

WHO PAYS ALCOHOL TAXES?

AN ANALYSIS OF ALCOHOL TAX PASS-THROUGH USING SOUTH AFRICAN DATA

ABSTRACT

This paper uses South African alcohol price data from December 2001-May 2013 to estimate the effect of changes in alcohol excise taxes on retail prices for beer and spirits. It finds that consumers of beer pay not only the entire tax amount of a tax increase, but also a premium above the tax hike. As such, the tax is overshifted. In contrast, taxes on spirits are fully passed through to prices but not overshifted. There is evidence to suggest that pass-through differs across packaging types for beer, with 750ml bottles experiencing the lowest level of overshifting. These trends in pass-through have implications for public health policy insofar as high levels of tax-shifting to prices increase the effectiveness of alcohol taxes as a tool to reduce excessive consumption and alcohol-related externalities.