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Diploma thesis

Tax Burden of Beer in Specified EU Member States

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Declaration:

I declare that I have worked on my diploma thesis titled "Tax burden of beer in specified EU Member States" by myself and I have used only the sources listed in the bibliography and the expert consultations with the supervisor and experts in the field of brewing industry.

Prague 07/04/2010

.....

Jan Knap

Acknowledgements:

I would like to express thanks to the diploma thesis supervisor Ing. Enikő Lőrinczová Ph. D. for her valuable contribution to the diploma thesis completion, comments and expertise supervision.

I would also like to thank very much to the experts from the field of the brewing industry, namely to Jan Lichota, responsible for fiscal and legal affairs and economic issues within the organization The Brewers of Europe; Jan veselý, the chief executive of the Czech Beer and Malt Association and to Jan Šuráň; head of the PIVO Praha company.

Tax Burden of Beer in Specified EU Member States

Daňové zatížení piva ve vybraných státech EU

SUMMARY

The diploma thesis deals with the problem of tax burden on beer in specified EU Member States. The EU tries to act as a unified economic and monetary community, but such a prospect seems to be far from the intended aim due to the considerable diversity of different European nations with their specific culture and traditions. No less diverse is the problem of fiscal policies being carried out by each Member State differently. This includes the tax burden on beer as well. The only harmonized provision in this field represented the setting of the minimum excise duty rates for alcohol and alcoholic beverages by the European Commission that came in force in 1993 and has not been changed yet.

In the theoretical part I collect information regarding brief historical roots of brewing industry in each Member State, then I focus on the EU legislation of the indirect taxes concerning the taxation of beer, namely excised duties and VAT, and then my focus aims at the economic impact induced by the brewing industries in general.

In the practical part my focus aims mainly on calculation, assessment and interpretation of results from data regarding the tax burden on beer in each Member State respectively. The tax burden on beer is being demonstrated on several practical examples. Finally, the last chapter deals with the economic impact of beer industry on national economy of each examined Member State.

The tax burden on beer in the EU raises discussions, especially in the link to wine industry and increasing excise duty rates for alcohol and alcoholic beverages, including beer.

KEY WORDS

alcohol, beer, tax, tax burden, excise duty, value-added tax, legislation, brewing industry, economic impact, EU Member State

SOUHRN

Tato diplomová práce se zabývá problematikou daňového zatížení piva ve vybraných členských státech Evropské unie. Evropská unie se snaží chovat jako jednotné hospodářské a měnové společenství, ale tato perspektiva se zdá být daleko od zamýšleného cíle kvůli značné rozličnosti evropských národů s jejichž specifickými kulturami a tradicemi. Neméně rozdílná je i fiskální politika, kterou každá členská země vykonává samostatně. Ta zahrnuje i problematiku daňového zatížení piva. Jediným harmonizačním nástrojem v tomto ohledu bylo nastavení minimálních sazeb spotřební daně z alkoholu a alkoholických nápojů Evropskou komisí v roce 1993. Toto opatření je platné dodnes.

V teoretické části se zabývám sběrem informací týkajících se stručně historie pivovarnictví vybraného členského státu, potom se zaměřuji na legislativu nepřímých daní v EU, jmenovitě spotřební daně a daně z přidané hodnoty, a pak můj zájem směřuje obecně k hospodářskému dopadu vyvolaným pivovarským průmyslem.

V praktické části se zabývám hlavně kalkulací a vyhodnocením dat a následnou interpretací výsledků týkajících se daňového zatížení piva ve vybraných státech EU. Problematika daňového zatížení je demonstrována na několika praktických příkladech. Závěrem se praktická část zabývá ekonomickým dopadem pivovarského průmyslu na každou ze zkoumaných zemí EU.

Daňové zatížení piva v EU vyvolává diskuze, obzvlášť ve spojení s vinařským průmyslem a ve spojení s rostoucími sazbami spotřebních daní u alkoholu a alkoholických nápojů, pivo nevyjímaje.

KLÍČOVÁ SLOVA

alkohol, pivo, daň, daňové zatížení, spotřební daň, daň z přidané hodnoty, legislativa, pivovarský průmysl, hospodářský dopad, členský stát EU

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1. Introduction

“The beer is the evidence of the fact that God loves us and wants us to be happy.” – Benjamin Franklin

Beer is the oldest cultural beverage on Earth. It is also considered to be the greatest invention ever made. First records of beer are coming from Mesopotamia, today's Iraq, from the ancient Sumerians some 10 000 years ago.

Regarding the topic of the thesis it is necessary to state that even the oldest empires had favoured beer production and consumption. Incurred question: “Why?” - A simple answer sounds that the rulers of these empires taxed beer production and since beer has been wide spread since the beginning, the accrued revenues represented significant financial means in the state or empire treasury. Even the oldest codex – the Hammurabi Code from 1770 B.C. – mentions beer and its taxation in its chapters. In Europe it was Kelts who first learned to brew beer accordingly and properly. This tribe was the most developed ancient culture and society in Europe. The evidence of their cultural superiority amongst the other tribes or nations around them can be found in the Brehon code called the “Brehon Laws” from 714 B.C. in which beer and its taxation is also mentioned.

However, in current and hectic time of economic instability, raised question over the beer taxation seems to play a very significant role. Beer industry along with other sectors directly connected to it represents a very important segment of national economies generating huge amount of revenues. The tax burden on beer is though quite high in average regarding the profit margins of the producers, and the fact that wine is taxed by zero rate of excise duty in the majority of EU Member States. Is this development economic or publicly acceptable?

2. Objectives and methodology

2.1. Objectives

Objectives of the theoretical part of the thesis are set as follows:

- to introduce the topic
- to briefly introduce the history of beer in specified EU Member States
- to introduce the legal framework of indirect taxes in the EU
- to show the overview of excise duty rates on beer in specified EU Member States
- to show the overview of standard VAT rates in specified EU Member States
- to outline the economic impact of the brewing sector in Europe in general

Objectives of the practical part of the thesis are set as follows:

- to show the comparison of the minimum excise duty rate for beer set by the Council Directive 92/84/ EEC with the excise duty rates of each of the examined EU Member State
- to calculate the tax burden (excise duty & VAT) in each of the examined Member State
- to demonstrate the tax burden on practical examples:
 - on one product being sold in all examined states
 - on the comparison of the excise duty rates for beer of each of the examined Member State with the EU minimum rates for beer
 - on the possible impact of the proposed change of the minimum excise rates for alcohol and alcoholic beverages by EC in 2006
 - on the example of the Czech brewery Bernard
- to show the economic impact of the brewing sector in each of the examined EU Member States

2.2. Methodology

Methodology for the literature overview is based on data collection from the relevant legislation, specialized publications and surveys carried out by the reputable organizations such as the European Commission or the Brewers of Europe. The main sources of information are the relevant data from the European Commission, the Council Directives of the EU and data collected from the Brewers of Europe.

Methodology for the practical part is based on consultations with experts from the beer industry, based on the data collection, their assessment and application for sectional objectives.

For data collection the following subjects will be contacted: The Czech Beer and Malt Association, the company Pivo Praha, The Brewers of Europe, beer associations of all examined Member States, statistical offices of all examined Member States and available business portals.

Methodology for the tax burden calculation

It is necessary to mention two different ways of setting the excise duty rates for beer in the examined EU Member States. Beer is taxed either by degrees of Plato (°Pl) like in Czech Republic and Germany, or by the alcohol volume of beer (abv.) like in Finland, France and the UK. For fiscal purposes 1 °Pl approximately refers to 0,4 % of alcohol, analogously 1% of alcohol refers to 2,5 degrees Plato.

Calculation of the tax burden is based on the decomposition of the retail prices. Knowing the relevant rates of excise duty and VAT in certain period, it is possible to calculate the pre-tax price. This consecution will enable to determine eventually what percentage of the retail price represents the tax burden, what percentage represents the pre-tax price and what percentage constitute both of the indirect taxes from the entire tax burden. For calculation of the VAT value is used the VAT index $(\text{VAT rate} / 100 + \text{VAT rate}) * \text{the retail price}$. For calculation of excise duty the following formulas are used:

- excise duty rate * °Pl degrees = excise duty on 1hl of beer
- excise duty rate * alcohol volume (°Alc.) = excise duty on 1hl of beer

3. Literature overview

3.1. History of beer in specified EU Member states

It is inherently clear that without the Keltic tribes, the beer industry evolution in Europe would have been several decades or perhaps a couple of centuries slower. Origins of today's European countries were first set between the 4th and 7th century A.D. by the so called Nation's Migration Period. Climatic conditions worsened around Europe and Barbaric tribes, such as Germanic and Slavic tribes, began to move and look for more appropriate life space. This vast migration was also induced by the demografic changes – switch-over from the nomadic way of life to the settled one. [1 – own translation]

3.1.1. England

Beer brewing has ever been an important part of the English life. Again, it was the Keltic influence that set the grounds for today's Great Britain beer industry. Already the Domesday book from 1086 records the evidence of prosperous brewing industry in England. William the Conqueror, initiator of this vast possession research, wanted to know the equity of the British population in order to tax it.

United Kingdom is specific for its home brewing history, nowadays seen largely in small brewery industry and their original several tens or even hundreds of different recipes. In the medieval times the main beer sources came from the monasteries, similarly as in other countries on the continent.

In spite of the great influence of the huge global brewing companies, British beer secured its originality through the Camra organisation which stands for Campaign for Real Ale. This organisation fights for the value of traditional beer brewing. [1,3,4 – own translation]

3.1.2. Finland

Beer brewing in Finland has a long tradition since the Middle Ages. Sahti was most likely the first known Finnish beer. It is specific with its original way of brewing and it is nowadays very hard to find.

Brewing industry was considerably influenced by the country – wide prohibition coming in force in 1919 and lasted until 1932, which reduced both production and consumption mainly through very high taxation. The high tax burden still serves mainly as an anti – alcoholic measures, which in fact is spread in other Scandinavian countries as well. Consequently it is logical that brewing industry has gone through a very difficult process. On the other hand, today's Finland has around 20 breweries and approximately 8 microbreweries.

[1,3,4 – own translation]

3.1.3. Germany

Ancestors of today's Germans came to central Europe approximately at the end of 4th century A.D. as one of the Nordic tribal stem. Once they settled down, it is most likely that besides other crafts and agriculture, they learned beer brewing from their neighboring tribe – either Kelts or Slavs. Since then on, Germans significantly developed their brewing skills and today Germany belongs amongst the best world country regarding beer brewing quality and wide spectra of different kinds of traditional beer. Once mentioning the term traditional beer, it is more than relevant to advert to one of the first legislative measures concerning beer production and sale - old German "Beer Purity Law" - in original - "*Reinheitsgebot*". This law enforced by the duke William IV first in Bavaria in 1516, has been prescribing strictly the only ingredients allowed to use for brewing – water, barley and hops. Consequent exemptions included different kinds of yeasts and wheat. This law is nowadays still valid and on that account Germans are sometimes criticised for their beer conservatism and their lack of innovations which is specific for Belgium, UK or USA.

[1,3,6 – own translation]

3.1.4. Czech Republic

Slavic tribes had been coming to the territory of today's Czech Republic between the beginning of the Christian calendar and 5th- 6th century A.D. Very skilled craftsmen and farmers were peaceful settlers. It was most likely them who taught Germans how to brew beer. Growing hops in Czech lands is dated from 859 and first brewery was founded in Cerhenice in 1118. Brewing industry had been growing rapidly all over the country and had developed an important infrastructure – in the beginning of 16th century more than 80% of the municipal income consisted of the beer production. A turnover came during 19th century after centuries of stable development, but soon disrupted by the world wars. Thereafter since the collapse of the communistic block, the quality and reputation returned back. [1,3,6 – own translation]

3.1.5. France

The influence of wine on today's French culture is so huge, that it is hardly allowable that French have ever drunk and still drink something else than wine at all. By all means, ancient Gallia was a country of beer, and wine became to overcome not until the invasion of the Romans. Again, from the historical perspective, Keltic tribes had very highly developed manufacturing and due to this fact agriculture was more intensive and grain growing was more effective. Therefore harvested grain was cheaper than in less developed regions of Europe and beer was available to wider spectra of society.

Since that time, France has remained faithful to wine production and become one of the leading producers in the wine industry in the world with the little exception of its northern part. [1,3,4 – own translation]

3.2. Legislation of indirect taxes in EU

3.2.1. Legal framework

The EC Treaty, under Article 93, specifically provides for the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, to adopt provisions for the harmonisation of Member States' rules in the area of indirect taxation (principally Value Added Tax and Excise Duties) because indirect taxes may create an immediate obstacle to the free movement of goods and the free supply of services within an Internal Market. They may also create distortions of competition. A large number of Directives and Regulations (i.e. "secondary legislation") have already been agreed in this area on the basis of that Article.

[11]

3.2.2. Excise duties

Excise duty – indirect tax imposed on certain categories of goods

Excise duties are indirect taxes on the consumption or the use of certain products. In contrast to Value Added Tax (VAT), they are mainly specific taxes, i.e. expressed as a monetary amount per quantity of the product. [12]

Excise duties make it possible to impose a much larger tax burden on a small number of products than that borne by the vast majority of goods that are only subject to VAT, which has very few, and fairly low, rates. If the various excise duties in a fiscally integrated Community were abolished, the resultant losses of revenue would have to be offset by increasing VAT rates, which would be certain to have an inflationary effect on their economies. Thus, for example, manufactured tobacco products and mineral oils bear, without major drawbacks, very high taxes, which on average yield more than 10% of the tax revenue of

the EU States. Moreover, within the overall context of a tax scheme, excise duties constitute flexible components, which can easily be manoeuvred if further tax revenue is needed. As they are separate taxes, excise duties can easily be adapted to the various economic, social and structural requirements. Lastly, they can be levied specifically in order to reduce consumption of certain products, such as tobacco products and alcoholic drinks, for public health reasons, and petroleum products for reasons of environment linked energy savings and reduction of energy dependence.

Excise duties are paid by the consignee in the country of destination and the appropriate provisions are taken to this effect. For commercial operations, the Community system is similar to that applied within a state. The movement of products subject to suspended excise duty is run through interconnected bonded warehouses and is covered by an accompanying document, which has been harmonised at Community level. The payment of the excise due in the Member State of destination can be assumed by a fiscal representative established in this State and designated by the consignor.[13]

The most commonly applied excise duties are those on:

- alcoholic beverages,
- manufactured tobacco products and
- energy products (motor fuels and heating fuels, such as petrol and gasoline, electricity, natural gas, coal and coke).

All EU Member States apply excise duties to these three product categories. The revenue from excise duties accrues entirely to the Member States.

EU legislation in the area of excise duties on these products was mainly adopted in the context of the establishment of the Internal Market on 1 January 1993, which involved the abolition of controls of a fiscal nature at internal borders between Member States.

This legislation, which has been further developed since, can be divided into three main categories:

- The structure of the tax to be applied to a particular group of products. The structure of taxation means the definition of the product categories, the way in which the excise duty is calculated (e.g. per hl; per degree alcohol; per 1000 pieces, etc.), the scope of possible exemptions, etc.
- The minimum rates of duty that Member States have to respect for each type of product. Above those minimum rates, Member States can freely fix their own rate levels.
- General provisions that apply across the product categories. These provisions concern in particular the production, storage and movement between Member States of excise products. [12]

3.2.3. Relevant Council Directives

Council Directive 92/12 EEC

Council Directive 92/12/EEC of 25 February 1992 deals with the general arrangements for products subject to excise duty and on the holding, movement and monitoring of such products, O.J. L 076 of 23.03.1992.

Council Directive 92/83 EEC

Council Directive 92/83/EEC of 19 October 1992 deals with the harmonization of the structures of excise duties on alcohol and alcoholic beverages, O.J. L 316 of 31.10.1992.

This Directive:

- defines the various categories of alcoholic beverage (beer, wine, fermented beverages other than beer and wine, intermediate products and ethyl alcohol).
- Prescribes the basis on which the excise duty is calculated.
- Introduces reduced rates for small breweries, small distilleries, certain drinks (ouzo and rum produced in the French Overseas Departments).
- Introduces special provisions for certain regions of Spain.

- Grants derogations to exempt, in the UK, "black" beer and angostura bitters.
- Provides general exemption to alcohol which is not intended for consumption as a beverage.

Council Directive 92/84 EEC

Council Directive 92/84/EEC of 19 October 1992 deals with the approximation of the rates of excise duties on alcohol and alcoholic beverages, O.J. L 316 of 31.10.1992.

Council Directive 92/84/EEC of 19 October 1992 on the approximation of the rates of excise duty on alcohol and alcoholic beverages which lays down the minimum rates of duty, set in 1992 and applicable from 1 January 1993, for each product category, as follows:

<i>Product</i>	<i>Rate expressed per</i>	<i>Present minimum rate</i>
<i>Wine (still and sparkling)</i>	<i>hl</i>	<i>0 €</i>
<i>Beer</i>	<i>hl degree Plato or hl degree alcohol</i>	<i>0.748 € or 1.87 €</i>
<i>Intermediate products</i>	<i>hl</i>	<i>45 €</i>
<i>Alcohol</i>	<i>hl of pure alcohol</i>	<i>550 €</i>

Source:

http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/alcoholic_beverages/COM%282006%29486_en.pdf

- Reduced rates apply to 'independent small breweries' and to 'low alcohol' beer (not exceeding 2.8%).
- All alcoholic beverages are subject to the standard VAT rate, which cannot be less than 15%.
- Indicative intra-EU duty-paid cross-border shopping allowances are 110 litres of beer, 90 litres of wine (but 60 litres of sparkling wine), 10 litres of spirits and 20 litres of intermediate products.

- The Council of Ministers has placed restrictions on the advertising of alcohol on television (Directive 89/552/EEC) and encouraged Member States to address the problems caused by harmful alcohol use among young people (Recommendation 2001/458/EC).

Council directive amending Council Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages (2006)

On 8th September 2006 the European Commission presented a proposal for a Council Directive amending Directive 92/84/EEC by increasing the minimum rates of excise duty in line with inflation as follows:

<i>Product</i>	<i>Rate expressed per</i>	<i>Present minimum rate</i>	<i>Indexed minimum rate</i>
<i>Wine (still and sparkling)</i>	<i>hl</i>	<i>0 €</i>	<i>0 €</i>
<i>Beer</i>	<i>hl degree Plato or hl degree alcohol</i>	<i>0.748 € or 1.87 €</i>	<i>0.98 € or 2.45 €</i>
<i>Intermediate products</i>	<i>hl</i>	<i>45 €</i>	<i>59 €</i>
<i>Alcohol</i>	<i>hl of pure alcohol</i>	<i>550 €</i>	<i>720 €</i>

http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/alcoholic_beverages/COM%282006%29486_en.pdf

However, this proposal was never approved. It was rejected by the European Parliament and the Economic and Social Committee in 2006.

Council Directive 2008/118 EEC

Council Directive 2008/118/EC of 16 December 2008 deals with the general arrangements for excise duty and repealing Directive 92/12/EEC, O.J. L 9/12 of 14.1.2009.

[14, 15]

3.2.4. Excise duty on alcohol

Under the economic approach, the purpose of the alcohol excise duty is to ensure that each drinker takes all external costs into account when making his drinking decision. This should induce him to drink his socially optimal quantity of alcohol. [10]

Certain rules regarding the excise duty rates and structures applied to alcohol and alcoholic beverages were established in order to ensure a common approach among the Member States in the run up to the completion of the Internal Market on 1 January 1993.

The rates and structures of the excise duty system applicable to alcohol and alcoholic beverages are set down in Community legislation.

Beer, wine, cider and spirits

Council Directive 92/83/EEC, which deals with the structures of excise duties on alcohol and alcoholic beverages, defines the categories of alcohol and alcoholic beverages, which are subject to excise duty, and the basis on which the excise duty is calculated. The categories are:

- beer,
- wine,
- fermented beverages other than beer and wine (for example, cider and perry), intermediate products (for example, port and sherry) and
- ethyl alcohol (i.e. spirit drinks).

It also includes special provisions relating, for example, to reduced rates for small breweries and distilleries, certain products and geographical regions.

Included within the term "ethyl alcohol" is alcohol which is not necessarily intended as a beverage, for example, alcohol intended for industrial purposes, in the production of foodstuffs, medicines and so on. The general principle is that excise duty is only due on alcohol intended for human consumption as a beverage and, therefore, the Directive provides exemptions from excise duty, subject to rules, for these particular purposes.

Minimum rates

Although full harmonisation of the excise duty rates throughout the European Union was not considered necessary by the Council of Ministers for the proper functioning of the Internal Market, a series of minimum rates were agreed. Above these minimum rates Member States retain sovereignty to set excise duty rates at levels they consider appropriate according to their own national circumstances. Council Directive 92/84/EEC on the approximation of the rates of excise duty on alcohol and alcoholic beverages sets down these minimum rates.

[15]

3.2.5. Excise duties in specified EU Member States

3.2.5.1. Excise duties in France

Excise tax in France is a type of tax charged on goods produced within the country (as opposed to custom duties, charged on goods from outside the country). Typical examples of excise duties are in France on gasoline, tobacco and alcohol. Excise duty is also a tax levied on the producer of these goods. In France it is a separate tax from VAT, and is different from it in that VAT solely affects the consumer. The consumer also indirectly pays the excise, as it is included in the eventual sale price of the product.

The alcoholic beverages – beer

Minimum excise duty in EU is 1.87 EUR per hl/degree of alcohol of finished product (Article 6 of Directive 92/84EEC). In France is the standard rate 2.71 EUR per hl/degree of alcohol of finished product (> 2,8% alc. vol. – 2,71 € / hl °Alc.). [16]

For further summary of the excise duty rates see table I. in the appendix

3.2.5.2. Excise duties in the United Kingdom

Excise duty is a tax that HM Revenue & Customs (HMRC) charges on some goods that are acquired, imported or produced in the UK. It is charged on beer, wine, spirits and other alcoholic drinks, hydrocarbon oils (including fuel and petrol), cigarettes and tobacco. [17]

The alcoholic beverages – beer

The rate of excise duty payable on alcohol products like spirits, wines and beers is based on their alcohol content and volume. In the case of wine and cider the rate also depends on whether they're still or sparkling. [18]

For further summary of the excise duty rates see table I. in the appendix

3.2.5.3. Excise duties in Finland

Act on Excise Duty

The general regulations on excise duty can be found in the Act on Excise Duty (1469/94), which is uniform with the excise duty system of the European Community. The Act on Excise Duty includes all the general regulations on excise duty, such as liability issues, certain generally applicable tax exemptions such as those for products imported by tourists and those travelling on business, tax collection and control, as well as other excise taxation procedures.

The Act on Excise Duty is also applied to products subject to harmonized excise duty and, where applicable, products subject to national excise duties.

The alcoholic beverages – beer

Excise duty is levied on alcoholic beverages and ethyl alcohol in accordance with the Act on Excise Duty on Alcohol and Alcoholic Beverages (1471/1994). Beverages that are subject to the duty include beer, wine, intermediate products and beverages that include ethyl alcohol.

The excise duty on alcohol and alcoholic beverages is levied in accordance with the provisions in the Act on Excise Duty (1469/1994).

Duty Relief for Small Breweries

Small breweries receive a duty relief for the duty levied on beer as regulated by tax legislation. In order to receive this duty relief, the brewery must be judicially and financially independent from other businesses in the same field. [19]

For further summary of the excise duty rates see table I. in the appendix

3.2.5.4. Excise duties in Germany

Excise duties are taxes that have to be paid directly by the producer of specific products. They are usually measured by quantity.

In principal, production and wholesale of goods that are subjected to excise duties are proceeded through tax warehouses. In these warehouses they may be produced and stored untaxed. Excise duties become due whenever goods leave the warehouse. Usually the local main customs offices are responsible for the collection.

The alcoholic beverages – beer

Traditionally there are several excise duties on specific alcoholic beverages as the beer tax (8,66 €/hl to 12,59 €/hl), the tax on sparkling wine (51 €/hl to 153 €/hl), and the tax on alcopops, which is added to the tax on spirits. [20]

For further summary of the excise duty rates see table I. in the appendix

3.2.5.5. Excise duties in the Czech Republic

The general regulations on excise duty can be found in the Act on Excise Duty (353/2003). Excise duties belong to indirect taxes which are state imposed either for the purpose of price regulation of particular goods on the market or to increase the revenues of the state budget. Excise duties may also serve as an effective instrument for a demand reduction of detrimental goods, because excise duties in Czech Republic mostly comprise of more than 50% of the taxed goods price. Taxable persons are producers and operators of tax warehouses. Taxpayers are then buyers of these products, because the tax is already included in the price. Administration of excise duties excercises the Czech customs authority since 2006.

The alcoholic beverages – beer

Excise duty for beer is defined in the Act (353/2003) under the paragraphs 80 – 91, where the taxable person, the object of the tax, the small brewery, the inception of the duty to pay the tax, the tax basis, the tax rates, the suspension from the tax, taxable amount of beer etc. is defined. [21 – own translation]

For further summary of the excise duty rates see table I. in the appendix

3.2.6. VAT

VAT - a consumption tax which is levied at each stage of production based on the value added to the product at that stage

The realisation of the single market in 1993 resulted in the abolition of controls at fiscal frontiers. To achieve this, the Commission proposed moving from the pre-1993 "destination based" system, where VAT is effectively charged at the rate of VAT applicable where the buyer is established, to an "origin based" system, with VAT being charged at the rate in force where the supplier is established. This would have effectively abolished fiscal frontiers within the EU. This was, however, not acceptable to Member States as rates of VAT were too different and there was no adequate mechanism to redistribute VAT receipts to mirror actual consumption.

Therefore, until the conditions were right the Community adopted the Transitional VAT System which maintains different fiscal systems but without frontier controls. The intention is still eventually to have a common system of VAT where VAT is charged by the seller of goods - an origin based VAT system. The transitional system is an origin based system for sales to private persons who can go and buy tax paid anywhere they like in the Union and take the goods home without having to pay VAT again. There are some exceptions to this general rule however (e.g. the purchase of new means of transport and distance selling). For transactions between taxable persons it is still a destination based VAT system.

The Value Added Tax, or VAT, in the European Union is a general, broadly based consumption tax assessed on the value added to goods and services. It applies more or less to all goods and services that are bought and sold for use or consumption in the Community. Thus, goods which are sold for export or services which are sold to customers abroad are normally not subject to VAT. Conversely imports are taxed to keep the system fair for EU producers so that they can compete on equal terms on the European market with suppliers situated outside the Union.

Value added tax is:

- a general tax that applies, in principle, to all commercial activities involving the production and distribution of goods and the provision of services.
- a consumption tax because it is borne ultimately by the final consumer. It is not a charge on businesses.
- charged as a percentage of price, which means that the actual tax burden is visible at each stage in the production and distribution chain.
- collected fractionally, via a system of partial payments whereby taxable persons (i.e., VAT-registered businesses) deduct from the VAT they have collected the amount of tax they have paid to other taxable persons on purchases for their business activities. This mechanism ensures that the tax is neutral regardless of how many transactions are involved.
- paid to the revenue authorities by the seller of the goods, who is the "taxable person", but it is actually paid by the buyer to the seller as part of the price. It is thus an indirect tax.

At the time when the European Community was created, the original six Member States were using different forms of indirect taxation, most of which were cascade taxes. These were multi-stage taxes which were each levied on the actual value of output at each stage of the production process, making it impossible to determine the real amount of tax actually included in the final price of a particular product. As a consequence, there was always a risk that Member States would deliberately or accidentally subsidise their exports by overestimating the taxes refundable on exportation.

It was evident that if there was ever going to be an efficient, single market in Europe, a neutral and transparent turnover tax system was required which ensured tax neutrality and allowed the exact amount of tax to be rebated at the point of export. As explained in VAT on imports and exports, VAT allows for the certainty that exports there are completely and transparently tax-free.

The VAT due on any sale is a percentage of the sale price but from this the taxable person is entitled to deduct all the tax already paid at the preceding

stage. Therefore, double taxation is avoided and tax is paid only on the value added at each stage of production and distribution. In this way, as the final price of the product is equal to the sum of the values added at each preceding stage, the final VAT paid is made up of the sum of the VAT paid at each stage.

Registered VAT traders are given a number and have to show the VAT charged to customers on invoices. In this way, the customer, if he is a registered trader, knows how much he can deduct in turn and the consumer knows how much tax he has paid on the final product. In this way the correct VAT is paid in stages and to a degree the system is self-policing.

For the purpose of exports between the Community and non-member countries, no VAT is charged on the transaction and the VAT already paid on the inputs of the good for export is deducted - this is an exemption with the right to deduct the input VAT, sometimes called 'zero-rating'. There is thus no residual VAT contained in the export price.

However, as far as imports are concerned, VAT must be paid at the moment the goods are imported so they are immediately placed on the same footing as equivalent goods produced in the Community. Taxable people registered for VAT will be allowed to deduct this VAT in their next VAT return. [22]

3.2.7. Council Directive 2006/112 EEC

Council Directive 2006/112 EEC

Council Directive 2006/112/EEC of 28 November 2006 deals with the common system of value added tax, O.J. L 347 of 11.12.2006.

On 11 April 1967 the first two VAT Directives were adopted, establishing a general, multi-stage but non-cumulative turnover tax to replace all other turnover taxes in the Member States. However, the first two VAT Directives laid down only the general structures of the system and left it to the Member States to determine the coverage of VAT and the rate structure. It was not until 17 May 1977 that the Sixth VAT Directive was adopted which established a uniform VAT coverage.

On 1 January 2007, the Sixth Directive was replaced by the VAT Directive (Directive no: 2006/112/EC). It brings together the various provisions into one piece of legislation, so gives a clearer overview of EU VAT legislation currently in force. The VAT Directive guarantees that the VAT contributed by each of the Member States to the Community's own resources can be calculated. It still however, allows Member States many possible exceptions and derogations from the standard VAT coverage. Moreover, it does not set out the rates of VAT to be applied in Member States, only a minimum rate of 15% fixed until 31 December 2010. This means that VAT rates differ widely. Currently, Member States apply a standard rate of between 15% and 25%. They may also apply 1 or 2 reduced rates of at least 5%. There are a number of temporary derogations, e.g. zero rates in the United Kingdom and Ireland. The VAT coverage also still differs from one Member State to another.

The VAT Directive' is effectively a recast of the Sixth VAT Directive of 1977 as amended over the years. The recast brings together various provisions in a single piece of legislation. It provides a clearer overview of EU VAT legislation currently in force. [23]

Council Directive 2006/112 EEC is amended by: Council Directive: 2006/138 EEC; 2007/75 EEC; 2008/8 EEC; 2008/117 EEC; 2009/47 EEC; 2009/69 EEC.
[23]

3.2.8. VAT in specified EU Memeber States

3.2.8.1. VAT in France

The VAT is a general consumption tax, which applies to goods and services located in France. It is a proportional tax on output collected by the companies and ultimately completely supported by the final buyer – consumer, since it is included in the price of goods or services. Indeed. The VAT (value-added-tax) is one of the most important taxes in France. It is an indirect tax. The VAT is collected in connection with the supply of goods, or the provision of a service,

transfer of ownership, importation, purchase or intra Community acquisition. The VAT is levied on the prices of fees for goods and services, including all applicable charges and taxes other than VAT.

Taxable period and tax due date

Monthly or quarterly returns are filed, accompanied by payment of VAT due. Small and medium-sized enterprises may choose to pay VAT under a simplified system involving the submission of a yearly form of the return along. Businesses whose turnover is below a fixed threshold are exempt from VAT. Farmers liable for VAT submit one return per calendar year. Taxpayers can obtain a quarterly or yearly refund of any overpaid VAT.

Tax rate

The rate of VAT tax rate generally in France is **19.6 %**. Most goods and services are taxed at the general rate. A reduced tax rate is 5.5 %. Reduced rate applies mainly to agricultural products, most foodstuffs, books and most public entertainments. In France is yet super reduced rate, it is 2.1 %. Super reduced rate applies to medicinal products and newspapers.

Tax exempt

The turnover tax law provides an extensive list of goods and services exempted from turnover tax. For example, the following are exempted from France VAT:

- export and equivalent transactions
- activities subject to local entertainments tax (for instance – sporting events...)
- certain real-estate operations
- certain imports
- educational activities
- medical and paramedical activities
- certain operations carried out by government bodies or local authorities
- certain activities carried out by non-profit organizations

[24]

3.2.8.2. VAT in the United Kingdom

Value Added Tax (VAT) is a tax that's charged on most goods and services that VAT-registered businesses provide in the UK. It's also charged on goods and some services that are imported from countries outside the European Union (EU), and brought into the UK from other EU countries.

Businesses add VAT to the price they charge when they provide goods and services to:

- business customers - for example a clothing manufacturer adds VAT to the prices they charge a clothes shop
- non-business customers - members of the public or 'consumers' - for example a hairdressing salon includes VAT in the prices they charge members of the public.

If you're a VAT-registered business, in most cases you:

- charge VAT on the goods and services you provide
- reclaim the VAT you pay when you buy goods and services for your business.

If you're not a VAT-registered business or organisation then you can't reclaim the VAT you pay when you purchase goods and services.

If you're VAT-registered you'll have to charge VAT on any goods and services that you provide in the UK that are VAT taxable. You charge VAT on the full sale price, even if you accept goods in part exchange or through barter instead of money.

Rates of VAT

There are different VAT rates, depending on the goods or services that are being provided. At the moment there are three rates:

- standard rate - **17.5 per cent**
- reduced rate - 5 per cent
- zero rate - 0 per cent.

The standard rate of VAT is the default rate - this is the rate that's charged on most goods and services in the UK unless they're specifically identified as being reduced or zero-rated.

Examples of reduced-rated items

These are some examples of goods and services that may be reduced-rated, depending on the product itself and the circumstances of the sale:

- domestic fuel and power
- installing energy-saving materials
- sanitary hygiene products
- children's car seats

Examples of zero-rated items

These are examples of goods and services that may be zero-rated, depending on the product itself and the circumstances of the sale:

- food - but not meals in restaurants or hot takeaways
- books and newspapers
- children's clothes and shoes
- public transport

[25]

3.2.8.3. VAT in Finland

Value-added tax (VAT) is a general multi-stage, non-cumulative tax on consumption. VAT is a broad-based tax on most goods and services; it is levied at each stage in the production and distribution of goods and services; the accumulation of the tax is prevented by means of a deduction system. When a person liable to tax purchases taxable goods or services, the supplying enterprise charges VAT. The person liable to tax may deduct the tax paid by him on purchases (input tax) from the tax charged for his taxable supplies (output) tax. The difference between the output tax and the input tax is paid to the State. The final tax is borne by the consumer. In Finland, VAT replaced the

Sales Tax at the beginning of June 1994. As an EU Member State, Finland has subsequently harmonised its VAT system entirely with the EU rules by amending the VAT Act.

VAT is imposed on the sale of goods and services, on imports, on intra-Community acquisitions of goods and on removals of goods from warehousing arrangements. In principle, the scope of application of VAT covers any consumption of goods and services. The supply of goods and services in the course of business is taxable unless explicitly exempted in the Act. VAT is only levied on transactions that occur in Finland. The only transactions to be taxed are those that take place in Finland.

Tax rates

The standard rate of VAT is 22 per cent (of the price excluding tax).

A reduced tax rate of 8 per cent is applied to the following commodities:

- books;
- medicines;
- passenger transport services;
- accommodation services;
- services enabling sporting activities;
- admissions to commercial sporting, cultural and entertainment performances, events and facilities;
- subsidies based on the licence fees from the radio and television fund to the Finnish Broadcasting Company and similar subsidies to Åland Radio and TV;
- the sale of a work of art by the artist and the importation of works of art;
- hairdressing (as an interim measure until the end of 2010);
- copyright payments received by copyright organisations.

A reduced tax rate of 17 per cent (12 per cent as of 1st October 2009) is applied to foodstuffs and animal feed, excluding restaurant services, live animals, drinking water, alcoholic beverages and tobacco products. [26]

3.2.8.4. VAT in Germany

In Germany, all entrepreneurs who are engaged and independently active in a trade, business or profession with the purpose of generating income, are liable to value-added-tax also known as turnover tax (Umsatzsteuer).

VAT is raised regardless of citizenship, residence, main place of management, or the place of billing or payment. The only criterion for charging VAT is that the entrepreneur executes taxable transactions within the country above a certain volume. The German Turnover Tax Law, based on the EU VAT Directive, covers the following transactions that are liable for the German VAT:

- the supply of goods and services within Germany
- the importation of goods from territories outside the EU into Germany, also called "import turnover tax" (Einfuhrumsatzsteuer)
- the movement of goods into Germany from another territory within the EU (Intra-Community acquisitions) also called "acquisition VAT" (Erwerbsteuer).

VAT rules distinguish between the place of supply of goods and services and define which transactions are performed for business and private customers.

The standard VAT rate for the supplies of goods and services in Germany is **19 percent**. Certain goods - like books and food - and services are subject to the lower rate of 7 percent.

There are some goods and services that are exempt from VAT. The most common are intra-EU-deliveries of goods, exports of goods to a non-EU destination and services related to these deliveries.

Since VAT is a very complex subject and there are many different cases and exceptions, it is recommended that all trading companies seek competent advice in this area, to make sure that they are fully informed about the taxes that apply to their products. A suitable tax advisor might be found through the search engine of the German Association of Tax Advisors. [27]

3.2.8.5. VAT in the Czech Republic

As the Czech Republic is a member state of the European Union as of 1st May 2004, the Czech VAT law is based on the principles of the common system of VAT given by the VAT Directive.

VAT is generally due on a supply of goods or services with the place of supply in the Czech Republic carried on by a taxable person in the course of economic activities. The taxable supply usually means goods or services provided for a consideration. However, certain transactions carried out for no consideration represent also a taxable supply, e.g. private use of business assets and provision of gifts.

Registration

- VAT registration is obligatory for a person who has a registered seat, place of business, or establishment in the Czech Republic (herein after Czech entities), if their turnover exceeds CZK 1 million in twelve consecutive calendar months. Even if the threshold is not exceeded, Czech entities can choose a voluntary registration
- entities that have no seat, place of business, or a fixed establishment in the Czech Republic are obliged to register for Czech VAT once they make a taxable supply in the Czech Republic on which they have to account for aVAT. There is no registration threshold and these entities cannot register voluntary
- VAT is administered by the relevant Financial Authority except for the import of the goods by persons not registered for VAT when VAT is administrated by the relevant Customs Authority. Complete and detailed records must be kept for VAT purposes for 10 years after the end of a taxable period

VAT returns

- taxable period of Czech entities can be a calendar quarter or a month. If the annual turnover of a Czech entity is higher than CZK 10,000,000,

VAT returns have to be submitted on a monthly basis. Should the annual turnover be lower than CZK 2,000,000, VAT returns must be submitted quarterly. If the annual turnover is higher than CZK 2,000,000 but lower than CZK 10,000,000, the tax payer can choose a monthly taxable period. Otherwise, the taxable period is a calendar quarter.

- entities with no seat, place of business or a fixed establishment in the Czech Republic submit VAT returns quarterly.

TAX rates

VAT in the Czech Republic is charged at two rates:

- the standard rate of **20%** on the sale of goods and services
- the reduced rate of 10% on the sale of certain goods such as food products, pharmaceuticals used for health care, nappies, printed books and periodicals

etc and certain services such as the land, waterway and air transport of passengers, health care goods, certain cultural activities etc.

Recovery procedure

VAT can be recovered by businesses registered for the Czech VAT on all goods and services used by them within the framework of their economic activities. However there are certain exceptions, when VAT is not deductible due to their character (restaurant expenses etc.) or because of their use for e.g. provision of exempt supplies. Also the entities with the seat in another EU member states can recover the Czech VAT but the specific conditions must be met (e.g. deadline date to send an application by 30th June following year and the minimum amount claimed should exceed CZK 1,000 for the calendar year). [28]

see table no. 2 - The development of standard VAT rates in specified EU Member States [1993 - 2010]

3.2.9. Economic impact of brewing industry in Europe

3.2.9.1. Introduction

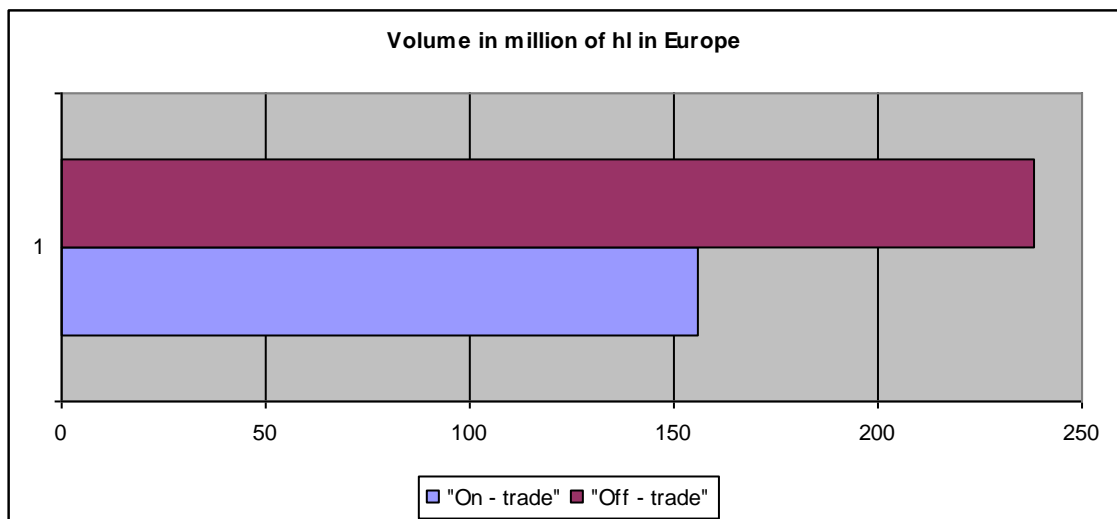
In total 2,5 million jobs are directly or indirectly related to the production and sale of beer. The total value-added attributed to the production and sale of beer in Europe is estimated at approximately 59 billion euros. The total revenues for the national governments are estimated at approximately 57 billion euros. Europe is undoubtedly the biggest beer producer in the world. It is also the biggest producer of the essential and necessary ingredients for production of beer – hops, barley and malt. In 2008 Europe accounted for over 3 700 breweries in total (including microbreweries) producing 427 million hectoliters of beer. The number of breweries across the Europe change every year, hence it is impossible to estimate the precise number. For illustration, regarding countries under the scope of the thesis, Germany is a country with the most breweries in the world. It has more than 1 300 breweries. United Kingdom has about 660 breweries, France 132, Czech Republic 128 and Finland nearly 30 breweries.

In addition to employment, value-added and government tax revenues, the brewing sector also generates social benefits to the European countries. Europeans consumed 394 million hectoliters in 2008.

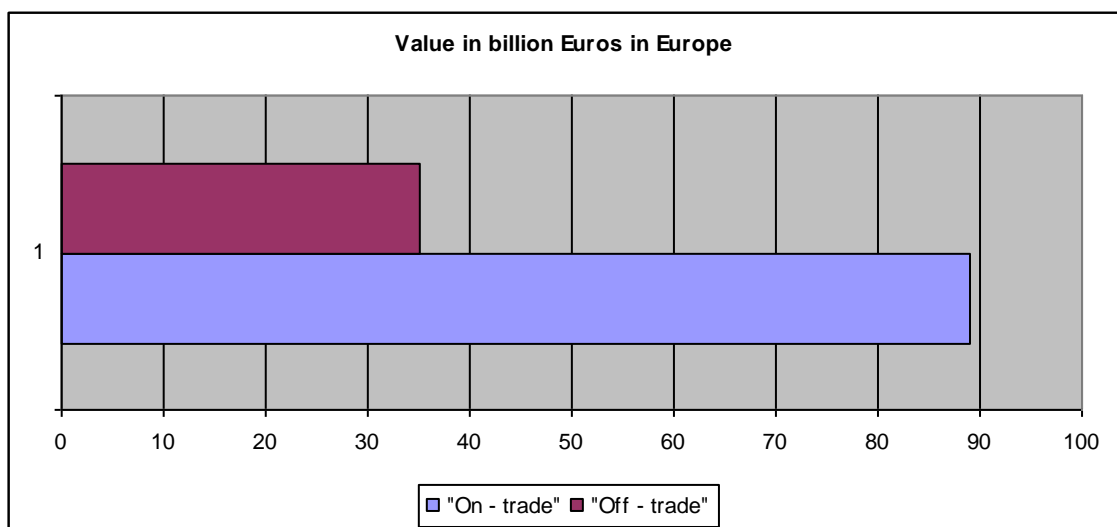
The production and consumption of beer has a major impact on other important European sectors. The annual expenditure of European breweries on goods and services is worth 24,5 billion euros. Mainly as a result of a strong European beer sector, Europe is the number-one producer of hops, malting barley and malt.

3.2.9.2. Consumption

The consumption of beer in Europe in 2008 accounted for 394 million hectoliters with the value of 124 billion Euros (including VAT). Of this European consumption, it is estimated that over 60% of all consumed beer referred to so-called off-trade consumption – retail sector. Less than 40% referred to as on-trade consumption – hospitality sector. Nonetheless, in terms of revenues, hospitality sector has been far more important despite the lower percentage regarding the consumption. The turnover in on-trade consumption has been much higher.



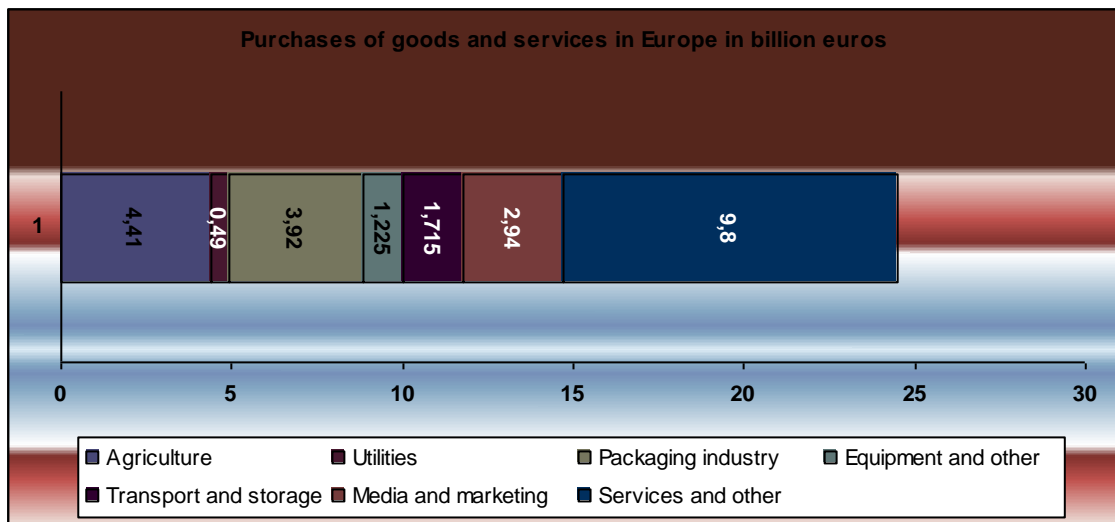
Source: Ernst & Young Report 2009



Source: Ernst & Young Report 2009

3.2.9.3. Purchases made by breweries

The annual production of 427 million hectoliters of beer is only possible because various sectors provide the necessary goods and services, ranging from barley, hops, and malt to energy and transportation capacity, and including a variety of industrial products and services. In total the brewing sector purchases goods and services from supplying sectors with a value of **24,5** billion euros.



Source: Ernst & Young Report 2009

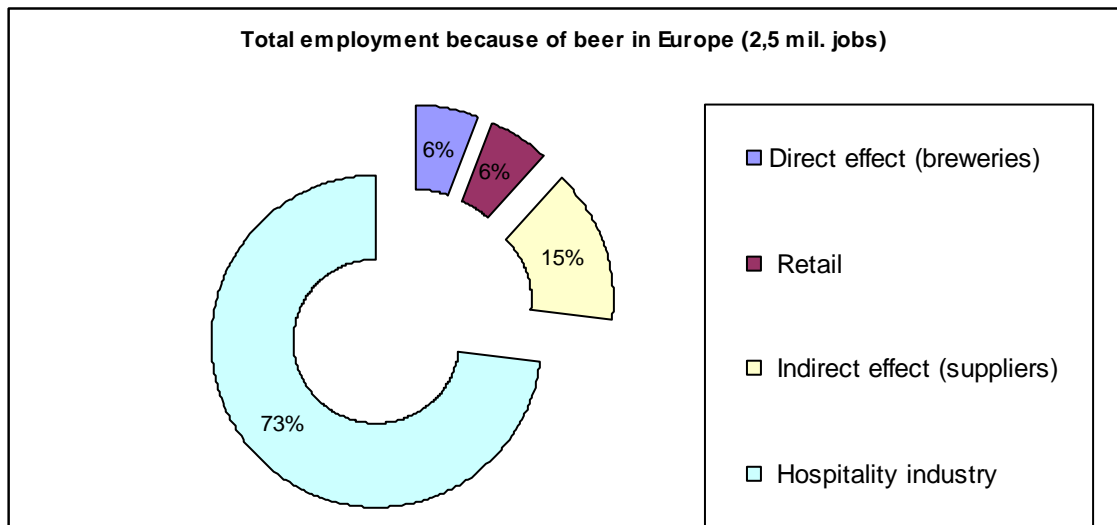
A large share (40%) of the purchases made by European breweries is carried out in the services sector (including marketing and media). Another important supplying sector for breweries is agriculture. Some 18% of the breweries' total expenditure is spent in this sector.

Important ingredients of beer are hops, malting barley and malt. It is no coincidence that because Europe is the world's largest beer producer, that Europe is also the number-one producer of hops, malting barley and malt. Around 53% of global hops production is of European origin.

Europe is the world's largest producer of malting barley, with some 55% of the global output being produced in Europe.

3.2.9.4. Employment

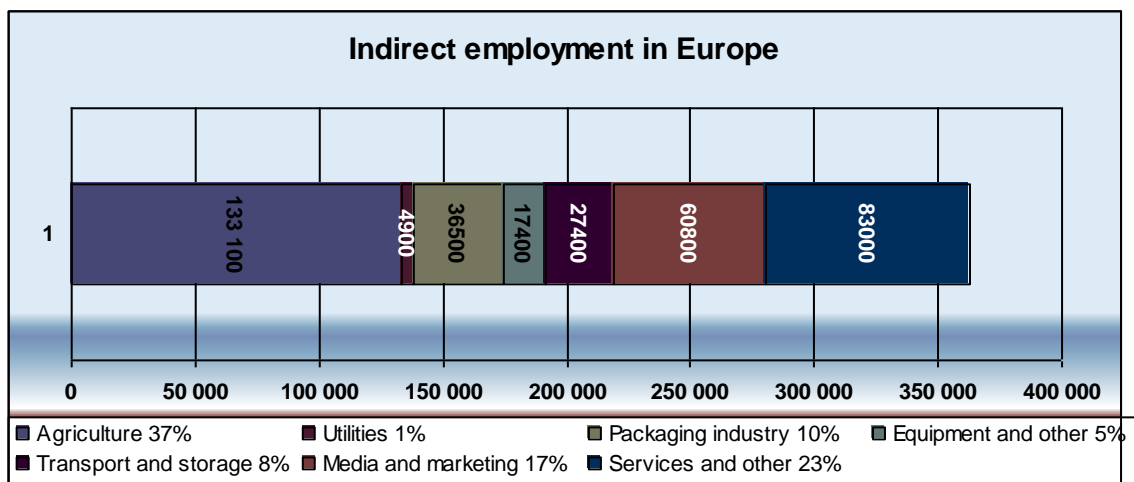
From previously mentioned 2,5 million of jobs attributed to the production and sale of beer, approximately 6% of these jobs are created directly in the breweries. Most jobs related indirectly to the beer production are created in the hospitality sector (73%), then supplying sector (15%), and in the retail sector (6%).



Source: Ernst & Young Report 2009

The European breweries together provide 150 600 jobs; this is the so-called direct employment effect. These jobs are spread across the Europe. Germany has the largest number of employees (prox. 30 700).

The brewing sector also generates a considerable indirect employment effect. Some 363 100 jobs in supplying sectors are attributed to the production and sale of beer.

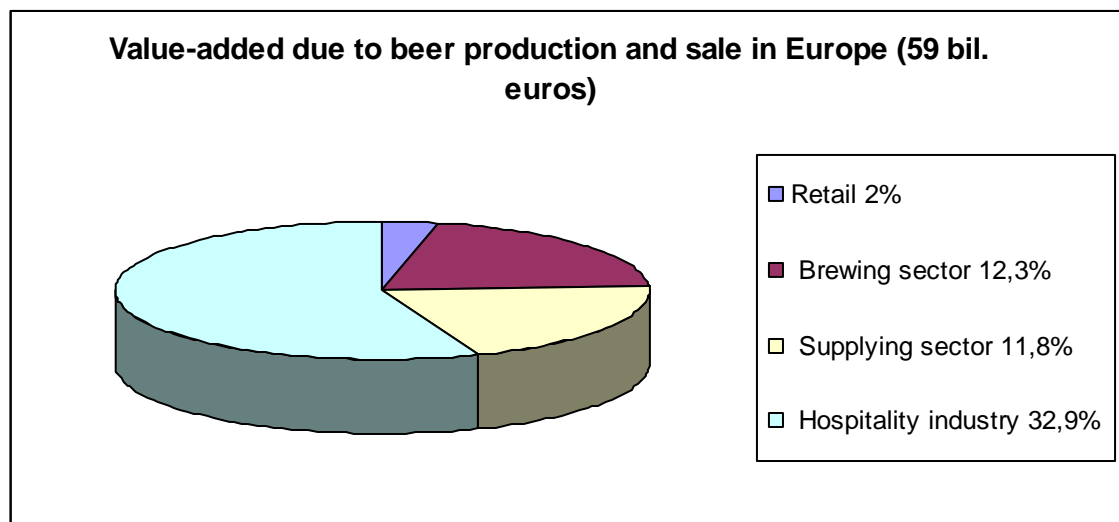


Source: Ernst & Young Report 2009

Brewing sector also induces quite an important amount of jobs related to the hospitality and retail sectors (some 1,8 mil. Jobs attributed to the sale of beer).

3.2.9.5. Value-added

Another contribution of the beer industry is the high value-added it creates. For the governments in Europe the value-added is important because they levy tax on it. Estimation of the total value-added related to the production and sale of beer in the European economy is approximately 59 billion euros.

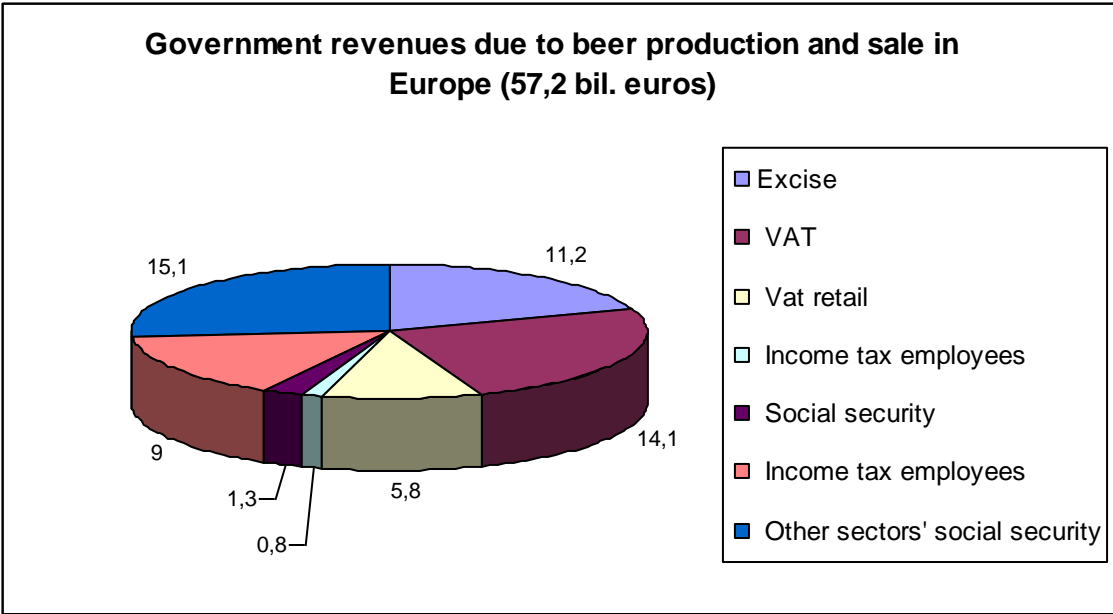


Source: Ernst & Young Report 2009

3.2.9.6. Government revenues

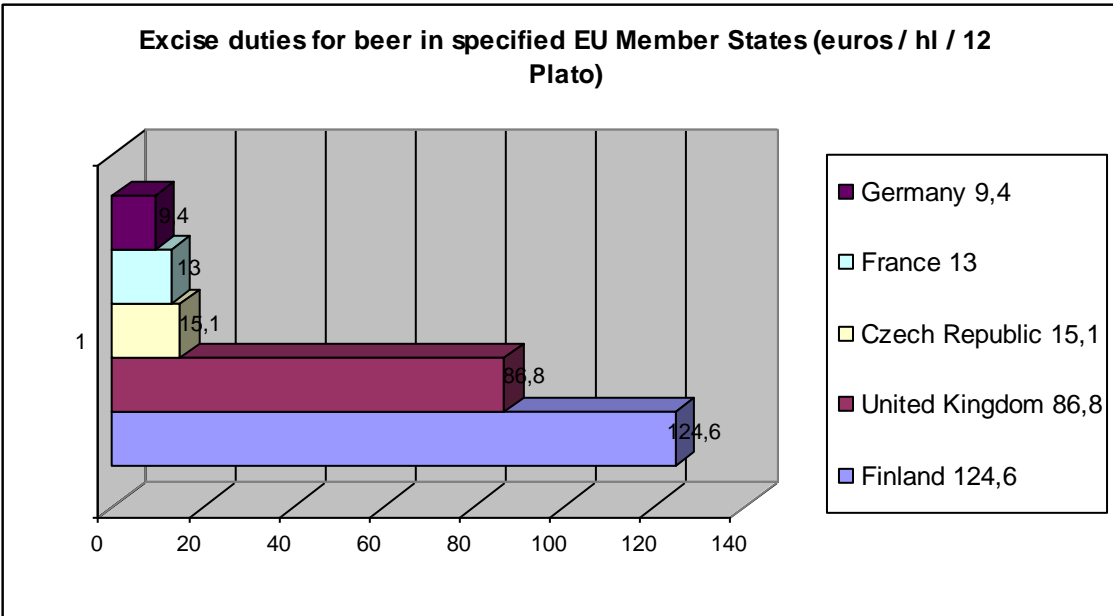
National governments benefit substantially from the production and sale of beer by receiving excise revenues, VAT revenues and income-related taxes and social security contributions paid by workers and their employers in the brewing sector and sectors whose jobs can be attributed to 'beer'.

The most important source of European government revenues is VAT. European consumers pay an average 18% VAT on their consumption. VAT revenues on beer sales in the retail and hospitality sector are estimated at 19,9 billion euros. Excise revenues are estimated at approximately 11,2 billion euros.



Source: Ernst & Young Report 2009

As the EU Member States have a certain degree of flexibility in setting the levels of beer taxation, the excise rate differs between countries.



Source: Excise duty rates for beer 2010; www.brewersofeurope.org

The previous text made clear that the production and sale of beer contributed significantly to the European economy. However, there is a number of

developments that may temper the contribution in the years ahead, and these are: **higher production prices, economic downturn, increased tax burden and autonomous effects on beer consumption.**

Higher production prices There has been a significant increase in production prices in recent years. The market price of hops has risen drastically, resulting in higher costs of ingredients needed for production (low hops yields in 2007 due to unfavorable weather conditions). Besides increase in hops prices, breweries in Central and Eastern European countries were faced with significant increases in labor costs. Amongst the production costs belong costs of: malt, malting barley, hops, yeasts, water, chemical agents, gas, natural gas, electric energy, depreciation, wages and overheads.

Economic downturn The accelerating decline in beer sales is a clear sign of worsening economy, worried households and weakening spending. It is also reducing the government's revenues from duties and VAT. For illustration, it is estimated that tax income for the British government from duty and VAT are down £181 million since the March Budget, compared against the same period in 2007. This is despite the fact that beer taxes went up by 18 % in 2008.

Increased tax burden In most cases higher taxes lead to higher beer prices. Because of the small profit margin on beer, higher taxes are passed on to consumers. Furthermore, excise and VAT are so-called consumer taxes. These taxes are generally charged if a consumer purchases the relevant goods, in this case beer. These taxes are designed to be transferred to be charged to consumers.

Autonomous effects on beer consumption In many countries consumers have changed their drinking habits over the 15 years. More people prefer to drink wine instead of beer. Another effect is that more beer is consumed at home (off-trade) instead of in the pub or restaurants (on - trade). [29]

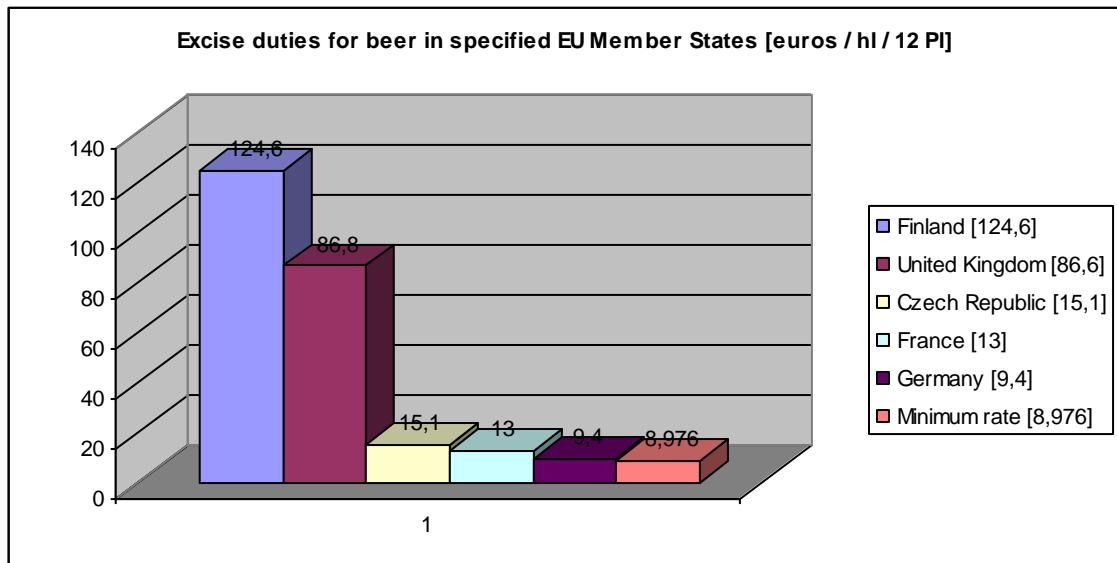
4. Practical part

Practical part of the thesis is focused on comparison of the minimum excise duty rate for beer set by the EU in 1992 (in force 1.1.1993) and the excise duty rates for beer in each of the examined Member States. Further on the thesis is based on the examination of the tax burden on beer in each Member State induced by the imposition of indirect taxes - excise duty and VAT. It also investigates the development of the indirect taxation of beer and the impact induced by the tax rates changes (test cases). Last chapter of the practical part is dedicated to the economic impact of beer on each of the Member State's economy. In conclusion, the thesis summarizes the influence of indirect taxation on beer and comments the reasons for such fiscal measures carried on in each of the Member State.

4.1. Comparison of the minimum excise duty rate for beer set by the Council Directive 92/84/ EEC with the excise duty rates of each of the examined EU Member State

Council Directive 92/84 EEC besides the approximation of the excise duty rates on alcohol and alcoholic beverages also sets down the minimum excise duty rate for beer. This rate represents either **€ 0,748 per 1hl degree Plato** or **€ 1,87 per 1hl degree of alcohol**. This minimum rate was set in 1992 and has not been changed in spite of the proposal attempt of the European Commission in 2006.

From the graph below it is obvious that some countries are bordering with the minimum rate, some countries imposed much higher excise taxation. In this case the minimum excise duty rate for **1 hl of 12 degree Plato** beer is **€ 8,976** ($0,748 * 12$). Similarly, beer of **1 hl of °Alc. (=degree of alcohol)** in this case **4,8 degree of alcohol** ($= 12 °Pl$) refers to **€ 8,976** ($1,87 * 4,8$) as well.



Once comparing this amount to the amount used by Germany, France and the Czech Republic on the one side, and the United Kingdom and Finland on the other side, it is clear that the difference is large. Reasons for either one pole of imposing certain amount of tax vary.

Germany from the historical point of view has always tended towards higher beer production and consumption than countries outside its borders. Governors always made sure that German people had enough beer and thus they could contribute to the state treasury significantly. Beer has always belonged to the German culture and folk lore and has been affordable to the wider spectra of population. Today Germany is the number-one country regarding the amount of breweries in the world. Subsequently, it has the highest level of produced beer in Europe and the third highest level of beer consumption per capita in the world. The amount of excise duty levied refers to the historical and cultural roots, to the price level in Germany, affordability factor, and world-wide great reputation.

Czech Republic acts similarly even though it imposes slightly higher excise duty on beer. Again, from the historical point of view, Czech Republic, Czechoslovakia, Bohemia or the Czech Lands have most likely inherited the art of agriculture and manufacturing from the ancient Kelts. It was most likely Czechs who taught Germans how to brew beer; hence similarly, beer has always been one of the most common products, affordable for everyone, brewed in every bigger settlement or town and again a significant tool of rising money in the state treasury. Today a glass (.5l) of beer is actually the cheapest drink offered in the hospitality sector country-wide. Even cheaper than a bottle of water (usually .33l) which is the paradox. Czechs are the number-one beer consumers world-wide (156 liters per capita). The Czech Republic together with Germany, Ireland and Poland is fighting against the increasing tax burden of beer mainly due to the untaxed wine in the European market. Besides the world-wide reputation and the price level in the Czech Republic, this is one of the main reasons why the state keeps the excise duty level where it is.

For both above mentioned countries, the common factor determining or participating on the level of excise duty is the climatic conditions that are also similar and very favorable for growing the necessary ingredients for brewing top quality beer. Social factor refers to the tradition and cultural habit significantly as well.

France differs from the above mentioned countries. Similarly, Keltic tribes left behind their knowledge of the best agriculture and manufacturing as well as the art of brewing beer. But once Gallic people discovered (it was imported from the Rome) the taste of wine, most of the country turned into producing it. The production of beer remained marginal, today only in the northern part, which is close to the premium quality beer producer – Belgium. Again, France and its climate is similar, favorable to grow both grain and grapes. And France as the biggest producer of wine on which it imposes zero excise duty rate, imposes for example € 13.00 on 1hl of 4,8 °Alc. beer. This is not as different as in Germany

or the Czech Republic, but regarding the zero rate by wine, it is quite discriminatory provision.

The United Kingdom and Finland appear on the other side of the scale regarding the level of excise duty imposing on beer. Their level of alcohol taxation belongs to the world's top. There are several reasons for it such as the higher price level, higher production costs (ingredients, labor, energy, etc.), traditional and original brewing procedures, and usage of the top quality ingredients, or strict alcohol abuse control as a state provision.

The United Kingdom has similarly a long beer brewing history. How it notably differs though, is mainly the traditional way of brewing the English ale beer in hundreds of different kinds of fature in many different small breweries or microbreweries. And Britons appreciate it. UK is about the sixth in the table of the highest beer consumption per capita. CAMRA refers to as the Campaign for Real Ale and works as an organization supporting traditional brewing industry.

Finland is a bit different country in many ways. Due to its geographical position, it does not have as favorable weather conditions as in the other countries for harvesting top quality grain in voluminous yields and hops. Nevertheless, Finland's beer brewing tradition similarly reaches deep in to the history. But perhaps the position, people have always tended towards more than higher alcohol consumption and thus nowadays alcohol is taxed as high as possible to avoid alcohol addiction and alcohol linked deseases.

But it is hard to estimate and set high levels of taxation serving as a barrier to the abusive consumption and subsequent health damage, and also to obtain corresponding revenues accordingly. Once setting them low, people would not resist and drink with no limits; once setting those too high, cross border activity launches and people would be looking for other available and cheaper markets, and perhaps even black markets resulting in a rapid decline of the tax revenues.

4.2. The Tax Burden of Beer in Specified EU Member States

The tax burden of beer is calculated in each Member State according to at the moment available beer prices and respective excise duty and VAT rates in general, between 1993 and 2009. The calculations also include the percentage expressions of the price compositions in order to view the exact amount of the tax burden by each specific product with its specific liquid volume and the volume of alcohol or Plato degrees which it contains.

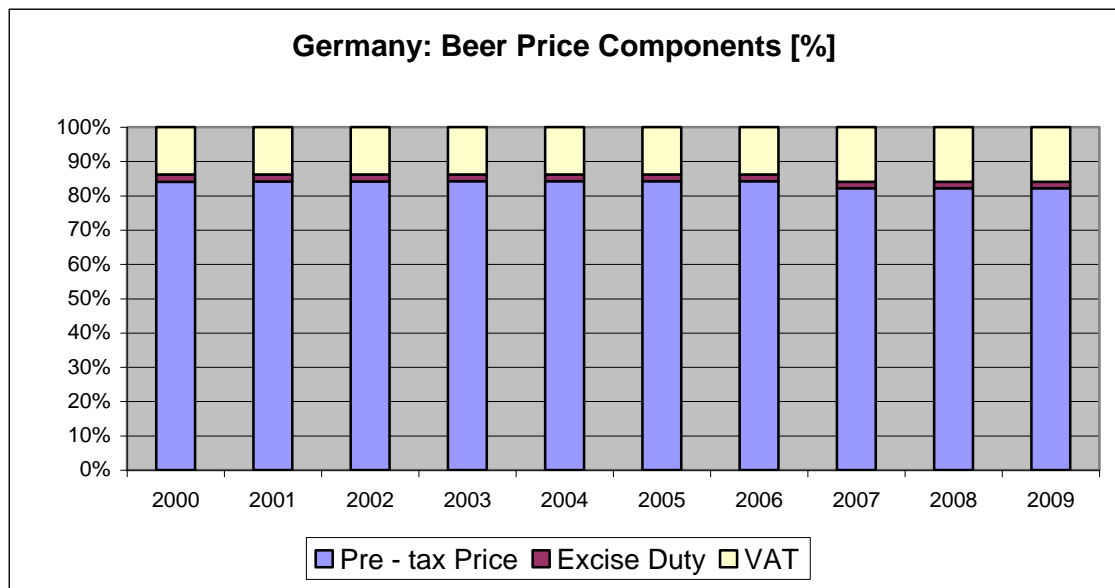
4.2.1. Germany

The table and the graph below shows the development of the retail prices of an average bottled lager beer of 12 °Pl in 0.5 l between 2000 and 2009. It is clear that the German brewing industry is the biggest in the Europe. Their relation towards beer is obvious and it is expressed by the lowest tax burden among the other examined Member States (16 – 18 % of price of an average bottled lager beer). The VAT rates among the examined States vary slightly. The average VAT rate amounts to 19,62 % (German VAT – 19%).

Development of prices [€] and calculation of the tax burden [2000 - 2009] from the average 12 °Plato bottled lager [0.5l]

Year	Retail Price	Pre-tax price	Excise Duty	VAT	Tax burden	% of price		% of price	
						pre-tax	total tax	exc. duty	VAT
2000	2,26	1,900	0,0472	0,312	0,359	84	16	2,1	13,9
2001	2,28	1,918	0,0472	0,314	0,362	84	16	2,1	13,9
2002	2,32	1,953	0,0472	0,320	0,367	84	16	2	14
2003	2,38	2,005	0,0472	0,328	0,375	84	16	2	14
2004	2,41	2,031	0,0472	0,332	0,379	84	16	2	14
2005	2,43	2,048	0,0472	0,335	0,382	84	16	1,9	14,1
2006	2,43	2,048	0,0472	0,335	0,382	84	16	1,9	14,1
2007	2,60	2,138	0,0472	0,415	0,462	82	18	1,8	14,2
2008	2,56	2,104	0,0472	0,409	0,456	82	18	1,8	14,2
2009	2,60	2,138	0,0472	0,415	0,462	82	18	1,8	14,2

Calculation: **particular VAT rate:** (standard VAT rate / standard VAT rate * 100) * retail price
% of price: pre – tax price: (pre – tax price * 100) / retail price
total tax: (tax burden * 100) / retail price
excise duty: (excise duty * 100) / retail price
VAT: (VAT * 100) / retail price



From the graph is obvious that an average lager beer in 0,5 l bottle and consequently all the beer is taxed the same with the excise duty, and VAT differs according to the change in the pre – VAT price.

Germany together with the Czech Republic, Ireland and Poland have been trying to protect the minimum excise duty rate for beer set in 1992 in order to be able to set their own rates freely and independently. This initiative has been raised several times as a counter measure against the policy regarding the wine industry. Wine is not exposed to the excise duty in most of the European countries and thus whenever any proposal on increasing the excise duty rate for beer occurs, brewers declaim against it loudly. It is because even under the current fiscal conditions beer is still discriminated; it loses its power of competitiveness and especially small breweries are threatened by bankruptcy due to the unbearable increase of production costs, which represent higher consumer prices and subsequent decline in the demand.

4.2.2. Czech Republic

The Czech Republic is a traditional brewing country. Similarly as Germany, it had kept its excise duty rates on beer quite constant. But 1st January 2010 Czech Republic increased the rates (including the reductions) by 33% from CZK 24,00 up to CZK 32,00 per hectoliter of Plato degree. This fiscal measure very significantly affected Czech brewing industry, because it has represented considerable interference with the breweries' budgets and some of the small breweries faced serious existence problems.

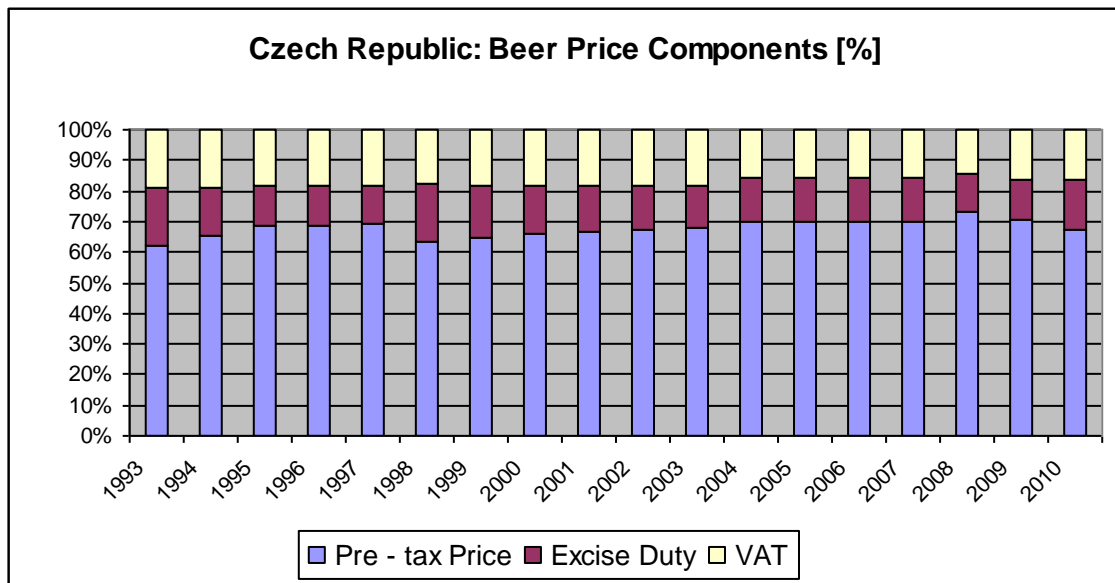
The table and the graph below views the development of the retail prices of an average 10 °Pl bottled beer of 0.5 l since 1993.

Development of prices [CZK] and calculation of the tax burden [1993 - 2010] from the average 10 °Plato bottled beer [0.5l]

Year	Retail Price	Pre-tax price	Excise Duty	VAT	Tax burden	% of price		% of price	
						pre-tax	total tax	exc. duty	VAT
1993	4,04	2,52	0,77	0,755	1,525	62	38	19	19
1994	4,81	3,14	0,77	0,899	1,669	65	35	16	19
1995	5,8	3,97	0,785	1,046	1,831	68	32	14	18
1996	5,94	4,08	0,785	1,071	1,856	69	31	13	18
1997	6,19	4,285	0,785	1,12	1,905	69	31	18	13
1998	6,52	4,15	1,2	1,17	2,37	64	36	18	18
1999	6,88	4,44	1,2	1,24	2,44	65	35	17	18
2000	7,6	5,03	1,2	1,37	2,57	66	34	16	18
2001	7,78	5,18	1,2	1,4	2,6	67	33	15	18
2002	8,28	5,59	1,2	1,49	2,69	68	32	14	18
2003	8,59	5,84	1,2	1,55	2,75	68	32	14	18
2004	8,55	5,99	1,2	1,36	2,56	70	30	14	16
2005	8,47	5,92	1,2	1,35	2,55	70	30	14	16
2006	8,4	5,86	1,2	1,34	2,54	70	30	14	16
2007	8,5	5,94	1,2	1,36	2,56	70	30	14	16
2008	8,98	7,1	1,2	1,43	2,63	79	29	13	16
2009	9,18	6,51	1,2	1,47	2,67	71	29	13	16
2010	9,92	6,67	1,6	1,65	3,25	67	33	16	17

Calculation: see Calculation by German beer

It is quite interesting that such country like Czech Republic with so long tradition in brewing industry, has had notably higher tax burden on beer than its neighboring country Germany. The standard excise rates differ by 38% and the tax burden shows quite even proportion between the excise duty and VAT.



The Czech Republic also tries to fight further higher tax burden on beer in the EU. But it may seem quite contradictory in this endeavor when on the one hand it cooperates on attempts to keep the minimum rates low, and on the other hand the state increases the rates by 33% in 2010 in the presumption of higher excise duty revenues which in paradox has absolutely opposite effect.

Closer to this paradox:

The side arguing for higher excise duties on alcohol (beer included) does not see far enough to see that such a measure of tax increase on beer induces entirely opposite effect. Respectively, it is NOT economic, publicly favorable and fair. Beer is made from water, hops and malt especially. And the amount of malt is crucial, because the excise duty rate is derived from this amount in particular [Plato degrees]. Hence, due to the increased excise duty brewers use less malt to make weaker beer, but they actually let the beer ferment for longer period of time to gain the appropriate volume of alcohol which the particular category of beer is supposed to have. On top of that, brewers actually increase the amount of alcohol, so such fiscal measure can hardly fight the alcoholism by the increase excise duty on alcohol. From the economic point of view, higher taxes cause fewer sales, less tax revenues and possible existence problems and state actually have to spend more money on people just fired from the brewery that went bankrupt.

4.2.3. France

France is most famous for its quality wine and vineyards in the countryside. But what is more interesting for the topic of the tax burden on alcoholic beverages, especially beer and wine, is the fact that wine is a commodity exempt of excise duty in the EU, although some countries like Scandinavian countries impose the excise duty on wine. Even France imposes this tax (moderately).

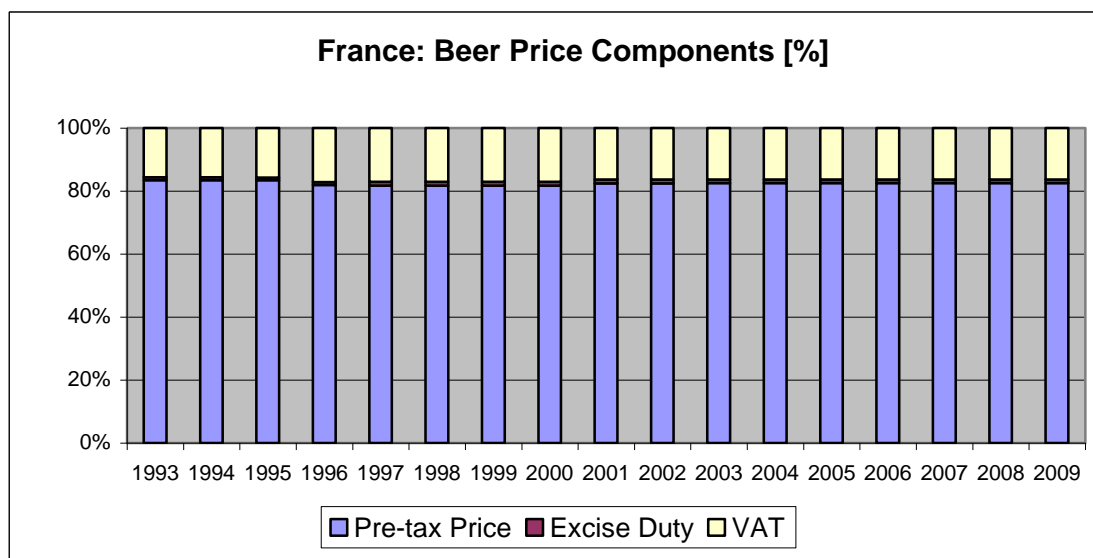
Nonetheless, France produces beer as well. And perhaps, it is particularly the fact that France is a major wine producing country, imposing marginal excise duty on its wine products, that beer industry in its minimal scale is being supported by marginal excise duty as well. In particular, it is almost precisely between the excise duty rates of Germany and the Czech Republic (**GER** – € 0,787 / hl / Pl; **FR** – € 1,084 / hl / Pl; **CZ** – € 1,26 / hl / Pl).

The table and the graph below views the development of the retail prices of an average 3,5 % abv. bottled beer of 0.33 l since 1993 until 2009.

Development of prices [€] and calculation of the tax burden [1993 - 2009] from the average 3,5% beer [0.33l]

Year	Retail Price	Pre-tax price	Excise Duty	VAT	Tax burden	% of price		% of price	
						pre-tax	total tax	exc. duty	VAT
1993	2,52	2,1028	0,0222	0,395	0,4172	83	17	1	16
1994	2,54	2,1198	0,0222	0,398	0,4202	83	17	1	16
1995	2,48	2,0688	0,0222	0,389	0,4112	83	17	1	16
1996	2,47	2,0248	0,0222	0,423	0,4452	82	18	1	17
1997	2,53	2,0677	0,0303	0,432	0,4623	82	18	1	17
1998	2,54	2,0757	0,0303	0,434	0,4643	82	18	1	17
1999	2,56	2,0927	0,0303	0,437	0,4673	82	18	1	17
2000	2,56	2,0927	0,0303	0,437	0,4673	82	18	1	17
2001	2,62	2,1607	0,0303	0,429	0,4593	82,5	17,5	1,5	16
2002	2,69	2,2187	0,0303	0,441	0,4713	82,5	17,5	1,5	16
2003	2,77	2,2857	0,0303	0,454	0,4843	85,5	17,5	1,5	16
2004	2,8	2,3107	0,0303	0,459	0,4893	82,5	17,5	1,5	16
2005	2,76	2,2777	0,0303	0,452	0,4823	82,5	17,5	1,5	16
2006	2,79	2,3027	0,0303	0,457	0,4873	82,5	17,5	1,5	16
2007	2,84	2,3447	0,0303	0,465	0,4953	82,5	17,5	1,5	16
2008	2,94	2,4277	0,0303	0,482	0,5123	82,5	17,5	1,5	16
2009	2,99	2,4692	0,0308	0,490	0,5208	82,5	17,5	1,5	16

Calculation: see Calculation by German beer



From this point of view it may seem that France has a lower excise duty burden than Germany. But do not get it wrong, this graph is based on data provided by the particular beer with lower volume of alcohol which is crucial while determining the amount of excise duty.

France favours its small brewing industry (in fact, the brewing industry is comparable to the Czech brewing industry in terms of annual production) by imposing low excise duty tax on its products. However, the rate is still higher than the rate used for wine taxation and regarding the comparison of the proportion of the total amount annually produced, beer industry may feel discriminated as well as in the rest of the EU Member States. And on top of all that, wine-growers may apply and obtain large amount of subsidies. In fact, they do not pay hardly any excise duty taxes and on the contrary they receive large amounts of state finances to conduct their business.

In conclusion, the contribution of wine industry in comparison with the brewing industry for the state is marginal.

4.2.4. United Kingdom

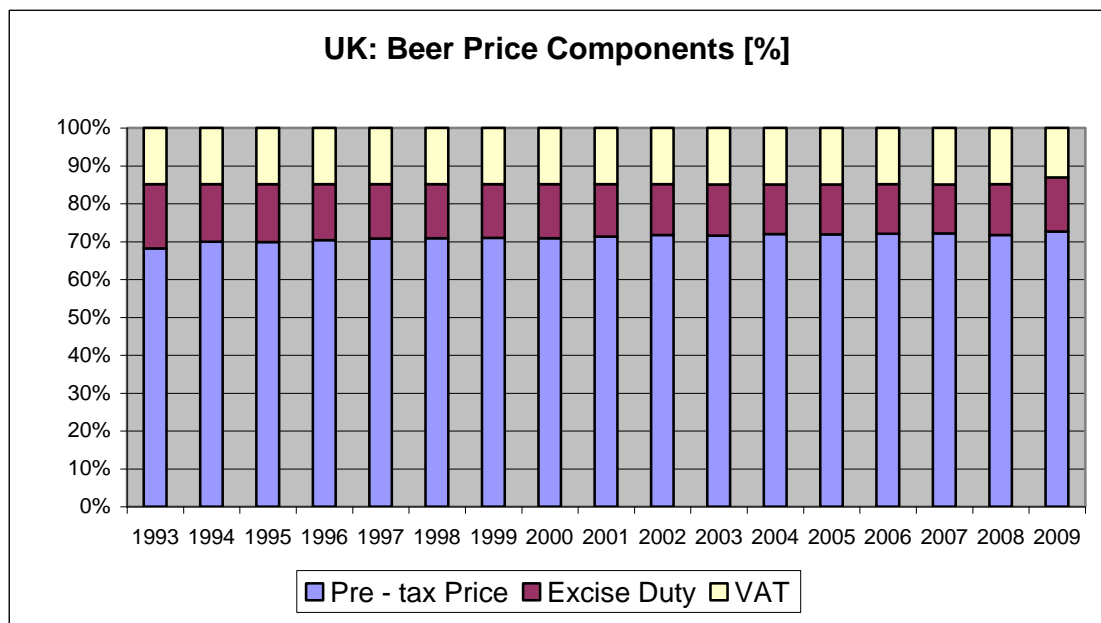
The United Kingdom is another very traditional country concerning the beer industry. It is very unique country by the vast variety of large commercial, medium size, and small breweries and microbreweries producing even more, different and quality kinds of beer. It is known that over 90 % of domestic beer is consumed on spot in the UK. Beer – drinking is being considered to be very typical social activity amongst Britons and such high percentage of domestic beer consumption indicates the enormous number of restaurants and pubs. Hence the contribution of the brewing industry is very important for the UK.

The table and the graph below shows the development of the retail prices of an average 4,8 % abv. lager of 0.57 l since 1993 until 2009. It is obvious that the tax burden is quite high concerning the incomparably high excise duty rate on beer, although the VAT rate (17,5 %) is on the other hand below the average of all examined countries (19,62 %).

Development of prices [€] and calculation of the tax burden [1993 - 2010] from the average 4,8 % lager [0.568 l]

Year	Retail Price	Pre-tax price	Excise Duty	VAT	Tax burden	% of price		% of price	
						pre-tax	total tax	exc. duty	VAT
1993	1,54	1,05	0,26	0,23	0,49	68	32	17	15
1994	1,58	1,10	0,24	0,24	0,48	70	30	15	15
1995	1,64	1,15	0,25	0,24	0,49	70	30	15	15
1996	1,70	1,20	0,25	0,25	0,50	70	30	15	15
1997	1,75	1,24	0,25	0,26	0,51	71	29	14	15
1998	1,83	1,30	0,26	0,27	0,53	71	29	14	15
1999	1,91	1,36	0,27	0,28	0,55	71	29	14	15
2000	1,97	1,40	0,28	0,29	0,57	71	29	14	15
2001	2,03	1,45	0,28	0,30	0,58	71	29	14	15
2002	2,09	1,50	0,28	0,31	0,59	72	28	13	15
2003	2,15	1,54	0,29	0,32	0,61	72	28	13	15
2004	2,22	1,60	0,29	0,33	0,62	72	28	13	15
2005	2,28	1,64	0,30	0,34	0,64	72	28	13	15
2006	2,36	1,70	0,31	0,35	0,66	72	28	13	15
2007	2,48	1,79	0,32	0,37	0,69	72	28	13	15
2008	2,61	1,87	0,35	0,39	0,74	72	28	13	15
2009	2,67	1,94	0,38	0,35	0,73	73	27	14	13

Calculation: see Calculation by German beer



From the graph is apparent that the UK has sustained a very evenly proportioned tax burden minimally since 1993. For illustration, the VAT rate changed only once for the observed period of time, respectively in 2009 from 17,5 % down to 15 %, but this rate was abolished and substituted again by the previous rate (17,5 % in 2010). Different trend indicated the excise duty rate which has been slightly grossed up almost every year by mostly 3%, sometimes 7%; or by 13% in 2008 and by another 10% in 2009.

The United Kingdom has been encountering a problem called the loss in the revenues from beer sales in the line with the almost permanent annual increase of excise duty rate for beer. The main reasons for the losses are the high tax burden of beer, consequently high beer prices, decline in the demand for beer being sold on the British soil, increase of private imports or illegal smuggling of beer used for further resale, and government driven health campaigns.

4.2.5. Finland

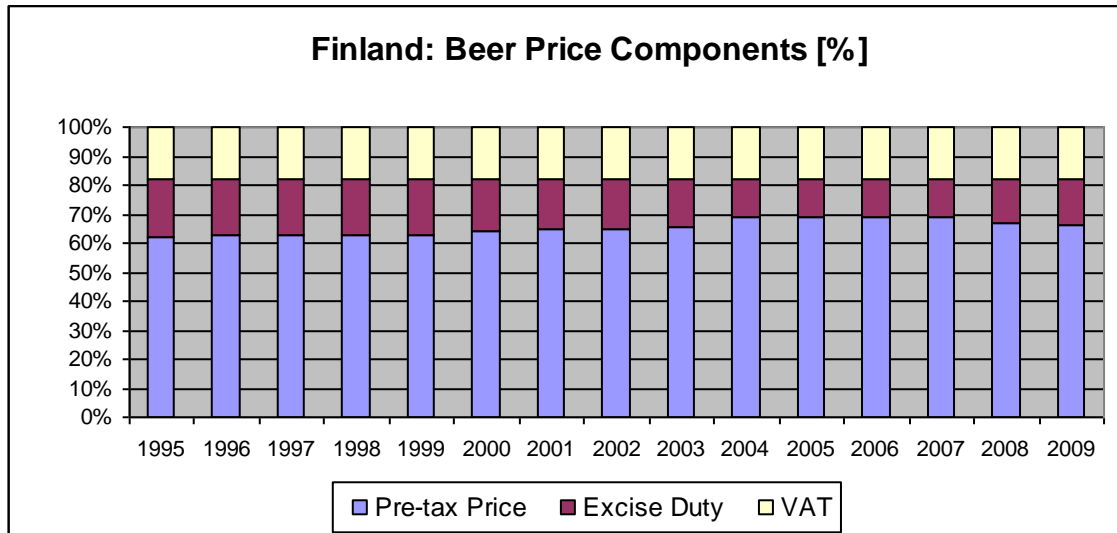
Finland has not ever belonged to the brewing giants, but its beer industry also reaches deep in to the history. Finland has several commercial breweries and microbreweries together annually producing approximately 4,5 million hectoliters. The domestic consumption amounts to the same number in average. It is commonly known that all Scandinavian countries apply strict policies preventing people from the abusive alcohol consumption leading to alcohol linked diseases or somal damages. The policy mainly consist of the highest excise duty rate for alcohol and alcoholic beverages in the EU (Norway has the highest duty in Europe). The government knows that it faces serious problems due to overall high consumption of alcohol.

The table and the graph below shows the development of the retail prices of an average 4,8 % abv. lager of 0.5 l since 1995 until 2009.

Development of prices [FIM / €] and calculation of the tax burden [1995 - 2009] from the average 4,8% lager [0.5l]

Year	Retail Price	Pre-tax price	Excise Duty	VAT	Tax burden	% of price		% of price	
						pre-tax	total tax	exc. duty	VAT
1995	20,72	12,91	4,08	3,735	7,815	62	38	20	18
1996	20,87	13,03	4,08	3,763	7,843	64	38	20	18
1997	21,17	13,27	4,08	3,817	7,897	63	37	19	18
1998	21,29	13,37	4,08	3,838	7,918	63	37	19	18
1999	21,70	13,71	4,08	3,913	7,993	63	37	19	18
2000	22,42	14,29	4,08	4,042	8,122	64	36	18	18
2001	23,37	15,07	4,08	4,214	8,294	64,5	35,5	17,5	18
2002	4,08	2,66	0,686	0,736	1,422	65	35	17	18
2003	4,18	2,74	0,686	0,754	1,440	65,5	34,5	16,5	18
2004	3,67	2,54	0,467	0,662	1,129	69	31	13	18
2005	3,52	2,42	0,467	0,635	1,102	69	31	13	18
2006	3,52	2,42	0,467	0,635	1,102	69	31	13	18
2007	3,55	2,44	0,467	0,640	1,107	69	31	13	18
2008	3,74	2,5	0,566	0,674	1,240	67	33	15	18
2009	4,01	2,664	0,623	0,723	1,346	66	34	15,5	18,5

Calculation: see Calculation by German beer
 Currency used: Finnish Marks [1995 – 2001]
 Euros [2002 - 2009]



From the graph is evident that the trend in high taxation has been applied at least since 1995. VAT rate has been the same since at least 1995 (22%). What is interesting is the sudden difference between 2003 and 2004. This sudden drop in the height of the excise duty was caused due to the expected EU membership of Estonia – neighboring country that has much cheaper alcohol products than Finland, and since the EU abolishes the fiscal borders, Finland would have been unable to compete against such price differences in this market segment. Keeping the same level of excise duty for alcohol would have also led to major excise revenue losses induced by the increase of private imports and perhaps smuggling and the consequent resale of the smuggled products. After the accession of Esotonia in to the EU, Finland first increased its excise rates in 2008 by 10% (19,45 >> 21,40), then in 2009 by another 10% (21,40 > 23,60) and finally by another 10% in 2010 (23,60 > 25,96).

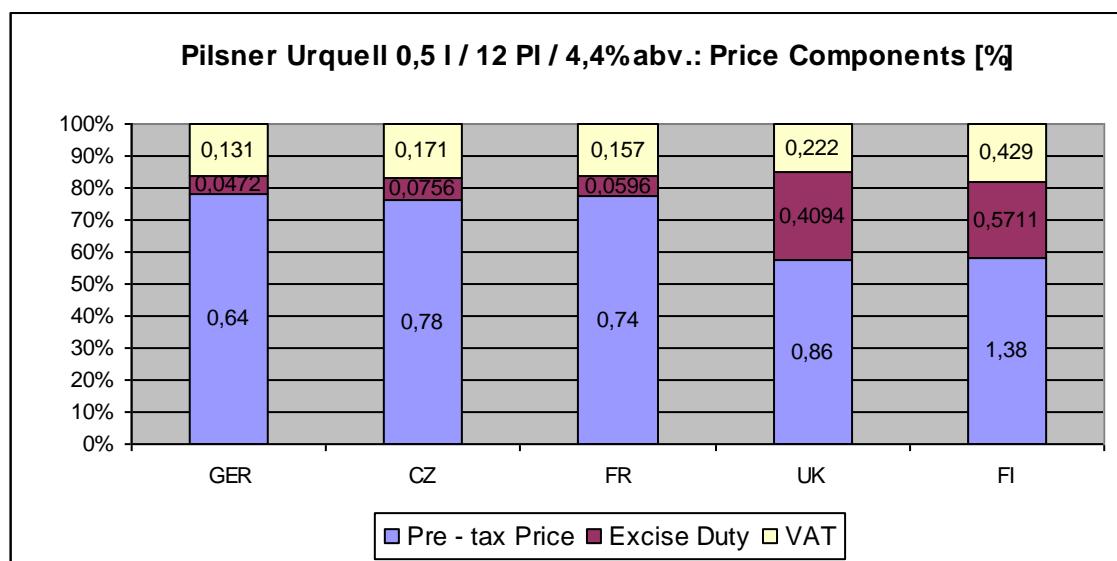
4.3. Test Cases

4.3.1. Retail prices [€] and calculation of the tax burden [2010] from the Pilsner Urquell lager beer in bottle [0.5l / 12 Plato degrees – 4,4 %]

For further and more precise examination of the tax burden in specified EU Member States are used current (2010) retail prices of the bottled Pilsner Urquell lager being sold on all world continents. From the table and the graphs below is clear that the tax burden exactly refers to each country's level of excise duty rate and VAT rate.

Year 2010	Retail Price	Pre-tax price	Excise Duty	VAT	Tax burden	% of price		% of price	
						pre-tax	total tax	exc. duty	VAT
GER	0,82	0,64	0,0472	0,131	0,1782	78	22	5,9	16,1
CZ	1,024	0,78	0,0756	0,171	0,1773	76	24	7,4	16,6
FR	0,96	0,74	0,0596	0,157	0,2166	77	23	6,2	16,8
UK	1,49	0,86	0,4094	0,222	0,6313	58	42	27,5	14,5
FI	2,38	1,38	0,5711	0,429	1,0001	58	42	24	18

Calculation: see Calculation by German beer



For comparison of the excise duty rates see the graph in chapter 4.1.

4.3.2. Comparison of the excise duty rates for beer of each of the examined Member State with the EU min. rates for beer

As previously mentioned, the rates of VAT and excise duties vary significantly across the EU. The only harmonization effort could be seen in the limit setting the minimal rates of taxes in the EU. In our case, the minimal VAT rates are 15% and 5% reduction, and the minimal excise duty rates for beer refer to both 0,748 € / hl / °Plato and 1,87 € / hl / °Alc.

The tables below show a short development in comparison of each of the examined Member State's tax burden relevant to the specific year with the minimum rates of EU's excise duty and VAT.

Germany [€] / average 12 °Plato bottled lager [0.5l]:

Year	Retail Price GER	Pre - tax price	Excise Duty EU	Pre – VAT price	VAT EU	Retail Price EU	Excise Duty GER	Δ [€]
2000	2,26	1,900	0,0449	1,9449	0,295	2,24	0,0472	0,02
2003	2,38	2,005	0,0449	2,0499	0,310	2,36	0,0472	0,02
2005	2,43	2,048	0,0449	2,0929	0,317	2,41	0,0472	0,02
2008	2,56	2,104	0,0449	2,1489	0,334	2,48	0,0472	0,08
2009	2,60	2,138	0,0449	2,1829	0,339	2,52	0,0472	0,08

Germany indicates the lowest difference between the two compared tax burdens. In this case (an average 0,5 l of 12 °Plato bottled lager) it represents a difference of 0,02 and 0,08 euro cents in positive terms of EU rates. This refers to the fact that Germany has the lowest excise duty rate for beer among the examined Member States.

Whereas Czech Republic with an average 0,5 l of 10 °Plato bottled beer indicates negative values in 1993 and 1997 representing the lower domestic rate of excise duty on beer than the EU minimal rate. In line with the preparations of EU accession Czech Republic had been increasing these rates on the appropriate level and hence the positive difference in terms of EU minimal rates occurred later on. But similarly as in Germany, the differences have not been significant due to not very high levels of excise rates

Czech Republic [CZK] / average 10 °Plato bottled beer [0.5l]:

Year	Retail Price CZ	Pre - tax price	Excise Duty EU	Pre – VAT price	VAT EU	Retail Price EU	Excise Duty CZ	Δ [CZK]
1993	4,04	2,52	1,309	3,829	0,5202	4,35	0,77	-0,31
1997	6,19	4,285	1,434	5,719	0,785	6,50	0,785	-0,31
2001	7,78	5,18	1,274	6,454	0,9192	7,37	1,2	0,41
2005	8,47	5,92	1,114	7,034	1,0302	8,06	1,2	0,41
2009	8,5	5,94	0,917	6,857	1,0332	7,89	1,6	0,61

Similar developments show the table by France. The differences amount to between 0,08 – 0,13 euro cents concerning the 0,33l of 3,5 % beer favoring the EU minimal rates in positive terms. It is also caused by long – term relatively low tax burden of alcohol and alcoholic beverages.

France [€] / average 3,5% bottled beer [0.33l]:

Year	Retail Price FR	Pre - tax price	Excise Duty EU	Pre – VAT price	VAT EU	Retail Price EU	Excise Duty FR	Δ [€]
1993	2,52	2,1028	0,0218	2,1246	0,3187	2,44	0,0222	0,08
1997	2,53	2,0677	0,0218	2,0895	0,3134	2,40	0,0303	0,13
2001	2,62	2,1607	0,0218	2,1825	0,3273	2,51	0,0303	0,11
2005	2,76	2,2777	0,0218	2,2995	0,3449	2,64	0,0303	0,12
2009	2,99	2,4692	0,0218	2,491	0,3737	2,86	0,0308	0,13

Regarding the two Member States, the UK and Finland, with traditionally high levels of excise duties on beer, in this case an average 4,8% lager beer, show higher price differences. Respectively, the development of differences in the UK amount to between 0,27 – 0,38 euro cents in case of an average pint of british 4,8 % lager beer and in case of Finland with the same kind of beer but of 0,5 l, the development of these price differences amount to between 0,6 – 0,9 euro cents.

United Kingdom [€] / average 4,8 % lager [0.568 l]:

Year	Retail Price UK	Pre - tax price	Excise Duty EU	Pre – VAT price	VAT EU	Retail Price EU	Excise Duty UK	Δ [€]
1993	1,54	1,05	0,051	1,101	0,1652	1,27	0,26	0,27
1997	1,75	1,24	0,051	1,291	0,1937	1,48	0,25	0,27
2001	2,03	1,45	0,051	1,501	0,2252	1,73	0,28	0,30
2005	2,28	1,64	0,051	1,691	0,2537	1,94	0,30	0,34
2009	2,67	1,94	0,051	1,991	0,2987	2,29	0,38	0,38

Finland [FIM / €] / average 4,8 % lager [0.5l]:

Year	Retail Price FI	Pre - tax price	Excise Duty EU	Pre – VAT price	VAT EU	Retail Price EU	Excise Duty FI	Δ [FIM/€]
1995	20,72	12,91	0,0449	12,955	1,9432	14,90	4,08	5,82
1997	21,17	13,27	0,0449	13,315	1,9972	15,31	4,08	5,86
2001	23,37	15,07	0,0449	15,115	2,2672	17,38	4,08	5,99
2005	3,52	2,42	0,0449	2,4649	0,3697	2,83	0,467	0,69
2009	4,01	2,664	0,0449	2,7089	0,4063	3,12	0,623	0,89

From the above mentioned is obvious that the impact of the excise duties consists in the direct affect on the brewer and then on the consumer eventually. VAT is being calculated not until the pre – VAT price is achieved. Hence VAT does not influence the brewer directly, but it mainly affects the final consumer and his decision.

4.3.3. What impact would have the proposed change of minimum excise duty rates in 2006 represented if it had been passed?

Referring to the chapter 4.1., the minimum rates of excise duty for beer in the European Union were set in 1992 and are still valid today. Nonetheless, in 2006 the European Commission proposed an increase of the minimum rates by 31% along with the EU-wide annual inflation rate that represented particularly 31% from 1993 – 2005.

Beer	Present rates	Proposed rates
	0,748 € / hl / °Plato or 1,87 € / hl / °Alc.	0,98 € / hl / Plato or 2,45 € / hl / abv.

From the table shown above is clear that this change would have affected only Germany and Czech Republic in 2006, because Germany's excise duty rate on beer has been the same minimally since 1993, respectively € 0,787 / hl / Plato and Czech Republic's excise duty rate on beer represented around € 0,847 / hl / Plato in 2006. Other examined states have permanently had their rates above the minimum, even the proposed minimum.

4.3.4. The impact of the increased excise duty rate by 33% on a Czech brewery - production size: 150 000 – 200 000 hl / year

The Bernard brewery represents the medium size facility. It annually produces up to 200 000 hl of beer. The table below shows the impact of increased excise duty imposed in 1st January 2010. All the prices of items remained the same with the exception of the excise duty. The difference amounts to **€ 1,376 on 1 hl 10 °PI beer** between 2009 and 2010. In terms of brewery's costs, such increase represents an increase of additional CZK 12 million / year (= € 473.000).

- Beer price composition -

1 hl 10 °PI beer				
Year	2009		2010	
Particular excise duty rate	21,60 CZK	€ 0,88 (1€/24,51CZK)	28,80 CZK	€ 1,13 (1€/25,44CZK)
Water	19	0,775	19	0,747
Malting barley	161	6,569	161	6,329
Hops	43	1,754	43	1,690
Other ingredients	20	0,816	20	0,786
Chemical substances	15	0,612	15	0,590
Gas [kg]	8	0,326	8	0,314
Electric energy	29	1,183	29	1,140
Natural gas	51	2,081	51	2,005
Overheads	41	1,673	41	1,612
Depreciation	114	4,651	114	4,581
Wages	90	3,672	90	3,538
Subtotal	591	24,113	591	23,231
Excise duty	194,40	7,931	259,20	10,189
Total	785,40	32,044	850,20	33,42
Difference	64,80 CZK / € 1,376 on 1 hl 10 °PI beer			

Bernard brewery, Humpolec 2010

And perhaps, it is the Bernard brewery in particular as well as other Czech breweries which are forced by increased excise duties to reduce the amount of malt in the wort during the production process in order to produce lower Plato degree beer (9 °PI instead of designated 10 °PI) on which they would pay lower excise duty (9*28,8=259,20 CZK/hl/10°PI instead of 10*28,8=288 CZK/hl/10°PI).

4.4. Economic impact of beer in specified EU Member States

Economic impact of the brewing industry on national economy of each of the discussed states is considerably enormous. In addition, once it is also taken into an account that the brewing sector is dependent on other industries or sectors of national economy such as agriculture, transportation, supplying net or last but not least the hospitality sector. This complex unit represents a very well organized team which all together generates undoubtedly large portion of some of the most important pillars of the economy such as the employment, the value-added, and government revenues.

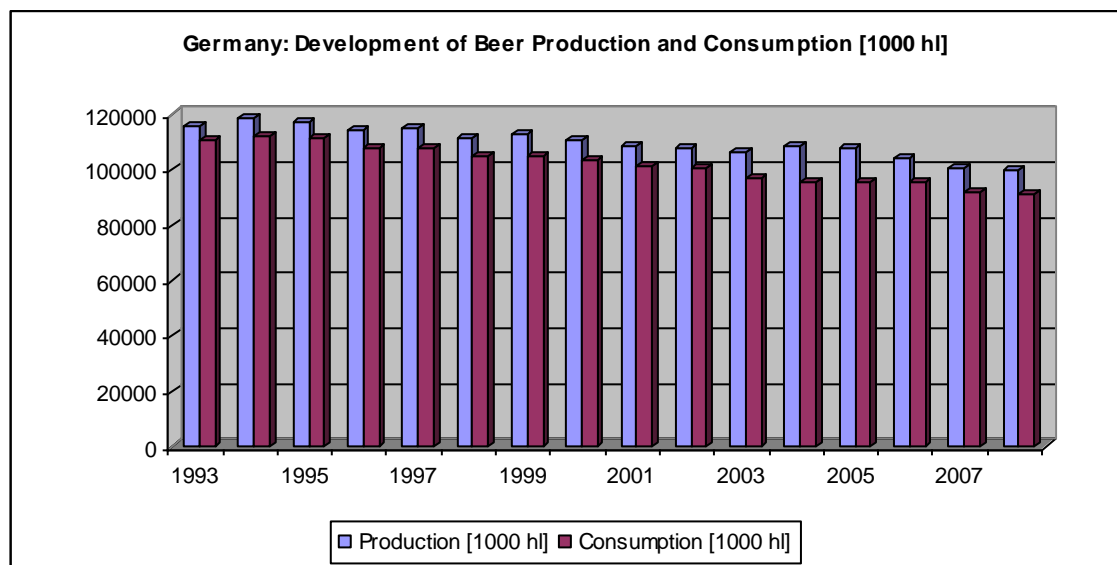
Once taken into consideration the influence or effects of the minimum excise duty rates, it is obvious that EU alcohol taxation policy stagnates, because the minimum rates have not changed since 1993. This way EU lets all Member States to set their rates freely and independently on the central power according to the decisions of a particular Member State's government and its particular alcohol taxes legislation. Relevant Council Directives concerning common alcohol taxation policy are rather being used as a certain guide-post.

Another factor influencing the governments' excise revenues is the cross border purchases. Regarding the Member States under the scope of the thesis, there is a big common feature for the United Kingdom and Finland. Both countries face enormous losses in excise revenues due to the cross border activity, either by purchases conducted in different markets or by smuggling. UK actually loses the most amount of revenue in Europe. The reason is quite clear, in both cases there is a big taxation difference in bordering countries, in case of UK it is France; in case of Finland it is Estonia. Both bordering countries' markets cause significant losses in excise revenues of UK and Finland.

4.4.1. Germany

Germany is the biggest brewer in whole Europe. In 2008 its total beer production amounted to 99,9 million hectoliters and the total beer consumption reached some of 91,132 million hectoliters. If comparing to the UK, there has been a very similar development due to the fact that Germany and the UK are the largest national beer markets in volume and value terms. Also along with the British consumers, Germans keep one of the strongest beer drinking traditions in EU.

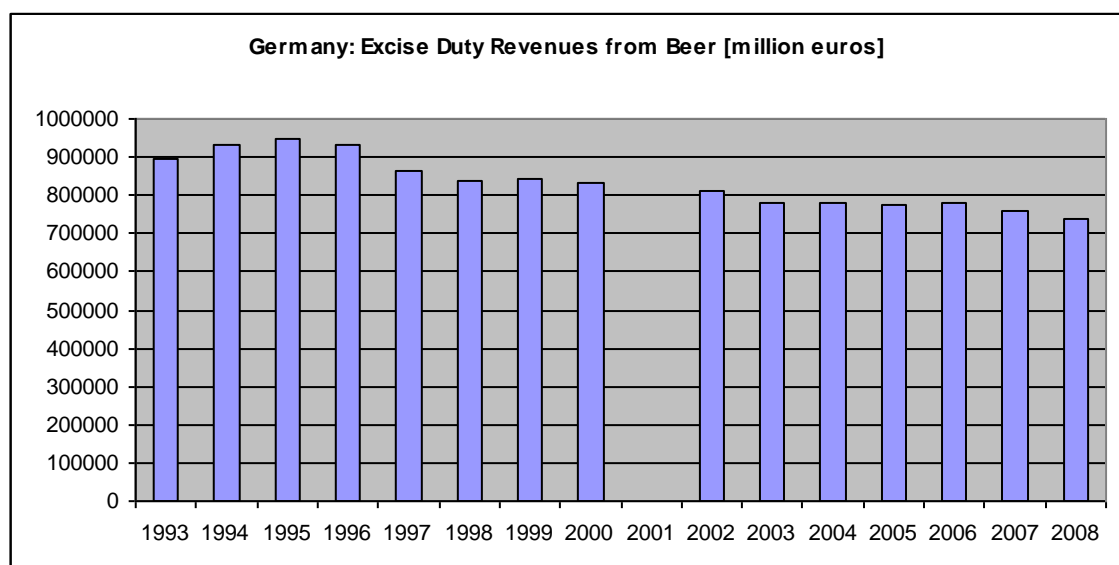
The graph below shows the developments of total beer production and consumption since 1993.



Germany also has the most breweries in Europe – over 1 300 breweries including small and microbreweries. These breweries employed some of 31 000 employees directly in 2008. Another 54 000 jobs related to the brewing sector were generated in the supply sector, and the hospitality and the retail sector connected to the production and sale of beer amounted to approximately 436 500 jobs. The total employment in connection of beer represented around 521 500 jobs in 2008.

Another significant factor determining the economic impact of brewing industry could serve the value-added. The total value-added created by these 521,5 thousands employees was estimated at 13,283 billion euros in 2008. The production value directly generated by breweries amounted to over 7,9 million euros from which the value-added represented the amount of close to 2,7 billion euros. Subsequently VAT collected from the sales of beer both from the on-trade and off-trade was reaching the amount of 3 981 million euros. Main source of VAT revenues formed the hospitality sector – almost 3 billion euros. Concerning the proportion in sales proceeded through the on-trade and off-trade channel, the difference is notable. Almost 30% of beer (26,43 million hl) was sold in the hospitality sector, whereas the other 70% (64,7 million hl) was sold in the retail chains. Using the average price in the on-trade channel (€ 3,5/5l) the consumer expenditures reached 18,5 billion euros (including VAT). Using the average price in the retail sector (€ 0,5/0.5l) the consumer expenditures amounted to 6,47 billion euros (including VAT). The total VAT revenues from the on-trade and off-trade channels represented over 4,7 billion euros in 2008.

The overall government revenues represented the amount of 12,392 billion euros. The excise duty levied from beer amounted to 736,47 million euros in 2008.



Germany has recorded a continuous reduction in beer consumption since 2003 despite its strong beer – drinking tradition. Some of the factors influencing the consumption were aging population, government campaigns regarding harmful effects of excessive alcohol consumption, and of course the economic recession in recent years.

Another factor slowing down the turnover in the retail and especially hospitality sector was the drinking – driving legislation becoming stricter. Growing concerns over the health issues and consumption of different kinds of alcoholic drinks (especially wine) were other contributory factors negatively influencing the beer sales.

What came out as a winner in the current economic turndown was the fact that major brewers noticed the new law being stricter and used this opportunity to start offering at least one product which would represent a non-alcoholic version of their famous brand. Germany also indicated an increase in private label volume sales; especially in specialty beer kinds. The economic situation negatively affected the consumer confidence which favoured private label products. Germans also seek healthier lifestyle, which does not contribute to higher beer consumption at all. Major coming trend indicated represents the alcoholic drinks with lower alcohol content. Also wine recorded stable consumption and RTDs have recently become so popular that they behave almost parasitic regarding the coherence with the beer sales. These factors will result in further declines in alcoholic drinks volume sales over the forecast period

Concluding this paragraph, German alcoholic drinks market matured into the level of saturation. Volume sales have a declining trend a few past years and the trend worsened even more due to the decrease of the consumer demand and the economic recession. However, one thing alcoholic drinks manufacturers can look forward to is that the market is likely to start seeing positive growth again from 2011 in terms of value sales.

The table below represents the development of the total production, consumption, and the excise duty revenues from beer since 1993.

Germany

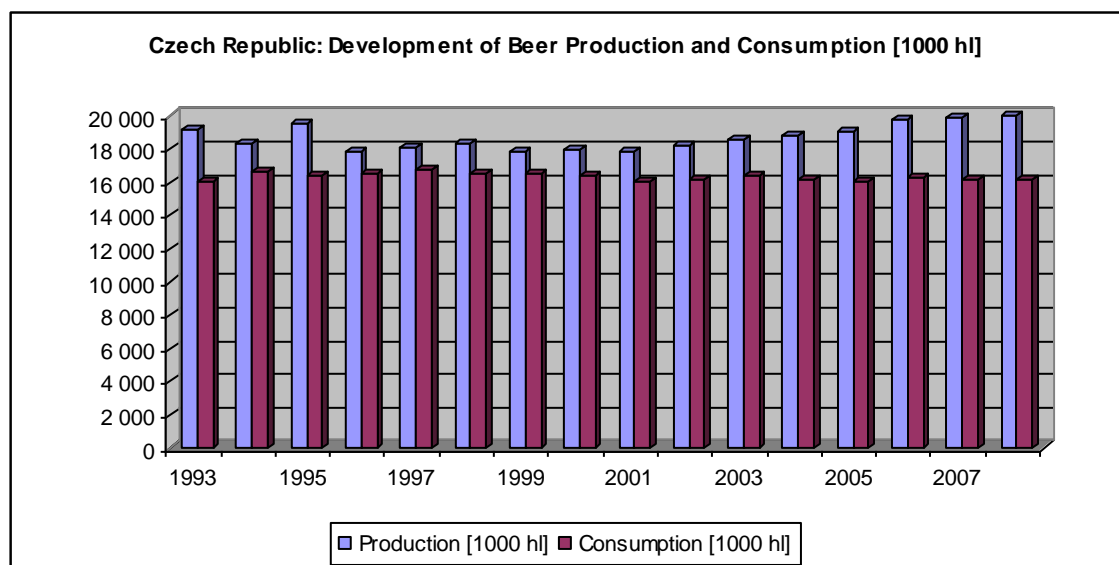
Year	Beer Production [1000 hl]	Beer Consumption [1000 hl]	Standard excise duty [€]	VAT [%]	Revenue [million €]
1993	115 800	110 338	1,54 DM / hl / ° Plato	15	895,481
1994	118 300	112 386	1,54 DM / hl / ° Plato	15	932,700
1995	116 900	111 015	1,54 DM / hl / ° Plato	15	949,433
1996	114 200	108 036	1,54 DM / hl / ° Plato	15	931,638
1997	114 800	107 692	1,54 DM / hl / ° Plato	15	864,395
1998	111 500	104 600	1,54 DM / hl / ° Plato	16	836,548
1999	112 800	104 829	1,54 DM / hl / ° Plato	16	844,179
2000	110 429	103 309	1,54 DM / hl / ° Plato	16	830,342
2001	108 500	101 042	1,54 DM / hl / ° Plato	16	-
2002	107 600	100 602	0,787/hl/°P	16	811,478
2003	105 990	97 188	0,787/hl/°P	16	782,536
2004	108 366	95 682	0,787/hl/°P	16	779,889
2005	105 500	95 080	0,787/hl/°P	16	777,24
2006	107 174	95 492	0,787/hl/°P	16	777,77
2007	102 601	91 885	0,787/hl/°P	19	756,59
2008	99 910	91 132	0,787/hl/°P	19	736,47
2009	-	-	0,787/hl/°P	19	-
2010	-	-	0,787/hl/°P	19	-

4.4.2. Czech Republic

Czech Republic is considered to be one of the top world countries regarding the constant high quality beer available almost anywhere and for very low prices comparing to the EU's average. It is true that the beer from city Pilsen made the whole country very famous world-wide and other beer brewed on the same basis actually borrowed the pronoun "pilsener". But those characteristics are slowly becoming myth regarding the quality concerns of the top Czech brands being majorly owned by foreign brewing companies.

Czech Republic's total beer consumption represented over 19,95 million hectoliters in 2008. On the contrary, the total consumption reached 16,1 million hectoliters. Czechs still belong to the number-one beer drinkers. The specific beer consumption currently represents 156 l / per capita.

The development of the total production and consumption since 1993 shows the graph below.



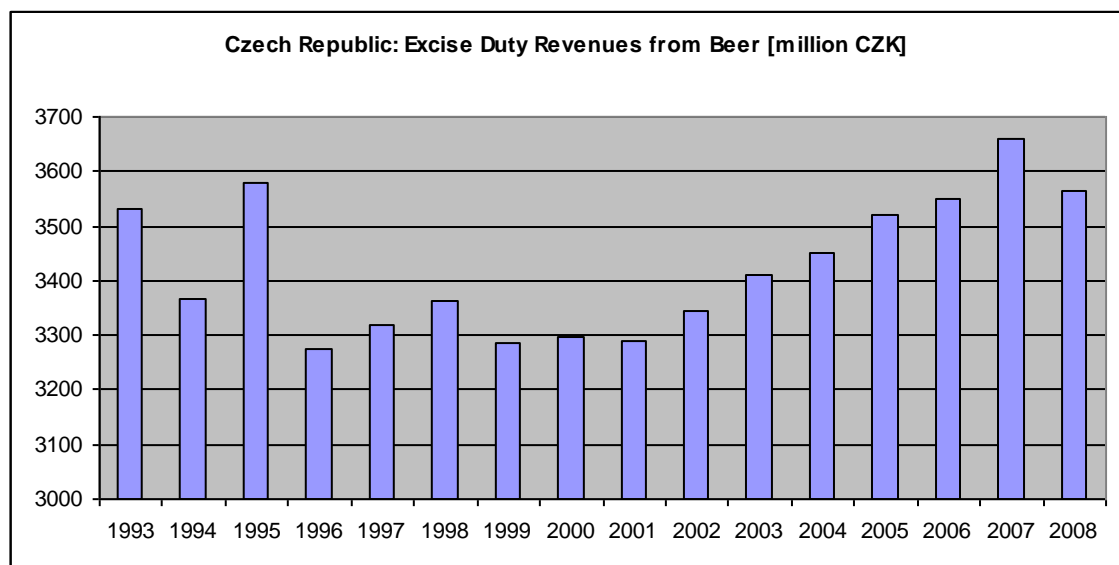
There are over 130 breweries in the Czech Republic (including microbreweries). Together they employ approximately 7 400 workers. The extended employment creates another 12 300 jobs in the supplying sector, 32 000 in the hospitality sector and 2 800 jobs in the retail sector, all jobs connected to the production and sale of beer.

Another factor on which the contribution of the brewing sector can be seen is the value-added. All these previously mentioned jobs created a value-added in the amount of 980 million euros in 2008. The brewing sector itself generated approximately 392 million euros (production value amounted to 934 million euros). Subsequently the VAT collected from the sales made by the hospitality and the retail sector represented the amount of 235 million euros in 2008.

Other characteristic of the Czech brewing sector is almost no difference between the consumption through on-trade and off-trade channels. It is currently less consumption occurring in the hospitality sector, but in 2008 it represented 51%, which was 8,2 million hl. Applying the average beer price VAT included (€ 0,575 / .5 l), the turnover amounted to 943 million euros; 763 million euros excluding VAT.

Whereas the retail sector indicated the consumer spending at 512,8 million euros; 415,4 million euros excluding VAT. The average beer price used was € 0,325 / .5 l.

The overall government revenues represented the amount of 676 million euros. The excise duty levied on beer amounted to 135,18 million euros in 2008. The development of the excise duty revenues from beer is shown in the graph below.



Czech Republic faced the biggest change from all of the examined countries in the thesis. After the fall of the communistic regime, Czechs could suddenly freely determine their fate, and with the fall of the iron curtain, new places opened up with vast varieties of different beer markets. Czechs have begun the restoration of the brewing industry as it was before the February 1948. In that time Czechoslovakia had over 180 functioning breweries all over the country and a current trend tries to achieve the complete resumption of our hundreds-year tradition.

Czech brewing industry is very diverse. It comprises large industrial breweries with production size deeply over 200 000 hectoliters per year, over to medium sized breweries, to small or even microbreweries producing around 500 hl / year. Czech Republic belongs also to the largest producers of malt and hops and many Czech breweries have their own malting facility. This way along with the own specific water source, Czech beer produced in such a plant is very original and preserves its unique quality. Deriving from above mentioned, Czech beer has always created high reputation in the world which has contributed to high demand for it and played an important role in the tourism sector as well.

From the current situation point, Czechs similarly as in other countries worldwide have faced an unstable financial situation, growing unemployment rate, and were extremely careful regarding their spendings. Nonetheless, Czechs still as permanently leading nation in beer drinking on the global scale have not given up the beer consumption at all. Of course, there has been recorded a slight decline in on-trade sector, but otherwise the numbers kept the sales level high. Wine benefited the most from the better lifestyle shift, meanwhile spirits suffered the most in sales. In the past years alcoholic drinks' producers benefited from the strong demand for premium brands. With the economic slowdown, these products began to lose. Instead, the traditional brands have been preferred and high interest was indicated by stronger beer, especially 11 Plato degree beers.

The forecast shows that wine will be continuously favored more and more, spirits will resume their market status, only the beer seems to create certain level of saturation on the Czech alcoholic drinks market.

However, it is expected that Czechs will remain as the leading nation concerning the beer consumption per capita mainly due to the global decline in the beer consumption.

The table below represents the development of the total production, consumption, and the excise duty revenues from beer since 1993.

Czech Republic

Year	Beer Production [1000 hl]	Beer Consumption [1000 hl]	Standard excise duty [CZK/€]	VAT [%]	Revenue [million CZK]
1993	19 199	16 032	see table no.: 1	23	CZK 3 531,18
1994	18 297	16 645		23	CZK 3 365,27
1995	19 464	16 435		22	CZK 3 579,92
1996	17 804	16 528		22	CZK 3 274,60
1997	18 041	16 695		22	CZK 3 318,19
1998	18 292	16 543	CZK 24/hl/°P	22	CZK 3 364,36
1999	17 863	16 461	CZK 24/hl/°P	22	CZK 3 285,45
2000	17 925	16 335	CZK 24/hl/°P	22	CZK 3 296,85
2001	17 881	16 026	CZK 24/hl/°P	22	CZK 3 288,76

2002	18 178	16 202	CZK 24/hl/°P	22	CZK 3 343,39
2003	18 548	16 418	CZK 24/hl/°P	22	CZK 3 411,44
2004	18 753	16 115	CZK 24/hl/°P	22	CZK 3 449,14
2005	19 069	15 970	CZK 24/hl/°P € 0,7905/hl/°P	19	CZK 3 520,22 € 115,95
2006	19 787	16 252	CZK 24/hl/°P € 0,8267/hl/°P	19	CZK 3 550,27 € 122,30
2007	19 897	16 178	CZK 24/hl/°P € 0,8719/hl/°P	19	CZK 3 659,33 € 132,95
2008	19 958	16 100	CZK 24/hl/°P € 0,9103/hl/°P	19	CZK 3 563,89 € 135,18
2009		-	CZK 24/hl/°P € 0,9792/hl/°P	19	CZK €
2010	-	-	CZK 32/hl/°P € 1,2589/hl/°P	20	CZK €

€ exchange rates

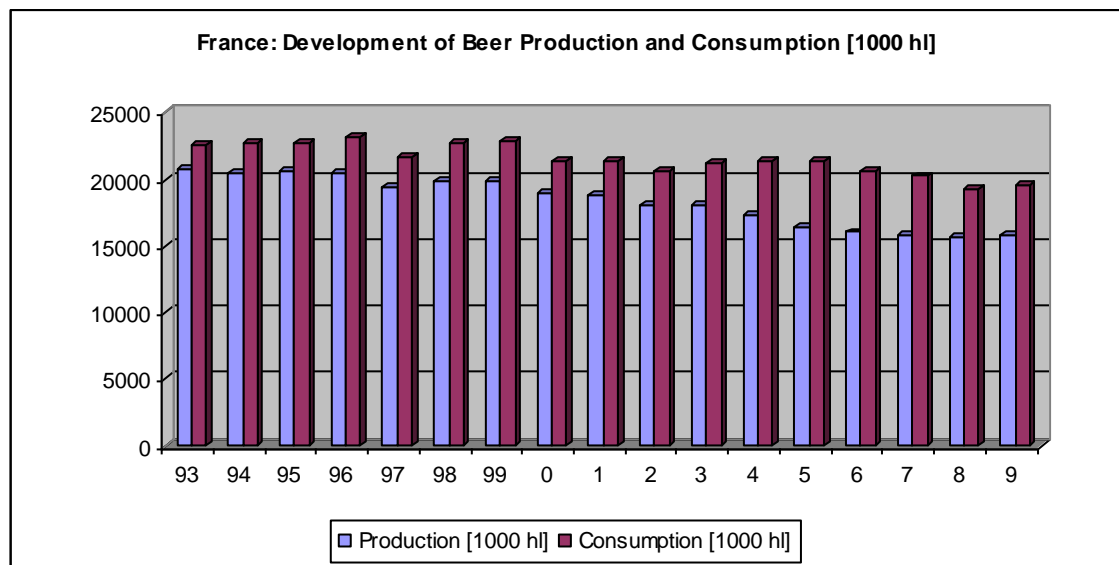
year	CZ
2005	30,361
2006	29,030
2007	27,525
2008	26,364

(http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/alcoholic_beverages/rates/excise_duties_alcohol_en.pdf)

4.4.3. France

France produced 15,814 million hectoliters in 2009, about 134 000 hl more than the previous year 2008. French total beer consumption reached 19,545 million hectoliters and also exceeded the consumption from 2008; by over 320 000 hl. The development of the total production and consumption since 1993 shows the graph below.

It is clear that French do not tend to drink French beer brands only and that they like to taste different kinds of beer from many different foreign countries. The trend of higher import than in other countries is obvious. They also have a different beer drinking culture than on the contrary Czechs or Germans, who traditionally prefer national brands and are hardly convinced about the quality of foreign beer.

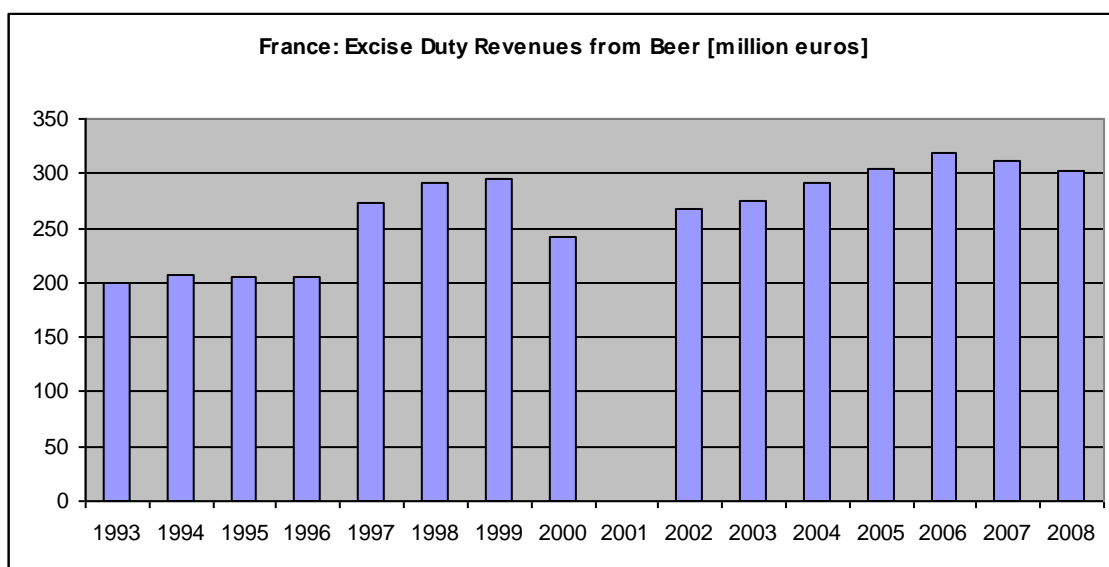


France has over 130 breweries including microbreweries. Around 3 550 employees work in those breweries. Due to the supplying sector, another almost 12 000 employees are generated. In case of the hospitality sector and the retail sector, the amount of employees rises up to 56 000 employees.

Also the value-added from the production and sale of beer contributes significantly. The total value-added generated by all these sectors mentioned above amounted to 3.29 billion euros in 2008. Subsequently the VAT collected on the production and sale of beer represented the amount of 1,07 billion euros. The main source of VAT revenues from beer production and sale represented the hospitality sector (over 48 %).

Similarly, there is a big difference between the on-trade and off-trade sales in France. On-trade sales creates around 24% of all consumed beer per year, which represents almost 4 691 000 hectoliters. Calculating the average price of beer in the hospitality sector (€ 4,9), the amount spent by consumers refers to 4 616 million euros (including VAT). On the other side, off-trade sales represent the remaining 76% (14 854 000 hl/year). Using the average retail price of beer (€ 0,735), the amount spent by consumers refers to 2 183,54 million euros (including VAT).

The overall government revenues represented the amount of 2,591 billion euros. The excise duty levied on beer amounted to 303 million euros in 2008. The development of the excise duty revenues from beer is shown in the graph below.



France is traditionally known for its vast wine produce and consumption. Therefore logically beer represents the lowest share of the total alcoholic drinks consumption. For illustration, the consumption per capita reaches only 37l/ year, which is more than four times less than by Czechs, or twice less than by Finns. It is also caused by the fact that beer is predominantly consumed only in major cities, where exists a growing demand for specialty beers, and up in northern France, close to the Belgium border.

Another and quite important factor determining the low share in alcoholic drinks consumption in France is the government campaigns focused on alcoholic drinks advertising (not allowing adverts of drinks above 1,2% abv. in press, books for children, on billboards or at sporting events escalating in prohibition of sponsorship of events by alcohol producers). On the contrary it also focuses on campaign against drunk driving.

Besides other factors influencing the overall consumption of alcohol such as gradually aging population or smoking ban, the biggest affect causes the economic recession. Hence consumers are being left feeling insecure about their future, mainly regarding the employment and their disposable income. Declining trend in the consumption of alcoholic drinks can be also seen from two subsequent angles. Much lower company activity – manufacturers prefer to play dead and wait until the situation concerning the financial uncertainty fades away; and rational consumers' behavior leading in more consumption at home, purchasing ingredients for mixing cocktails and not spending money in the on-trade sector. Therefore the share of purchased alcoholic drinks will have increasing tendency in off-trade channels.

Forecast regarding the evolution in alcoholic drinks market seems to be quite clear; it is predicted that the trend will have a declining tendency and that the difference between the on-trade and off-trade channels will increase.

Slight chances for contrary developments exist in premium quality products market and a new model of retailer which would be offering both more personal attitude and engagement, expertise and prices on supermarkets' / hypermarkets' levels.

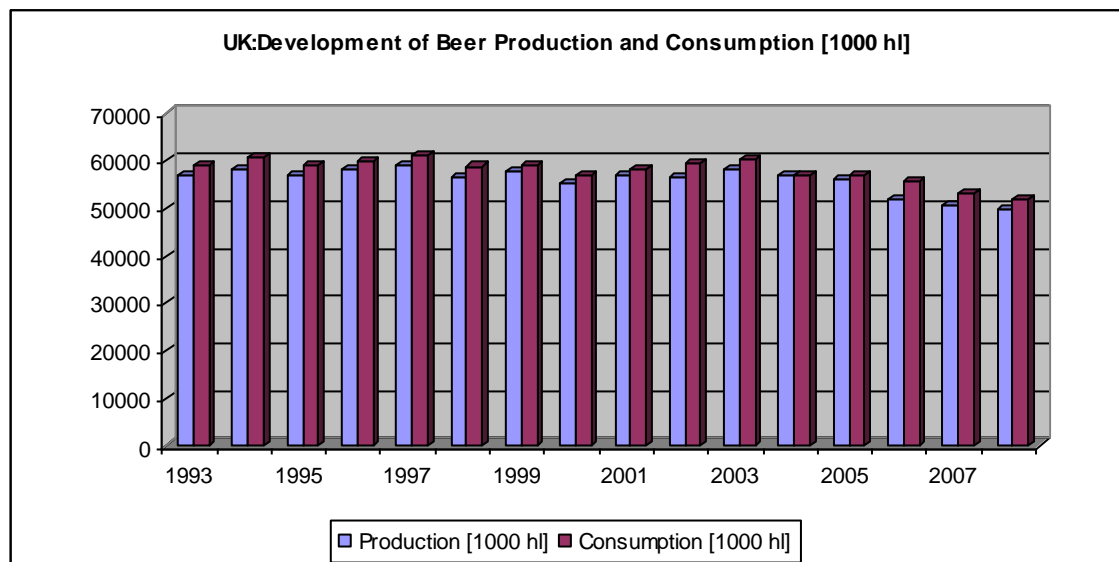
The table below represents the development of the total production, consumption, and the excise duty revenues from beer since 1993.

France

Year	Beer Production [1000 hl]	Beer Consumption [1000 hl]	Standard excise duty	VAT [%]	Revenue [million €]
1993	20 833	22 585	12,5 FRF / hl	18,60	199,643
1994	20 445	22 686	12,5 FRF / hl	18,60	206,605
1995	20 634	22 690	12,5 FRF / hl	18,60	206,000
1996	20 441	23 133	12,5 FRF / hl	20,60	206,000
1997	19 483	21 655	17,0 FRF / hl	20,60	272,283
1998	19 807	22 663	17,0 FRF / hl	20,60	291,801
1999	19 866	22 833	17,0 FRF / hl	20,60	295,904
2000	18 926	21 420	17,0 FRF / hl	20,60	242,312
2001	18 866	21 331	17,0 FRF / hl	19,60	-
2002	18 117	20 629	2,60 € / hl / °Alc.	19,60	268,000
2003	18 132	21 168	2,60 € / hl / °Alc.	19,60	275,183
2004	17 263	21 420	2,60 € / hl / °Alc.	19,60	291,842
2005	16 394	21 420	2,60 € / hl / °Alc.	19,60	305,000
2006	16 029	20 626	2,60 € / hl / °Alc.	19,60	319,000
2007	15 746	20 246	2,60 € / hl / °Alc.	19,60	312,000
2008	15 680	19 225	2,60 € / hl / °Alc.	19,60	303,000
2009	15 814	19 545	2,64 € / hl / °Alc.	19,60	-
2010	-	-	2,71 € / hl / °Alc.	19,60	-

4.4.4. United Kingdom

The UK produced some of 49, 675 million hectoliters in 2008. About 2,287 million hectoliters less than the total amount of beer consumed within the same year (51,962 million hectoliters). Such development is natural for the mature UK beer market and is attributed to the high consumption of foreign imported brands. The development is also attributed to the deep and long-term beer-drinking tradition as a major way of socializing. The graph below is covering an era between 1993 and 2008 and the trend was each year the same.



The UK has currently around 650 breweries from which 13 have annual production higher than 1 million hectoliters, and about another 40 breweries embody the beer production somewhere between 20 000 and 1 million hectoliters per year. In addition, there are more than 600 microbreweries, but the number varies almost every year, especially today during the economic slowdown.

However, all these breweries employ directly approximately 15 000 employees. Approximately 333 700 jobs are created in the hospitality and retail sectors, and 48 500 jobs in the supply sector. Together close to 400 000 employees work in connection with the production and sale of beer.

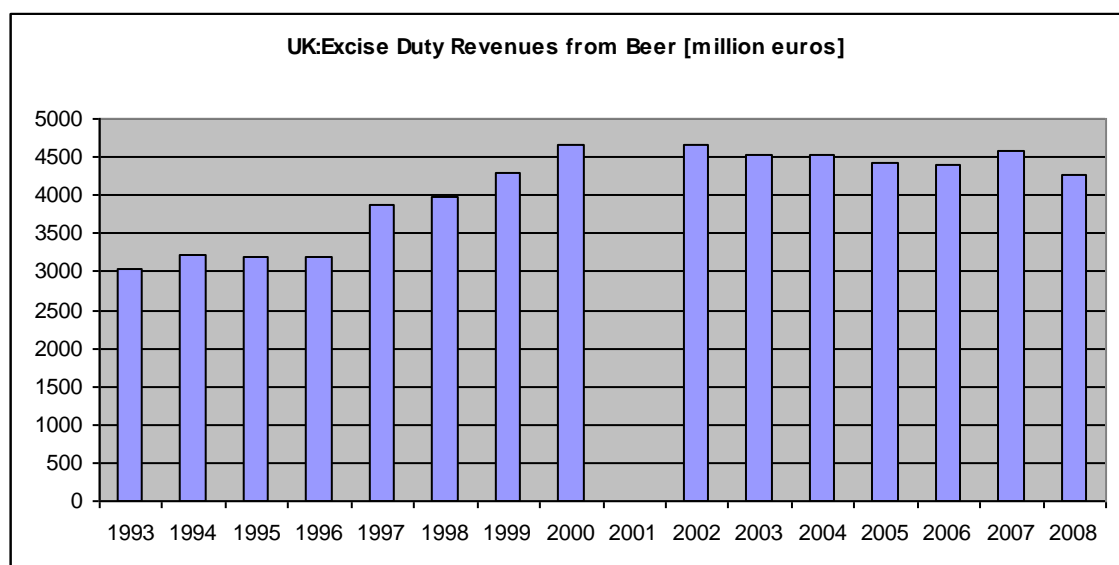
In 2008 the total beer production value was estimated at approximately 4,6 billion euros, from which around 723 million euros were credited to the value-added. The total value-added created by all the employees involved in business

connected to the beer production and sale was estimated at 10,4 billion euros in 2008. Subsequently the amount of VAT collected from the hospitality and the retail sectors was reaching the amount of 4,346 billion euros. Main source of VAT revenues formed the hospitality sector.

The on-trade and off-trade consumption does not embody such a big difference between each other. In addition, the situation in the UK is on the contrary much diverse from all other European countries besides the Czech Republic. Higher consumption share had always been recorded in the on-trade channel until 2009; about 54% of beer consumption took place in the hospitality sector. This represents the amount of 28,1 million hl. Applying the average price of beer (€ 3,3 / .5l), the turnover comes to 18,546 billion euros – 15,3 billion euros without VAT. In this case VAT represents 3,245 billion euros.

Whereas the retail sector sells the remaining 46% (23,9 million hl). Applying the average retail price of beer € 1,315 / .5l, the turnover comes to 6,286 billion euros – 4,345 billion euros without VAT. In this case VAT represents 1,1 billion euros.

The overall government revenues represented the amount of 13,289 billion euros. The total excise revenues from beer amounted to 4,254 billion euros in 2008.



The EU's excise systems and rates vary notably among all the countries in the union. Due to such legislation disharmony, a significant cross-border activity takes place between countries with a big difference in indirect tax systems such as between the UK and France (or Denmark – Germany, Finland – Estonia for instance) resulting in both legal and illegal trading.

Since the elimination of duty-free sales across EU, smuggling across the channel into the UK has reached its peak in 2009 resulting in major government revenue losses. Over 75% of beer coming from France was bought for further resale due to the second highest excise duty in EU.

Current time does not favour alcoholic drinks market likely in most countries. Drinking beer is a very traditional way of socializing in the UK, but recent developments show that still more and more drinks are being bought in the off-trade channels and consumed at home, rather than in the pub or restaurant.

The impact of the global economic slowdown on the brewing sector is characterized by:

- the shift from on-trade to off-trade sales, even though both indicate further decline in volume sales,
- the imposed smoking ban in pubs and restaurants,
- and further decline in consumer confidence, shifting consumer preferences onto wine, RTDs (Ready-To-Drink) or non-alcoholic drinks being consumed at home.

The forecasts talk about the increase in volume sales of beer during the World Cup 2010 and during the London Olympics in 2012.

Still UK and Germany will maintain their respective positions as the largest national alcoholic drinks markets in volume and value terms.

The table below represents the development of the total production, consumption, and the excise duty revenues from beer since 1993.

United Kingdom

Year	Beer Production [1000 hl]	Beer Consumption [1000 hl]	Standard excise duty [GBP/€]	VAT [%]	Revenue [million £]
1993	56 746	59 117	1,163 GBP / hl / °OG	17,5	3 048,637
1994	58 333	60 575	10,45 GBP / hl / ° Alc.	17,5	3 222,056
1995	56 800	59 129	10,82 GBP / hl / ° Alc.	17,5	3 192,610
1996	58 072	59 894	10,82 GBP / hl / ° Alc.	17,5	3 202,269
1997	59 139	61 114	10,82 GBP / hl / ° Alc.	17,5	3 874,021
1998	56 562	58 835	11,14 GBP / hl / ° Alc.	17,5	3 988,564
1999	57 854	58 917	11,14 GBP / hl / ° Alc.	17,5	4 281,000
2000	55 279	57 007	11,89 GBP / hl / ° Alc.	17,5	4 647,426
2001	56 802	58 234	11,89 GBP / hl / ° Alc.	17,5	-
2002	56 672	59 384	11,89 GBP / hl / ° Alc.	17,5	4 656,584
2003	58 014	60 302	11,89 GBP / hl / ° Alc.	17,5	4 539,000
2004	57 018	57 007	12,22 GBP / hl / ° Alc.	17,5	4 516,000

2005	56 021	57 007	GBP 12,59/hl/°Alc € 17,80/hl/°Alc	17,5	GBP 3 121,00 € 4 412,8
2006	51 846	55 748	GBP 12,92/hl/°Alc € 18,82/hl/°Alc	17,5	GBP 3 024,00 € 4 404, 9
2007	50 439	53 288	GBP 13,26/hl/°Alc € 19,69/hl/°Alc	17,5	GBP 3 093,00 € 4 592,4
2008	49 675	51 962	GBP 14,96/hl/°Alc € 20,18/hl/°Alc	17,5	GBP 3 154,00 € 4 254,7
2009	-	-	GBP 16,47/hl/°Alc € 20,80/hl/°Alc	15	GBP €
2010	-	-	GBP 16,47/hl/°Alc € 18,08/hl/°Alc	17,5	GBP €

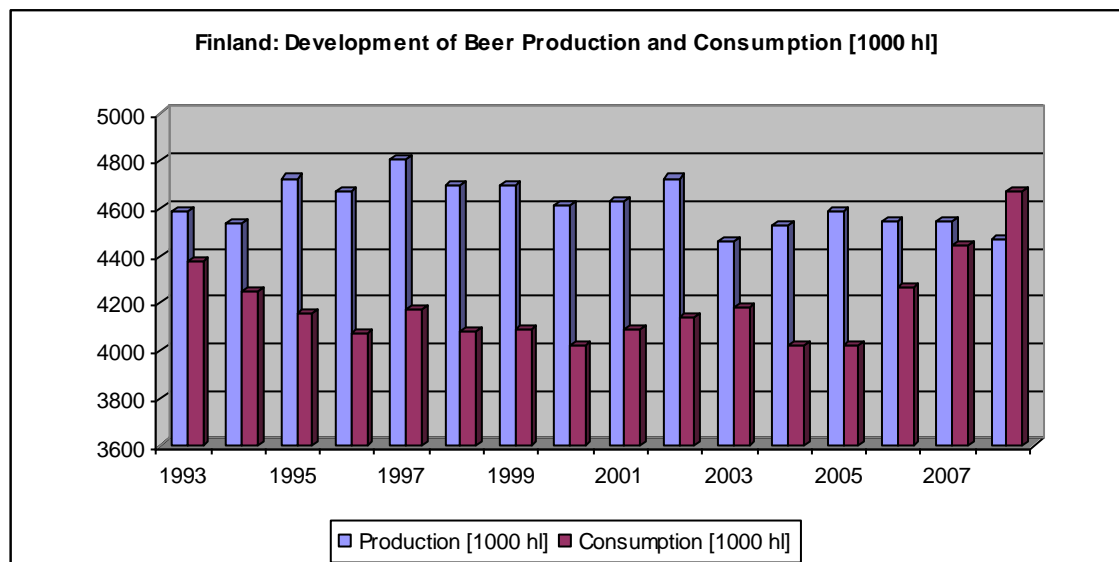
€ exchange rates

year	UK
2005	0,70725
2006	0,68650
2007	0,67350
2008	0,74130
2009	0,79190
2010	0,91090

(http://ec.europa.eu/taxation_customs/resources/documents/taxation/excise_duties/alcoholic_beverages/rates/excise_duties_alcohol_en.pdf)

4.4.5. Finland

Finland total beer production represented the amount of 4,470 million hectoliters in 2008. The total beer consumption was higher, 4,673 million hectoliters for the same period of time. According to the graph below, it is the first time in at least 15 years when consumption exceeded production. Similarly as in the UK, this was caused mainly, besides the standard domestic consumption, by higher consumption of foreign brands.



There are over 30 breweries employing around 2 450 employees in Finland. There are three main breweries - Sinebrychoff, Hartwall, and Lapin Kulta. Besides these breweries, there is a number of smaller breweries and microbreweries.

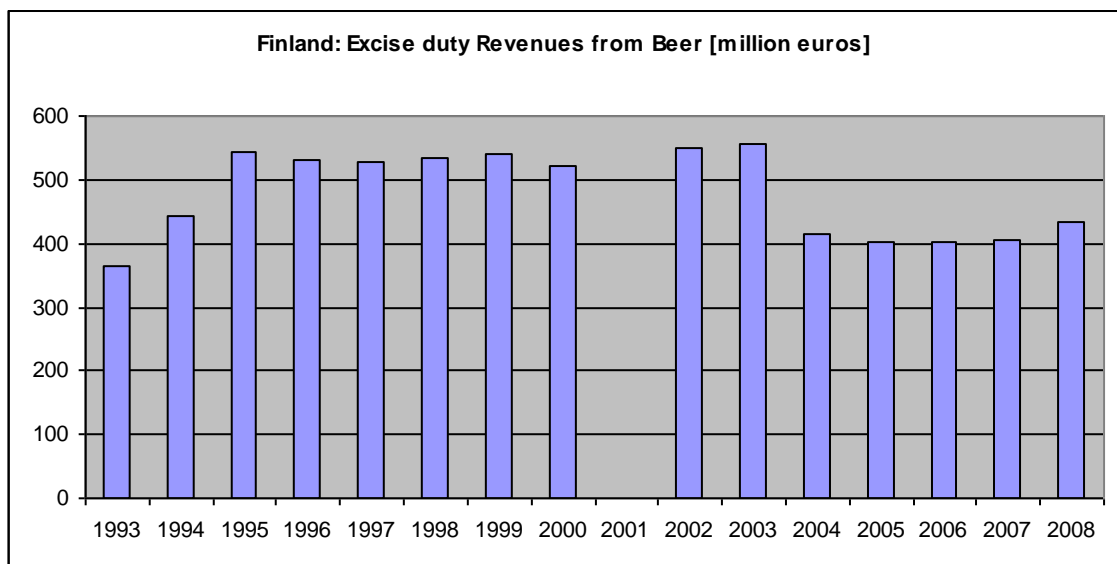
The employment related to the brewing industry amounts to around 17 500 jobs from which approximately 7 900 jobs are created in the hospitality sector, 4 400 jobs in the supply sector and 2 750 jobs in the retail sector.

The economic impact of the brewing industry could be also seen via value-added. The production value generated by breweries amounted to over 700 million euros, from which subsequently, the brewing sector itself generated around 256 million euros as the value-added. Together with the supply sector, retail and hospitality sector, it generated an amount of 843 million euros.

Subsequently VAT collected from the sales of beer both from the on-trade and off-trade was reaching the amount of 397 million euros.

There is a big difference between the on-trade and off-trade sales in Finland. Around 17% of all consumed beer per year is sold on-trade which represents close to 800 000 hectoliters. Using the average price of beer in the hospitality sector (€ 5,3), the amount spent by consumers refers to 848 million euros (including VAT). On the other side, off-trade sales represent close to 83% (3,9 million hl/year). Using the average retail price of beer (€ 1,74), the amount spent by consumers refers to 1,35 billion euros (including VAT).

The overall government revenues represented the amount of 1,137 billion euros. The excise duty levied from beer amounted to 432 million euros in 2008.



Finland is a country with permanently highly regulated alcoholic drinks market. One of the tools used, is a big chain of state owned stores called Alko, where it is possible to purchase all kinds of drinks, but prices do not favour rational consumers' behavior. Alko, the state alcohol monopoly, decides on the pricing of alcoholic beverages. Alko then pays a certain percent of its total turnover to the state as alcohol tax. Since Alko has the ability to decide on pricing of alcoholic beverages it is considered an instrument of alcohol control – by making distilled spirits expensive one could encourage the consumption of

milder drinks such as wine or beer. Alko could also put extra high markups on different brands or products if they became too popular and desired.

The excise duty rate was separated according to the kinds of alcoholic products (beer, wine, spirits or intermediate products) on the bases of the alcohol volume since 1995. This actually means that more alcohol volume in a drink will be taxed higher accordingly.

In the year 2004 was alcohol taxation dramatically lowered. For example tax on beer was lower by 32%. (2003: duty = 28,59 €/hl/alc.; 2004: duty = 19,45 €/hl/alc.). Finland was expecting Estonia to become a member of the EU and wanted to avoid direct and considerable price competition under existing prices between these two countries, because the allowed amount of alcohol to be brought from another EU country was limitless. Finnish government also wanted to avoid people to travel to Estonia and spend their money there instead of keeping the tax revenues at home.

Nevertheless, the taxes were increased in 2008 (excise duty on beer increased by 10% from 19,45 €/hl/alc. to 21,40 €/hl/alc.) again in 2009 (excise duty on beer increased by 10% from 21,40 €/hl/alc. to 23,60 €/hl/alc.) and again in 2010 (excise duty on beer increased by 10% from 23,60 €/hl/alc. to 25,96 €/hl/alc.) imposing the highest excise duty rate in EU on average 5% abv. beer = € 0.59.

The growth in the volume sales had an increasing tendency and reached its peak in 2008, where the consumption actually exceeded the domestic production by over 203 000 hectoliters. The growth stopped and Finland recorded a decline in volume sales since then. The reasons for such development are clear. The decline was mainly caused by:

- the increased retail prices due to increased alcohol drinks taxation,
- by the growing private imports, and
- the economic recession.

Another following factor affecting the sales was the changes in what and where Finns drink. Due to risen taxes, Finns currently prefer to consume so called RTD drinks (Ready-To-Drink) or wine instead of spirits and beer whose both retail and on-trade prices reached a limit behind which only certain individuals

will go. In addition, RTDs are also available in regular grocery stores, not only in the monopoly Alko. What also contributed towards the decline in on-trade sales is the ban on smoking in the bars and actual closings of bars, pubs, or restaurants. More people rather stay at home. On-trade suffered the most from the tax increase and the economic recession as well.

Nevertheless, Finns still belong to the nations with European above average beer consumption per capita (88l / year).

The table below represents the development of the total production, consumption, and the excise duty revenues from beer since 1993.

Finland

Year	Beer Production [1000 hl]	Beer Consumption [1000 hl]	Standard excise duty[€]	VAT [%]	Revenue [million €]
1993	4 588	4 379	170 FIM / hl / °Alc.	22	365,128
1994	4 538	4 247	170 FIM / hl / °Alc.	22	442,110
1995	4 726	4 153	170 FIM / hl / °Alc.	22	543,045
1996	4 669	4 074	170 FIM / hl / °Alc.	22	531,899
1997	4 804	4 170	170 FIM / hl / °Alc.	22	527,153
1998	4 697	4 084	170 FIM / hl / °Alc.	22	534,893
1999	4 700	4 087	170 FIM / hl / °Alc.	22	539,013
2000	4 612	4 024	170 FIM / hl / °Alc.	22	521,000
2001	4 631	4 085	170 FIM / hl / °Alc.	22	-
2002	4 726	4 136	28,59 € / hl / °Alc.	22	550,000
2003	4 464	4 179	28,59 € / hl / °Alc.	22	556,000
2004	4 527	4 024	19,45 € / hl / °Alc.	22	415,000
2005	4 590	4 024	19,45 € / hl / °Alc.	22	402,41
2006	4 548	4 269	19,45 € / hl / °Alc.	22	402,80
2007	4 547	4 447	19,45 € / hl / °Alc.	22	404,87
2008	4 470	4 673	21,40 € / hl / °Alc.	22	432,22
2009	-	-	23,60 € / hl / °Alc.	22	-
2010	-	-	25,96 € / hl / °Alc.	22	-

4.5. Practical part summary

The practical part of the thesis shows practical examples of the application of indirect taxes (excise duties and VAT) on beer in specified EU Member States. First of all it shows the differences in tax rates among the individual Member States, and those are consequently compared to the minimum tax rates set by the EU in 1992 (1993). The thesis also tries to explain various reasons leading to the individual tax policy applied by each of the Member State. All of the examined countries are unique and it is a very difficult task of the EU to set common rules which would be fully acceptable for each party.

Chapter 4.2. deals solely with the particular topic of the thesis. On the basis of available data assembly, the tax burden of beer in specified EU Member States was carried out. The incurred results refer to the affect and the development in the excise duty rates on beer and the VAT rates applied in the time period of 1993 – 2010. This chapter also explains the impact of the indirect taxation applied on beer in each state individually from various angles, and common and different features going along with it.

Consequently, the chapter is complemented by a few test cases which relate to the topic in particular. The tax burden is shown precisely on the current retail prices of one certain product with its specific size and volume of alcohol, and being sold in all five Member States. In addition, this chapter raises the question what would have happened if all these five countries had applied EU minimum rates of excise duty on beer and VAT. Another case demonstrates what would have happened if the proposal of the European Commission on raising the minimum excise duty rates for alcohol in 2006 had come in force. And the last case deals with the current difficult situation in the Czech beer market. It demonstrates how ineffective is the increase of excise duty rate for beer, how such provision works contradictory and how seriously could such provision harm the brewing sector and consequently paradoxically the state as well.

Last chapter of the practical part describes the economic impact of the brewing industry, and other sectors directly connected to it, on economy of each of the examined states.

5. Conclusion

From the historical point of view the culture and tradition of brewing beer has been enormous, especially in Europe. The legacy of ancient Kelts has been carried for centuries to the peaks of modern brewing industry. Beer in its more or less massive production form has always represented significant revenues for rulers, kings or monarchs. Revenues from beer served mainly for expansion reasons, hence they were very valuable and rulers notably supported the brewing manufacture. So regarding the prosperity, brewing industry has always represented very important segment of the economy.

Today Europe is the biggest producer of beer, malt and hops world wide and the European beer industry is no less important than it used to be. Europe has conducted very important integrational efforts in order to become more competitive, prosperous and sovereign in many ways.

In the field of brewing industry and fiscal affairs European Union has been seeking harmonization in the tax system across the entire community. Setting the minimum tax rates for alcohol and alcoholic beverages was the first attempt in its endeavor. The EU realized further on that achieving the areal harmonization in tax policy will be very distant goal, however, the EU has never given up and still tries to come as close as possible to the achievement of this goal.

Five different EU Member States appeared under the scope of the diploma thesis. The selection was carefully done due to the incurred contrasts in treatment of the brewing industry among the states induced by several different conditions. The paper focused primarily on research of the development of the fiscal policy regarding the production and consumption of beer and on the measurement and valuation of the tax burden and its impact on consumers and the particular national economy. Various fiscal approaches have revealed the fact whether the sector has behaved in line with the market unification or diversification, in other words, it meant whether the brewing sector has been considered contributory to the national economy or not.

The forecasts for future beer industry do not look very optimistic. In these past few years people have learned to be careful and to think more about their expenditures and not to spend their money too easily. Some of them have also learned that there are various cheaper products substituting beer and other possibilities how to enjoy weekend nights. Some of them also forgot beer's traditional accompanying social effect. Hence some countries have suffered from the shortage of on-trade consumers. Meanwhile the traditional beer countries such as the Czech Republic, Germany, the UK or Ireland did not fail in the expectations and indicated only slight shortage in the on-trade consumption, but hardly affecting the industry significantly.

In conclusion is necessary to say that the current economic downturn will fade away one day and the whole beer industry will find the way to resurrect and bring people back to the tradition like it was prior to the recession.

Discussion

It is necessary to suggest a few points that will certainly induce a feverous discussion. Among these subjects belong:

- 1) excise duty rates for beer versus excise duty rates for wine in the EU
 - 2) the effect of increased excise duty for beer
 - 3) the influence of the economic recession
 - 4) reasons for currently stagnating brewing industry.
- 1) It is crucial to state that beer in the EU has been being discriminated in terms of imposed excise duties on a long-term basis. The majority of Member States impose zero excise duty rates on still wine; meanwhile beer has been being taxed quite high in comparison. This situation has given the wine producers a very advantageous treatment. In addition, wine – growers pay hardly any taxes from their products and receive large amounts of subsidies. Beer thus loses its competitiveness in the market and cannot compete with wine on a fair basis.

- 2) These fiscal provisions will have a contradictory effect than the authors of their proposals were expecting. Higher taxes will not bring higher tax revenues and will reflect negatively in the final prices and will affect the consumer's decision. The demand for beer will decrease and more breweries will face serious problems. From a different point of view, breweries will be forced to operate with less financial means and brew from less base material. Beer could possibly lose its quality.
- 3) Current situation in the world economy also negatively affects the brewing industry. Traditional beer – drinking in the pubs recedes and consumers start to seek different kinds of alcoholic drinks, especially wine or so-called RTD (Ready-To-Drink) beverages.
- 4) As mentioned above, the main reasons behind the stagnation of the brewing industry is the economic slowdown, changes in drinking habits due to healthier life-style, aging population, government provisions in terms of high taxes and campaigns warning consumers before the negative effects of alcoholic beverages consumption.

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7. Appendices

Table 1: Development of excise duty rates for beer in specified EU Member States [1993 – 2010]

Minimum excise duty rates for beer in the European Union since 1.1.1993

(Art. 6 Directive 92/84 EEC)

0,748 €/ hl / °Plato of finished product

1,87 €/ hl / °Alcohol of finished product

1993 – 2001

Germany	< 0,5 % alc. vol.	None
	> 0,5 % alc. vol.	1,54 DM / hl / ° Plato
	Reduced rates - for independent breweries with an annual production of less than 200.000 hl, the excise rate is reduced in equal steps:	
	40 000 hl / year	1 to 75 %
	20 000 hl / year	1 to 70 %

10 000 hl / year
5 000 hl / year

1 to 60 %
1 to 50 %

2002 – 2003

Germany	< 0,5 % alc. vol.	None
	> 0,5 % alc. vol.	0,787 € / hl / ° Plato
	Reduced rates - for independent breweries with an annual production of less than 200.000 hl, the excise rate is reduced as:	
	40 000 hl / year	0,5902 € / hl / ° Plato
	20 000 hl / year	0,5509 € / hl / ° Plato
	10 000 hl / year	0,4722 € / hl / ° Plato
	5 000 hl / year	0,3935 € / hl / ° Plato

2004 – 2010

Germany	< 0,5 % alc. vol.	None
	> 0,5 % alc. vol.	0,787 € / hl / ° Plato
	Reduced rates - for independent breweries with an annual production of less than 200.000 hl, the excise rate is reduced in equal steps of 1.000 hl from the 100 % rate	
	to 75 % at 40 000 hl / year	0,6610 € / hl / ° Plato
	to 70 % at 20 000 hl / year	0,6170 € / hl / ° Plato
	to 60 % at 10 000 hl / year	0,5288 € / hl / ° Plato
	to 50 % at 5 000 hl / year	0,4407 € / hl / ° Plato

1993 – 1994

Czech Republic	> 200 000 hl / year of less than 10 ° Plato	154 CZK / hl
	> 200 000 hl / year of 10 ° - 12 ° Plato	317 CZK / hl
	> 200 000 hl / year of more than 12 ° Plato	423 CZK / hl

1995 – 1997

Czech Republic	> 200 000 hl / year of less than 10 ° Plato	157 CZK / hl	
	> 200 000 hl / year of 10 ° - 12 ° Plato	230 CZK / hl	
	> 200 000 hl / year of more than 12 ° Plato	430 CZK / hl	
	Reduced rates since 1.7.1995		
	< = 10 000 hl / year		79,00 CZK / hl
	< = 50 000 hl / year		94,00 CZK / hl
	< = 100 000 hl / year	[<10 ° Plato]	110,00 CZK / hl
	< = 150 000 hl / year		126,00 CZK / hl
	< = 200 000 hl / year		141,00 CZK / hl
	< = 10 000 hl / year		160,00 CZK / hl
	< = 50 000 hl / year		192,00 CZK / hl
	< = 100 000 hl / year	[>10 - <12 ° Plato]	224,00 CZK / hl
	< = 150 000 hl / year		256,00 CZK / hl
	< = 200 000 hl / year		288,00 CZK / hl
	< = 10 000 hl / year		215,00 CZK / hl
< = 50 000 hl / year		258,00 CZK / hl	
< = 100 000 hl / year	[>12 ° Plato]	301,00 CZK / hl	
< = 150 000 hl / year		344,00 CZK / hl	
< = 200 000 hl / year		387,00 CZK / hl	

1998 – 2009

Czech Republic	> 200 000 hl / year	24,00 CZK / hl / ° Plato
	Reduced rates	
	< = 10 000 hl / year	12,00 CZK / hl / ° Plato
	< = 50 000 hl / year	14,40 CZK / hl / ° Plato
	< = 100 000 hl / year	16,80 CZK / hl / ° Plato
	< = 150 000 hl / year	19,20 CZK / hl / ° Plato
	< = 200 000 hl / year	21,60 CZK / hl / ° Plato

2010

Czech Republic	> 200 000 hl / year	32,00 CZK / hl / ° Plato	1,26 €
	Reduced rates		
	< = 10 000 hl / year	16,00 CZK / hl / ° Plato	0,63 €
	< = 50 000 hl / year	19,20 CZK / hl / ° Plato	0,76 €
	< = 100 000 hl / year	22,40 CZK / hl / ° Plato	0,88 €
	< = 150 000 hl / year	25,60 CZK / hl / ° Plato	1,01 €
	< = 200 000 hl / year	28,80 CZK / hl / ° Plato	1,13 €

1993

Finland	< 2,25 % alc. vol.	27,00 FIM / hl / °Alc.
	3,0 – 3,7 % alc. vol.	504,00 FIM / hl / °Alc.
	> 3,7 % alc. vol.	960,00 FIM / hl / °Alc.

1994

Finland	1,2 – 2,8 % alc. vol.	27 FIM / hl / °Alc.
	> 2,8 – 15 % alc. Vol.	170 FIM / hl / °Alc.
	Reduced rates	
	< = 10 000 hl / year	20 % reduction

1995

Finland	1,2 – 2,8 % alc. vol.	10 FIM / hl / °Alc.
	> 2,8 – 15 % alc. Vol.	170 FIM / hl / °Alc.
	Reduced rates	
	< = 10 000 hl / year	20 % reduction

1996 – 2001

Finland	1,2 – 2,8 % alc. vol.	10 FIM / hl / °Alc.
	> 2,8 – 15 % alc. Vol.	170 FIM / hl / °Alc.
	Reduced rates	
	< = 10 000 hl / year	20 % reduction
	< = 55 000 hl / year	10 % reduction

2002 – 2003

Finland	1,2 – 2,8 % alc. vol.	1,68 € / hl
	> 2,8 – 15 % alc. vol.	28,59 € / hl / °Alc.
	Reduced rates	
	< = 10 000 hl / year	20,01 € / hl / ° Plato
	< = 20 000 hl / year	22,87 € / hl / ° Plato
	< = 55 000 hl / year	25,73 € / hl / ° Plato

2004 – 2005

Finland	0,5 – 2,8 % alc. vol.	4,54 € / hl
	> 2,8 % alc. vol.	19,45 € / hl / °Alc.
	Reduced rates	
	< = 2 000 hl / year	13,615 € / hl / ° Plato
	< = 20 000 hl / year	15,560 € / hl / ° Plato
	< = 55 000 hl / year	17,505 € / hl / ° Plato

2006

Finland	0,5 – 2,8 % alc. vol.	1,68 € / hl
	> 2,8 % alc. vol.	19,45 € / hl / °Alc.
	Reduced rates	
	< = 2 000 hl / year	9,725 € / hl / ° Plato
	< = 30 000 hl / year	13,615 € / hl / ° Plato
	< = 55 000 hl / year	15,560 € / hl / ° Plato
	< = 100 000 hl / year	17,505 € / hl / ° Plato

2007

Finland	0,5 – 2,8 % alc. vol.	2,00 € / hl
	> 2,8 % alc. vol.	19,45 € / hl / °Alc.
	Reduced rates	
	< = 2 000 hl / year	9,725 € / hl / ° Plato
	< = 30 000 hl / year	13,615 € / hl / ° Plato
	< = 55 000 hl / year	15,560 € / hl / ° Plato
	< = 100 000 hl / year	17,505 € / hl / ° Plato

2008

Finland	0,5 – 2,8 % alc. vol.	2,00 € / hl
	> 2,8 % alc. vol.	21,40 € / hl / °Alc.
	Reduced rates	
	< = 2 000 hl / year	9,725 € / hl / ° Plato
	< = 30 000 hl / year	13,615 € / hl / ° Plato
	< = 55 000 hl / year	15,560 € / hl / ° Plato
	< = 100 000 hl / year	17,505 € / hl / ° Plato

2009

Finland	0,5 – 2,8 % alc. vol.	2,00 € / hl
	> 2,8 % alc. vol.	23,60 € / hl / °Alc.
	Reduced rates	
	< = 2 000 hl / year	11,80 € / hl / ° Plato
	< = 30 000 hl / year	16,52 € / hl / ° Plato
	< = 55 000 hl / year	18,88 € / hl / ° Plato
	< = 100 000 hl / year	21,24 € / hl / ° Plato

2010

Finland	0,5 – 2,8 % alc. vol.	2,20 € / hl
	> 2,8 % alc. vol.	25,96 € / hl / °Alc.
	Reduced rates	
	< = 2 000 hl / year	12,98 € / hl / ° Plato
	< = 30 000 hl / year	18,170 € / hl / ° Plato
	< = 55 000 hl / year	20,770 € / hl / ° Plato
	< = 100 000 hl / year	23,360 € / hl / ° Plato

1993

United Kingdom	> 1 000 °OG	1,163 GBP / hl / °OG
	Reduced rates	
	50 % reduction for breweries producing less than 5 000 hl/ year	

1994

United Kingdom	0,5 – 1,2 % alc. vol.	None
	> 1,2 % alc. vol.	10,45 GBP / hl / ° Alc.
	Reduced rates	
50 % reduction for breweries producing less than 5 000 hl/ year		

1995 – 1997

United Kingdom	0,5 – 1,2 % alc. vol.	None
	> 1,2 % alc. vol.	10,82 GBP / hl / ° Alc.
	Reduced rates	
50 % reduction for breweries producing less than 5 000 hl/ year		

1998 – 1999

United Kingdom	0,5 – 1,2 % alc. vol.	None
	> 1,2 % alc. vol.	11,14 GBP / hl / ° Alc.
	Reduced rates	
50 % reduction for breweries producing less than 5 000 hl/ year		

2000 – 2003

United Kingdom	0,5 – 1,2 % alc. vol.	None
	> 1,2 % alc. vol.	11,89 GBP / hl / ° Alc.
	Reduced rates	
50 % reduction for breweries producing less than 5 000 hl/ year		

2004

United Kingdom	0,5 – 1,2 % alc. vol.	None
	> 1,2 % alc. vol.	12,22 GBP / hl / ° Alc.
	Reduced rates	
50 % reduction for breweries producing less than 5 000 hl/ year		

2005

United Kingdom	0,5 – 1,2 % alc. vol.	None
	> 1,2 % alc. vol.	12,59 GBP / hl / ° Alc.
	Reduced rates	
50 % reduction for breweries producing less than 5 000 hl/ year		

2006

United Kingdom	0,5 – 1,2 % alc. vol.	None	
	> 1,2 % alc. vol.	12,92 GBP / hl / ° Alc.	
	Reduced rates		
	50 % reduction for breweries producing less than 5 000 hl/ year		

2007

United Kingdom	0,5 – 1,2 % alc. vol.	None	
	> 1,2 % alc. vol.	13,26 GBP / hl / ° Alc.	
	Reduced rates		
	50 % reduction for breweries producing less than 5 000 hl/ year		

2008

United Kingdom	0,5 – 1,2 % alc. vol.	None	
	> 1,2 % alc. vol.	14,96 GBP / hl / ° Alc.	
	Reduced rates		
	50 % reduction for breweries producing less than 5 000 hl/ year		

2009

United Kingdom	0,5 – 1,2 % alc. vol.	None	
	> 1,2 % alc. vol.	16,47 GBP / hl / ° Alc.	20,80 €
	Reduced rates		
	50 % reduction for breweries producing less than 5 000 hl/ year		

2010

United Kingdom	0,5 – 1,2 % alc. vol.	None	
	> 1,2 % alc. vol.	16,47 GBP / hl / ° Alc.	18,61 €
	Reduced rates		
	50 % reduction for breweries producing less than 5 000 hl/ year		

1993 – 1996

France	< 0,5 % alc. vol.	3,5 FRF / hl
	0,5 – 2,8 % alc. vol.	6,25 FRF / hl
	> 2,8 % alc. vol.	12,5 FRF / hl

1997 – 2001

France	< 0,5 % alc. vol.	3,5 FRF / hl
	0,5 – 2,8 % alc. vol.	8,5 FRF / hl
	> 2,8 % alc. vol.	17,0 FRF / hl

2002 – 2005

France	< 0,5 % alc. vol.	0,54 € / hl*
	0,5 – 2,8 % alc. vol.	1,30 € / hl
	> 2,8 % alc. vol.	2,60 € / hl / °Alc.

2006 – 2008

France	< 0,5 % alc. vol.	0,54 € / hl*	
	0,5 – 2,8 % alc. vol.	1,30 € / hl	
	> 2,8 % alc. vol.	2,60 € / hl / °Alc.	
	Reduced rates		* specific tax applicable on soft drinks
	< = 10 000 hl / year	1,30 € / hl / ° Alc.	
	< = 50 000 hl / year	1,56 € / hl / ° Alc.	
	< = 200 000 hl / year	1,95 € / hl / ° Alc.	

2009

France	< 0,5 % alc. vol.	0,54 € / hl*	
	0,5 – 2,8 % alc. vol.	1,32 € / hl	
	> 2,8 % alc. vol.	2,64 € / hl / °Alc.	
	Reduced rates		* specific tax applicable on soft drinks
	< = 10 000 hl / year	1,32 € / hl / ° Alc.	
	< = 50 000 hl / year	1,58 € / hl / ° Alc.	
	< = 200 000 hl / year	1,98 € / hl / ° Alc.	

2010

France	< 0,5 % alc. vol.	0,54 € / hl*	
	0,5 – 2,8 % alc. vol.	1,36 € / hl	
	> 2,8 % alc. vol.	2,71 € / hl / °Alc.	
	Reduced rates		* specific tax applicable on soft drinks
	< = 10 000 hl / year	1,36 € / hl / ° Alc.	
	< = 50 000 hl / year	1,62 € / hl / ° Alc.	
	< = 200 000 hl / year	2,04 € / hl / ° Alc.	

All data provided by www.breversofeurope.org

Table 2: Development of standard VAT rates in specified EU Member States [1993 – 2010]

Germany [%]	1993	1994	1995	1996	1997	1998	1999	2000	2001
	15	15	15	15	15	16	16	16	16
	2002	2003	2004	2005	2006	2007	2008	2009	2010
	16	16	16	16	16	19	19	19	19

Czech Rep. [%]	1993	1994	1995	1996	1997	1998	1999	2000	2001
	23	23	22	22	22	22	22	22	22
	2002	2003	2004	2005	2006	2007	2008	2009	2010
	22	22	22*	19	19	19	19	19	20

22% rate valid until 30.4.2004

Finland [%]	1993	1994	1995	1996	1997	1998	1999	2000	2001
	22	22	22	22	22	22	22	22	22
	2002	2003	2004	2005	2006	2007	2008	2009	2010
	22	22	22	22	22	22	22	22	22

UK [%]	1993	1994	1995	1996	1997	1998	1999	2000	2001
	17,5	17,5	17,5	17,5	17,5	17,5	17,5	17,5	17,5
	2002	2003	2004	2005	2006	2007	2008	2009	2010
	17,5	17,5	17,5	17,5	17,5	17,5	17,5	15	17,5

France [%]	1993	1994	1995	1996	1997	1998	1999	2000	2001
	18,6	18,6	18,6*	20,6	20,6	20,6	20,6	20,6**	19,6
	2002	2003	2004	2005	2006	2007	2008	2009	2010
	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6	19,6

* 18,6% rate valid until 31.7.1995

** 20,6% rate valid until 31.3.2000