

# **Alcohol policy and taxation in South Africa: an examination of the economic burden of alcohol tax**

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# Introduction

- Alcohol consumption accounts for over 4% of the global burden of disease and an even higher figure in developing countries
- Alcohol policies are poorly developed in most African countries
  - South Africa has witnessed a rapid development in alcohol policy including the use of taxation
- The problem of alcohol abuse is still rampant and per capita consumption has remained much the same for decades
- The distributional impact of alcohol taxation is often overlooked

# Alcohol policy in South Africa

Table I: A summary of major alcohol policy in South Africa

Policy	
Excise tax on beer / wine / spirits	Yes / Yes / Yes
National legal minimum age for off-premise sales of alcoholic beverages (selling) (beer / wine / spirits)	18 / 18 / 18
National legal minimum age for on-premise sales of alcoholic beverages (serving) (beer / wine / spirits)	18 / 18 / 18
Restrictions for on-/off-premise sales of alcoholic beverages:	
Time (hours and days) / location (places and density)	Yes & No / Yes & No
Specific events / intoxicated persons / petrol stations	No / No / No
National maximum legal blood alcohol concentration (BAC) when driving a vehicle (general / young / professional), in %	0.05 / 0.05 / 0.02
Legally binding regulations on alcohol advertising / product placement	No / No
Legally binding regulations on alcohol sponsorship / sales promotion	No / No

Source: World Health Organization (2011).

# Objective/Method

- To present an analysis of alcohol tax incidence
  - each category of alcohol tax (wines, spirits, beer and traditional brew) and for alcohol tax as a whole
- Data were drawn from the 2005/06 South African IES
- Concentration curves and Kakwani indices
  - to assess relative progressivity
- Statistical dominance tests (MCA)

# Results I

Table II: Distributional impact of alcohol tax in South Africa, 2006

Cumulative shares	Equiv. HH consumption expenditure	Wine tax	Beer tax	Spirits tax	Sorghum tax	Alcohol tax
Poorest 20%	2.17%	9.41%	5.58%	1.52%	29.69%	5.24%
Poorest 40%	6.22%	22.21%	19.12%	5.71%	64.45%	16.63%
Poorest 60%	13.10%	35.02%	42.64%	16.69%	90.49%	35.93%
Poorest 80%	27.48%	50.02%	79.87%	38.44%	99.52%	66.66%
Concentration Index <sup>a</sup>	0.668* (0.0418)	0.379* (0.0998)	0.214* (0.0366)	0.576* (0.0502)	-0.341* (0.0294)	0.316* (0.0320)
Kakwani Index	-	-0.289* (0.0921)	-0.454* (0.0672)	-0.092 (0.0656)	-1.009* (0.0704)	-0.353* (0.0574)
Dominance test	-	Dom1	Dom1	nDom	Dom1	Dom1

<sup>a</sup> The Gini index is presented for equivalent household expenditure

\* Statistically significant at 1% level of significance

Robust standard error in parenthesis

Dom1 = Concentration curve dominates the Lorenz curve

nDom = non-dominance or curves crossing

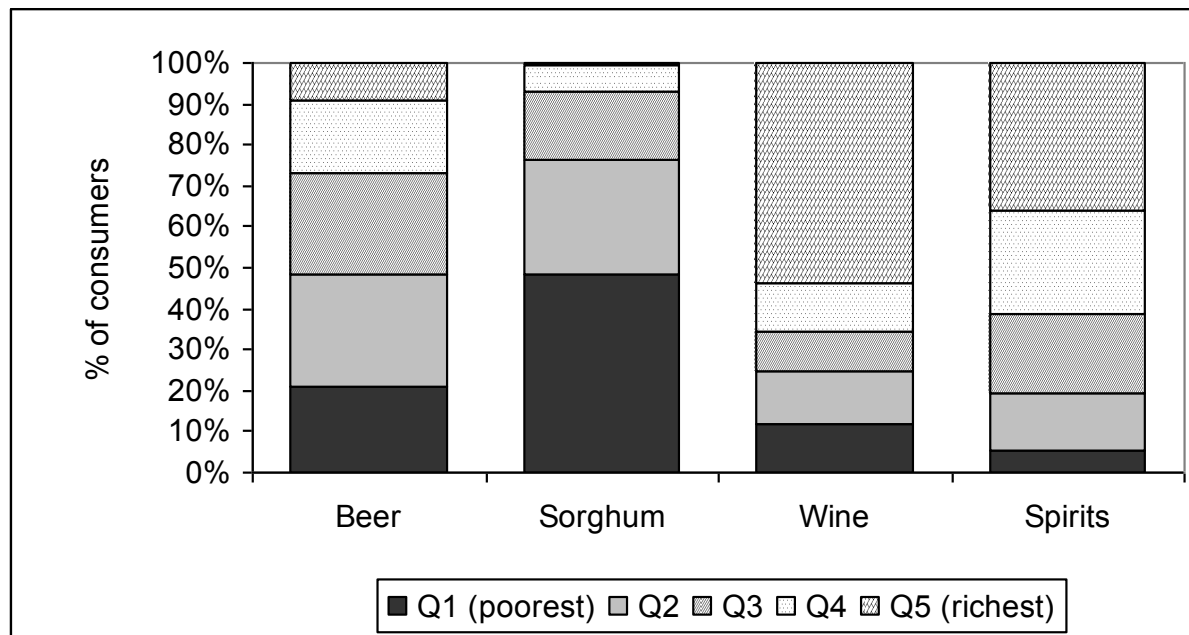
# Results II

Table III: Results of dominance tests

	Beer	Wine	Spirit
Sorghum	Dom	Dom	Dom
Beer		Dom	Dom
Wine			Dom

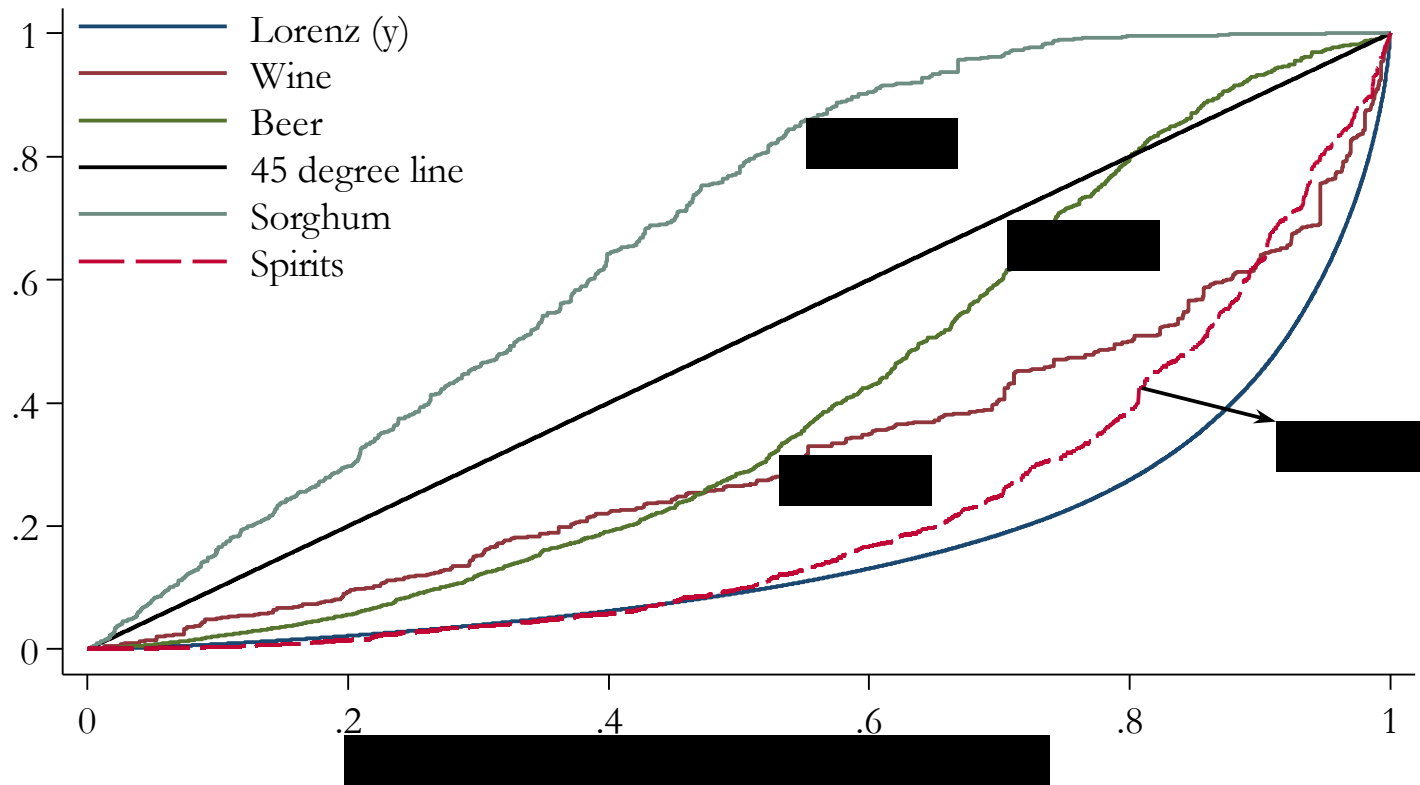
Dom = Concentration curve of row tax dominates that of column tax

Figure I: Distribution of alcohol consumers in South Africa across quintiles of per adult consumption expenditure



# Results III

Figure II: Lorenz curve and concentration curves for various alcohol taxes



# Conclusion

- Economists recognize the importance of excise tax as a way to get around some of the negative effects of abusive alcohol consumption.
- However in South Africa, alcohol taxes are regressive.
  - there is a need to understand the current pattern of drinking and explore *why* the poor drink and thereby bear a greater burden of alcohol taxes
- These and other contextual issues are relevant in justifying higher alcohol taxes vis-à-vis other competing policy tools
  - These should be in line with the values of the community



Thank You!