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Alcohol Tax Increases Ring in the New Year in Turkey

Report Categories:

Beverages

Wine

Agriculture in the News

Agricultural Situation

Policy and Program Announcements

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Report Highlights:

On January 1, 2016, the Government of Turkey (GOT) announced increases to special consumption taxes, which include taxes on alcohol and tobacco. In June 2013, the GOT enacted sweeping legislation to amend its existing alcohol laws. In addition to the June 2013 legislation, the GOT passed new labelling requirements and has regularly increased taxes. Continued hikes in prices and taxes have led to fresh concerns over the production and smuggling of bootleg alcohol and tobacco products.

Alcohol and Other Tax Increases Ring in the New Year in Turkey

Background

In June 2013, the GOT enacted sweeping legislation to amend its existing alcohol laws. In addition to the June 2013 legislation, the GOT passed new labeling requirements for alcoholic products and increased the tax rates for alcohol and tobacco. Even before the 2013 legislation, consumption of alcohol in Turkey was very low on the world rankings of per capita alcohol consumption, especially in rural areas and conservative neighborhoods. The 2013 legislation has not drastically cut down on consumption in the short term, but some producers speculate that it could result in a long term drop in consumption.

For comprehensive coverage of the 2013 legislation and its effects in the past two and a half years, refer to FAS Turkey's GAIN report number TR5049 from September 7, 2015 "Alcohol Legislation and Taxes in Turkey": [Click Here to Download the Report](#)

Tax Increases

As part of the effort to curb alcohol consumption rates and cut down on underage drinking, the GOT has introduced several tax increases on alcohol and tobacco. Special consumption taxes (SCT) have been increased or adjusted regularly, around every six months, leading to an increase in cost for most alcoholic drinks. On January 1, 2016, just days after the GOT announced a 30% minimum wage increase, the GOT announced hikes in the SCTs. The tax increases on alcohol and other products are outlined below:

- The tax on one 70cl (0.7 liter) bottle of raki (the most widely consumed hard alcohol in Turkey) has increased from 42.1 TL (\$14.13) to 48.57 TL (\$16.31). The minimum fixed tax for two liters of raki has increased by 23 TL (\$7.73) to 130.68 TL (\$43.90).
- The minimum fixed tax rate on beer has increased around 20 percent to 1.03 TL (\$0.35) per liter. Beer is the most widely consumed alcoholic beverage in Turkey.
- The tax on a pack of cigarettes increased from 4.40 TL (\$1.48 as of January 2016 exchange rates) to 4.66 TL (\$1.57). The price per pack of cigarettes is expected to rise between 0.5 TL and 1 TL (\$0.17 - \$0.34). With a tax burden of over 80 percent, Turkey has one of the world's highest tax rates for tobacco products.
- Tax increases on electricity and mobile phone sales were included in this round of tax increases.

Concerns

Experts have been increasingly concerned since the 2013 legislation over the rise in production and smuggling of bootleg alcohol and tobacco products. According to Hurriyet Daily News, thousands of liters of bootleg alcohol have been seized in recent weeks in police raids across Turkey. In addition, around 45 people have died this year, mostly in Istanbul and Izmir, as a result of bootleg alcohol poisoning. Hurriyet Daily News also reports that smuggled cigarettes have cost the Turkish economy 20 billion TL (\$6.7 billion) over the past 5 years.