

5 Government revenues due to Beer

5.1 Highlights

Highlights of government revenues

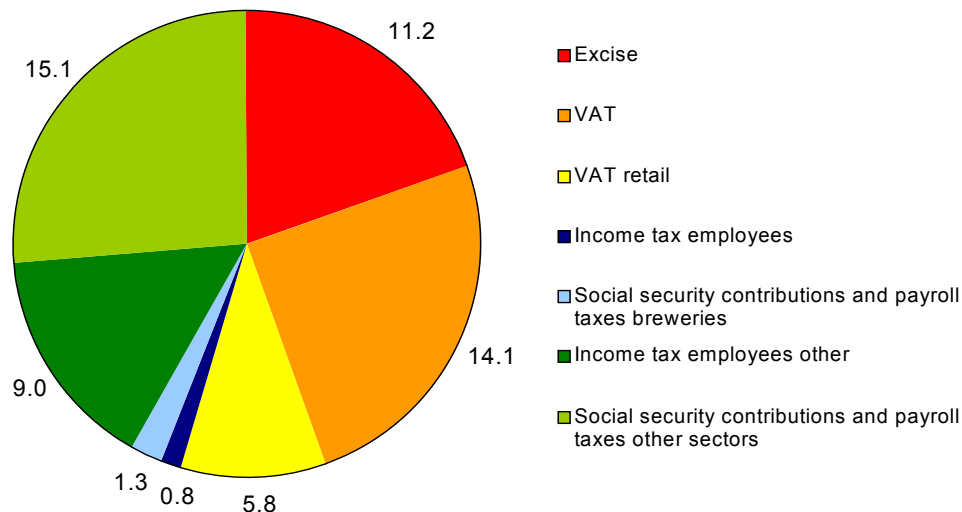
- ▶ The total government revenues arising from beer in terms of VAT, excise, income taxes, payroll taxes and social security contributions are estimated at 57 billion euros.
- ▶ The most important source of European government revenues is VAT, followed by social security contributions paid by employers and employees.
- ▶ Excise revenues, estimated at approximately 11.2 billion euros, also contribute significantly.

5.2 Government revenues

National governments benefit substantially from the production and sale of beer by receiving excise revenues, VAT revenues and income-related taxes and social security contributions paid by workers and their employers in the brewing sector and in other sectors whose jobs can be attributed to 'beer'. Besides the aforementioned taxes, governments also benefit from other taxes such as corporate taxes, property taxes, community taxes, environmental taxes (such as climate change levy), vehicle excise duty and stamp duty land tax.

The total revenues for the governments in the 31 European countries are approximately 57 billion euros per year. These revenues include only VAT, excises, income taxes, social security contributions and payroll taxes.

Government revenues due to the production and sale of beer EU-27 Switzerland, Norway, Croatia and Turkey: 57.2 billion euros



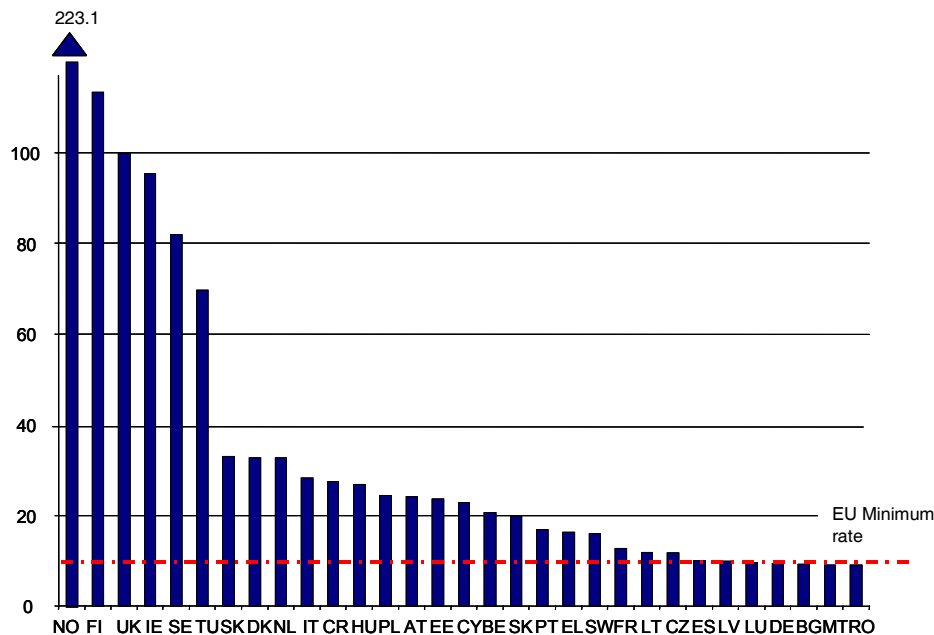
Source: Ernst & Young calculation (2009).

Due to data gaps it was not possible to estimate the government revenues from corporate and environmental taxes at national level. However, it is possible to provide a rough estimation of government revenues from these taxes at European level (EU-27 and Switzerland, Norway, Croatia and Turkey). These revenues from corporate and environmental taxes are estimated at respectively € 1.150 billion and € 125 million. As these taxes and other taxes as property taxes, community taxes and vehicle excise duties are not included in our estimation of government revenues, real government revenues from taxes will be even higher than the estimated 57 billion euros per year .

The most important source of European government revenues are Value Added Taxes (VAT). European consumers pay an average 18% VAT on their beer consumption. VAT revenues on beer sales in the retail and hospitality sector are estimated at 19.9 billion euros. Excise revenues also contribute significantly to the national treasuries. These revenues are estimated at approximately 11.2 billion euros.

As Member States of the EU-27 have a certain degree of flexibility in setting the levels of beer taxation, the excise rate differs between countries. For example Germany 's excise rate on beer is not as high as for breweries in the Nordic countries, which implement even higher excise rates. The variation in excise rates is shown by the following figure.

Excise duty rates per hectolitre of beer (12 degrees Plato, 4.8 % alcohol)



Source: *The Brewers of Europe, Excise Duty Rates for Beer, situation as on June 2009.*

Another source of government revenue consists of income and payroll taxes and social security contributions paid by employers and employees. These taxes and contributions are paid by employers and employees in the brewing sector, the supplying sectors, in retail and in the hospitality sector where jobs can be attributed to the production and sale of beer. These income-related taxes and contributions are estimated at 26.1 billion euros.

A total of 57 billion euros in tax revenues represents more or equals the total annual government expenditure of countries such as Hungary (52 billion euros) or the Czech Republic (63 billion euros)¹¹ in 2008, defined as the value of all goods and services purchased plus the value of all goods and services produced by these governments.

¹¹ Source: Eurostat: annual government finance statistics (2008).