grew 13.2 times in comparison with 2007. Starting from 2020, it was decided that grapes and base wine used for wine-making should be considered excisable goods. Therefore, the tax burden on this type of products in Rus-

sia grew most significantly despite the fact that the share of wine in the overall structure of alcohol consumption is the smallest (see Fig. 2, Table 4). Our analysis has shown that many European countries have zero- or near-zero taxes on wine. This refers primarily to the leading wine-producing countries such as Spain, Italy, Portugal and France and helps support their wine industries. Germany also does not levy excise taxes on natural wine. Such approach holds promise for Russia as well, since wine is a low-alcohol drink and such measure would be conducive to the development of wine industry in Russia and could bring about positive transformations to the consumption structure.

In order to evaluate the actual dynamics of alcohol excise taxes in Russia in comparison with Germany, in Table 3 we listed the current tax rates (as of 2020) and the rates adjusted (2020_(adj)) for the changes in the average annual euro/rouble exchange rate set by the Central Bank in 2020 in comparison with 2008. The excise tax on spirits in comparable units increased only by 62.7% in the period of 2008–2020 while the excise tax on wine grew 6.8 times and on beer – 4.2 times. Unlike the taxes on low-alcohol beverages, there has been only an insignificant adjustment of the spirits tax rate in Russia. Such dynamics shows that in Russia the price measures used as a part of the alcohol restriction policy are mostly targeted at low-alcohol

⁴ European Commission. Taxation and customs union. Reading allowed: Tax information Communication database, 2019. Available at: https://ec.europa.eu/taxation_customs/business/excise-duties-alcohol-tobacco-energy/excise-duties-alcohol/excise-duties-alcoholic-beverages_en

beverages such as wine and beer rather than at strong liquors. This means that the alcohol taxation policy in Russia is in need of some serious revision: it is necessary to increase the tax burden on spirits and simultaneously reduce the burden on low-alcohol drinks to shift consumer preferences to healthier options.

3.3. Analysis of adult alcohol consumption in Russia and Germany

Let us consider the dynamics and structure of the registered (legal) adult alcohol consumption in Russia and Germany in 1963–2016 and the role of state alcohol policies in shaping them (Fig. 1–4).

As Fig. 2 shows, Russia belongs to the northern type of alcohol consumption, characterized by the prevalence of spirits and lower wine and beer intake. In the 45-year period from 1963 to 2016, there were some significant changes in the level and structure of alcohol consumption. Alcohol consumption was at its lowest in 1987 (5.59 litres) and in 1963 (6.19 litres) and at its highest in 2007 (12.23 litres) and in 1995 (11.22 litres). Alcohol consumption in the USSR gradually rose in the 1960s, 1970s and in the first half of the 1980s together with the growth in eco-

nomical well-being and reached its peak of 8.46–8.96 litres of pure alcohol per person in 1983–1984. Thus, in that period alcohol consumption increased by more than 2 litres. The most popular alcohol beverage at that time was vodka, which accounted for 50–69% of alcohol consumption. In contrast with present-day Russia, the consumption of wine was also quite high (16–29%) while beer was comparatively less popular (14–20%). Most wine was produced in the USSR, which explains the large percentage of wine in the overall alcohol consumption.

A pronounced decline in alcohol consumption, which hit rock bottom in 1987 with 4.59 litres per person, was caused by the massive anti-alcohol campaign of 1985–1987. Another consequence of this campaign was the increase in moonshine production, in particular *samogon* (home-distilled vodka). The share of wine in the consumption structure also decreased significantly in that period since the country’s own wine production was all but destroyed and most people were struggling financially and could not afford imported wine. The anti-alcohol campaign was abandoned comparatively soon and the figures of legal alcohol consumption

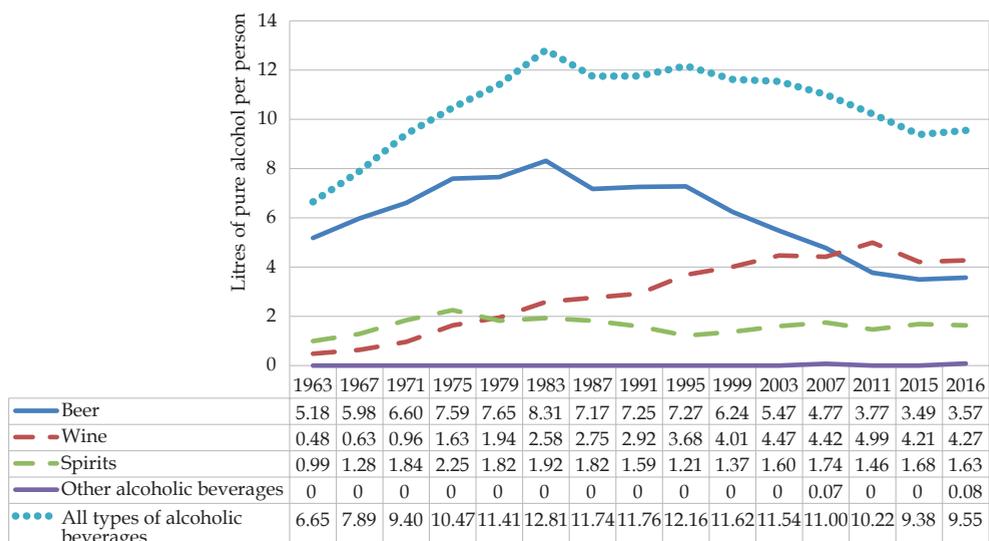


Fig. 3. Registered alcohol consumption per capita (15 years and older) in Germany in 1963–2016, litres of pure alcohol per person

Source: World Health Organization. Official site (2019). Available at: <http://apps.who.int/gho/data/node.main-euro.A1039?lang=en&showonly=GISAH#>, author’s calculations

in 1991–1995 partially recovered mainly due to the increase in the consumption of spirits (in 1995 the share of spirits reached its highest value of 79.1%) (Fig. 2). In 1995–1999, the years of economic collapse, the per capita alcohol consumption in the country declined somewhat.

In the years of economic growth, from 2000 to 2007, the consumption of legal alcohol rose from 10.7 litres to 12.23 litres per person. The structure of consumption changed radically in this period (see Fig. 2). For instance, strong alcoholic beverages were replaced by beer. At the turn of the twenty-first century, international beer manufacturers entered the Russian market and bought brewing plants, re-equipping them with imported machinery, which raised the quality of production. As a result, beer consumption rose more than four times in comparison with the Soviet period while the share of wine still remained below 10%.

Since 2007, there has been a steady decline in alcohol consumption due to state alcohol control policies and the economic recession periods of 2008–2009 and 2014–2015.

In Germany, the average per capita alcohol consumption is comparable with and slightly exceeds similar indicators in Russia. Changes in the amount and structure of alcohol consumption in the given period were less pronounced in Germany in comparison with Russia. The lowest figures in registered alcohol consumption

were observed at the beginning and end of the given period – 6.65 litres per person in 1963 and \approx 9.5 litres per person in 2015–2016. The highest level of consumption was observed in 1983 – 12.81 litres per person. While until 1983 the level of registered alcohol consumption in Germany had been growing, after 1983 there was a dramatic decline, which lasted until 1987. Afterwards, this figure gradually decreased until 2015. The main reason behind this decline was a 30%-increase in alcohol excise duty in Germany in 1982. Further downward trend was determined by the influence of non-price measures of state alcohol regulation and the changes in the ethnographic structure of the population due to migration processes.

There are significant differences between Russia and Germany in terms of alcohol consumption patterns. Germany is known as a beer-drinking country with beer accounting for more than 50% of the overall consumption (see Fig. 4). What is worth noting is the dramatic change in the alcohol consumption structure in the given period: the share of beer shrank from 78% in 1963 to 37.4% in 2016 while the share of wine, on the contrary, increased from 7% to 45–48%. The share of spirits remains steadily low and varies within the range of 15 to 20%. Factors contributing to these transformations in the consumption structure are the cultural and behavioural shifts, changing consumer tastes, leading to some alcohol beverages being replaced

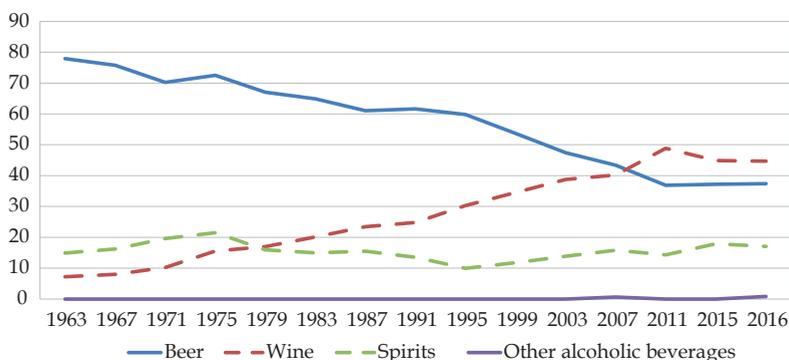


Fig. 4. Structure of registered alcohol consumption per capita (15 years and older) in Germany in 1963–2016, %

Source: World Health Organization. Official site (2019). Available at: <http://apps.who.int/gho/data/node.main-euro.A1039?lang=en&showonly=GISAH#>, author's calculations

by others. For instance, younger generations tend to consume more wine than vodka while more educated drinkers are more prone to consuming wine instead of spirits [20].

In general, despite the higher level of alcohol consumption in Germany than in Russia, the structure of alcohol consumption in the former country is healthier and closer to the 'ideal' structure (beer – 50%, wine – 35%, and spirits – 35%) than in the latter. Thus, we can conclude that price and non-price measures of state alcohol regulation in Germany have proven to be quite effective.

Further we are going to consider the dynamics of average per capita alcohol consumption in Russia and in Germany by looking at the statistics of the WHO for 2008–2016 (Table 4–5).

Adult alcohol consumption per capita in Russia dropped significantly (by 30.4%): from 12.09 litres in 2010 to 8.42 litres in 2016. The structure of consumption also changed: among the types of alcoholic beverages comprising the largest share of excise tax revenue, the most significant decline in consumption was observed for strong alcoholic drinks, including vodka

and cognac (–47.2%). Beer consumption declined by 29.4%, which can be explained by higher excise duties and, accordingly, beer prices. It should be noted that, according to the WHO methodology, the category 'Other alcoholic beverages' comprises cider, fruit wines, fortified wines, etc, which means that the amount of consumption within this category can be in equal proportions divided between spirits and wine.

Compared to Russia, in Germany in 2008–2016, the registered per capita alcohol consumption declined slower (by 10.8%) and equaled 9.55 litres per person in 2016. It was in this period that the share of wine consumption gradually started to prevail over beer consumption in the overall consumption structure. A negative trend is an insignificant increase in the share of spirits consumption.

Analysis of adult per capita alcohol consumption across the world has shown that in most European countries that are close to Russia in mentality and culture of alcohol consumption, in 2010–2016, there was a general but not radical decline in per capita alcohol consumption. On average, in EU countries in the given

Table 5

Recorded alcohol per capita consumption (15 years and older) in Germany and the structure of consumption in 2008–2016

Indicators	Years									Change in 2016, in % (percentage points) to 2008
	2008	2009	2010	2011	2012	2013	2014	2015	2016	
<i>1. Registered alcohol consumption in litres of pure alcohol</i>										
All types of alcoholic beverages, including:	10.71	10.09	10.24	10.22	9.10	9.43	9.53	9.38	9.55	89.2
Beer	4.51	4.13	3.90	3.77	3.52	3.51	3.62	3.49	3.57	79.2
Wine	4.47	4.38	4.88	4.99	4.13	4.35	4.34	4.21	4.27	95.5
Spirits	1.66	1.52	1.46	1.46	1.46	1.57	1.57	1.68	1.63	98.2
Other alcoholic beverages	0.06	0.05	0	0	0	0	0	0	0.08	133.3
<i>2. Structure of registered alcohol consumption, %</i>										
All types of alcoholic beverages, including:	100	100	100	100	100	100	100	100	100	0
Beer	42.2	40.9	38.1	36.9	38.6	37.2	38.0	37.2	37.4	-4.8
Wine	41.7	43.4	47.6	48.8	45.4	46.1	45.5	44.9	44.7	3.0
Spirits	15.5	15.1	14.3	14.3	16.0	16.7	16.5	17.9	17.1	1.6
Other alcoholic beverages	0.6	0.6	0	0	0	0	0	0	0.8	0.2

Source: World Health Organization. Official site (2019). Available at: <http://apps.who.int/gho/data/node.main-euro.A1039?lang=en&showonly=GISAH#>, author's calculations

period the decline in per capita alcohol consumption varied between 2% and 15%⁵. The level of alcohol consumption in Russia is comparable to that of Denmark, Portugal, Belgium, Germany and Finland. A higher level is observed in France (≈12 litres per person) and the Czech Republic (≈13 litres per person). Alcohol consumption is considerably low in Northern European countries – Norway (≈6.5 litres per person) and Sweden (≈7 litres per person) – and in Italy (≈7 litres per person). However, the structure of alcohol consumption in these states is totally different. For example, in the structure of alcohol consumption in Germany, the Czech Republic, Belgium, Denmark, Finland and Norway, beer prevails (it accounts for 38% to 54% in different countries). In France, Italy, Portugal and Sweden, wine accounts for a considerable share of alcohol consumption – from 47% to 65%. In all these countries, the consumption of spirits takes a comparatively small share – 25% or below. In general, such structure of alcohol consumption is healthier. The most effective anti-alcohol policy measures require further investigation and may be applied in the Russian Federation.

The ongoing anti-alcohol reform in Russia is accompanied by long-term changes in the structure of alcohol beverage consumption such as the decline in per capita consumption of spirits, being partially replaced by wine and especially beer. These trends signify that excise taxation achieves its role as a regulatory measure. Our analysis has shown that in Russia, alcohol excise taxation is used quite effectively for fiscal purposes. This leads us to the conclusion that state regulation of alcohol consumption in Russia employing instruments of excise taxation as well as non-price measures (restrictions on alcohol advertising, launching of the Unified State Automated Information System (USAIS)) has brought good results. Nevertheless, if we look at the dy-

namics of excise rates for different types of alcoholic beverages, we shall see that the current alcohol tax policy in Russia is mostly aimed at reducing the consumption of low-alcohol beverages but not spirits, which points to the need for some readjustment of the policy.

In Germany, restrictive measures are less stringent than in Russia: both in terms of pricing (in Russia, excise rates are raised almost every year while in Germany, they have remained the same since 1982) and physical availability of alcohol (in Russia alcohol production, sale and consumption are regulated more heavily than in Germany). Nevertheless, the alcohol consumption structure in Germany can be described as healthier and closer to optimal than in Russia, which means that both price (especially differentiated excise rates for various kinds of alcoholic beverages) and non-price measures in Germany are quite effective.

3.4. Areas for improvement of alcohol excise taxation

Our analysis has revealed several areas for improvement of alcohol excise taxation for Russia as well as for Germany.

In Russia, the priority measures should include raising the tax burden on spirits and lowering the burden on low-alcohol beverages by applying differentiation rates on various alcohol beverages, which would help change the structure of alcohol consumption. Such policy should include the following:

1. Raising excise taxes on spirits (over 9% ABV). Measured in terms of pure alcohol content, excise tax rates are practically the same for beer and spirits, which means that such excise policy is unlikely to shift consumer preferences towards low-alcohol drinks. Liquor excise taxes in Russia are quite low in comparison with other countries. Therefore, a feasible option for Russia would be to raise the tax duties on spirits and thus increase tax revenues and discourage the consumption of spirits.

2. Lowering excise duties on beer and making beer excise rates dependent on beverages' strength. In the beer taxation

⁵ World Health Organization (WHO), Global Status Report on Alcohol 2004, Department of Mental Health and Substance Abuse, WHO, Geneva, Switzerland, 2004.

system currently applied in Russia, low-alcohol beer (less than 0.5%) and strong beer (up to 8.6%) is taxed at the same rate, which, in our view, is unfair. We recommend to make beer excise rates dependent on the alcohol content, that is, beer tax should be levied not on a litre of beer but on the percentage of pure alcohol in beer. As Iadrennikova E. et al. [2] have shown, even though in this case there may be a reduction in tax revenues, such measures will discourage consumers from buying strong beer.

3. Setting zero tax rate for natural wines produced by means of natural fermentation without adding ethyl alcohol to stimulate wine-making in Russia and increase the share of wine in the alcohol consumption structure.

Overall, in Russia there have been some positive changes in alcohol consumption patterns, although the consumption structure is still far from ideal (beer – 50%, wine – 35%, spirits – 15%). To enhance positive outcomes, it is necessary to stimulate the replacement of spirits with low-alcohol alternatives such as beer and wine.

As far as Germany is concerned, a viable solution for this country would be to make regular adjustments of excise rates to match the rate of inflation. This will help the German government prevent reduction in the actual tax burden on alcohol due to inflation and enhance the effects of price measures in the alcohol control policy, which will contribute to further decline in alcohol consumption in the country.

Conclusion

Alcohol excise duties play an important role in the systems of excise taxation in Russia and Germany alike. However, in the recent decade, in comparison with Germany, the Russian government has been implementing a more restrictive alcohol policy in terms of pricing (in Russia, excise rates are raised almost every year while in Germany, they have remained the same since 1982) and physical availability of alcohol (in Russia alcohol production, sale and consumption are regulated more

heavily than in Germany). Nevertheless, Germany has a healthier alcohol consumption structure (low-alcohol beverages such as wine and beer account for 82%) than in Russia, where spirits account for 39% of consumption. In Germany, like in many other EU countries, consumer shifts in alcoholic drinks preferences from spirits to low-alcohol beverages was achieved with the help of excise differentiation measures. Our analysis of the dynamics of alcohol excise rates in Russia has shown that price measures are largely targeted at low-alcohol beverages (wine and beer) rather than spirits. Therefore, the state alcohol taxation policy in Russia requires some serious adjustment.

In the given period, alcohol consumption among adults fell significantly both in Russia and in Germany. The structure of alcohol consumption also changed considerably, which demonstrates that state regulation has brought about the desired effects. In the recent decades, the alcohol consumption structure in Russia has become healthier as the spirits share has shrunk, with strong alcohol beverages being replaced by wine and beer. Nevertheless, the situation is still far from ideal. In order to improve the state alcohol taxation policy in Russia, it seems reasonable to recommend a shift of tax burden from low-alcohol drinks to spirits by raising excise taxes on strong beverages, lowering excise taxes on beer and introducing some other excise changes – for instance, set the amount of tax according to alcohol content in beer and set a zero tax rate on natural wines produced without adding alcohol. These adjustments could change the price structure for various types of alcohol production, which would lead to a desirable shift in consumer preferences towards low-alcohol beverages (wine and beer), and thus reduce harmful use of alcohol. For Germany, it is recommended to make regular adjustments of alcohol excise rates to match the rates of inflation, as this will allow the government to avoid reduction in the actual tax burden on alcohol products and will contribute to further decline in alcohol consumption in the country.

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