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GAIN Report

Global Agricultural Information Network

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Turkey

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Alcohol Consumption Taxes Continue to Climb in Turkey

Report Categories:

Beverages

Wine

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Report Highlights:

On January 1, 2017, the Government of Turkey (GOT) announced increases to special consumption taxes for all alcoholic beverages except wine. In June 2013, the GOT enacted sweeping legislation to amend its existing alcohol laws, and the GOT continues to increase consumption taxes in an effort to curb alcohol consumption rates and cut down on underage drinking.

The Turkish government evaluates and generally increases special consumption taxes for alcoholic beverages every six months, on January and July of each year. The consumption tax for distilled spirits with high alcohol content was increased about ten percent, effective on January 1, 2017. The consumption tax for wine, however, remained at the same level as the July 2016 announcement. According to contacts, the higher than usual increase will likely result in a 3 to 4 percent increase in retail prices for alcohol, which are already expensive for local consumers.

Special Consumption Taxes for Alcohol

	Rate as of July 2016 (TL per LPA)	Rates as of January 1, 2017 (TL per LPA)
Whiskey, rum, liqueurs, wine spirits and others not set below	155.52	171.07
Gin and Vodka	138.31	152.14
Raki	134.85	148.33
Wine	5.75	5.75
Beer	63% or 1.16	63% or 1.17

Note: LPA: liters of pure alcohol, Exchange rate: US\$ 1 = 3.70 TL (Turkish Lira)

Along with the biannually increasing consumption taxes on alcoholic beverages, import tariffs for wine are also very high. For example, wine imports from Chile, EU and EFTA countries are subject to a 50-percent import tariff, while wine from other sources including the United States faces a 70-percent tariff. In addition to the import and consumption taxes, there is an 18-percent VAT on wine and other alcoholic beverages. The depreciation of the Turkish Lira is also driving up prices of imported alcohol.

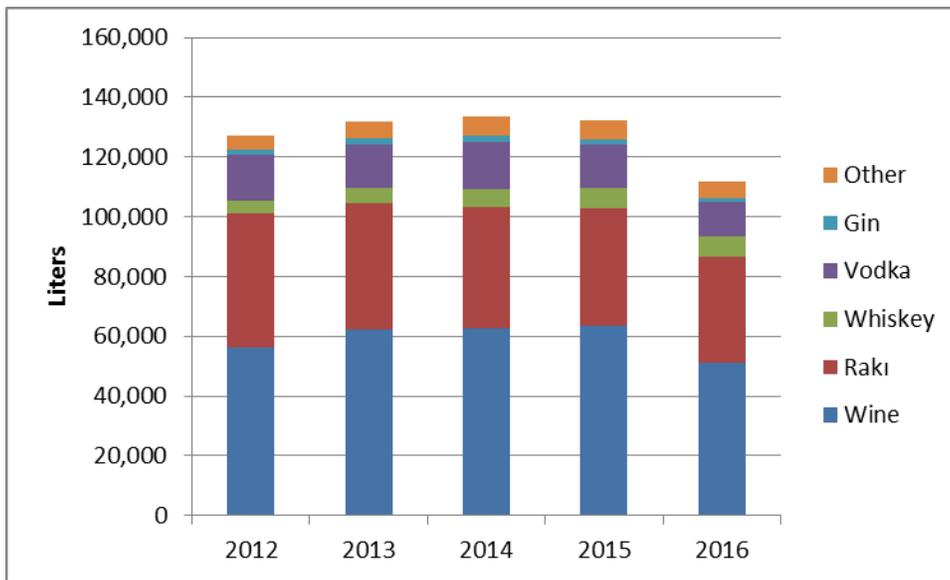
High and continually increasing consumption taxes, in addition to other elements of the June 2013 legislation, are making alcoholic products less affordable for local consumers and adversely affecting domestic consumption. As indicated on the table below, consumption of almost all alcoholic beverage groups started to decline after 2014.

Domestic Consumption (Liters)

<i>Type of Alcohol</i>	2012	2013	2014	2015	2016
Beer	998,823	878,913	943,199	908,197	900,341
Wine	56,411	62,240	62,858	63,626	51,293
Raki	44,611	42,337	40,267	39,201	35,447
Whiskey	4,505	4,903	6,097	7,015	6,863
Vodka	15,115	14,909	16,001	14,130	11,243
Sparkling Wine	827	642	628	413	488
Vermouth	286	283	191	136	103
Gin	1,647	1,746	2,051	1,839	1,318
Other	5,059	5,745	6,478	6,370	5,523
Total	1,127,284	1,011,718	1,077,770	1,040,927	1,012,619

Source: Tobacco and Alcohol Markets Organization Board (TAPDK)

Domestic Consumption of Alcohol in Turkey, Excluding Beer (Liters)



High import tariffs, VAT, and consumption taxes are contributing to the production of counterfeit alcoholic beverages, which are causing serious health effects and deaths. Local press often reports on the seizure of large quantities of illegally produced alcoholic beverages. In 2015 alone, counterfeit alcoholic beverages killed at least 26 people and hospitalized many more.

The high cost of alcoholic drinks is a concern for Turkey's tourism industry and the sector is asking the government to reduce the consumption tax on alcoholic products. Loss of tourism contributed to the reduction of local alcohol consumption in 2016. Turkey has been among the top ten leading tourist destinations in the world, but the industry is trying to recover from major losses of 2016 due political and security problems in the country and in the region. Turkey lost about thirty percent of its tourism revenues (US\$ 10 billion) last year and the industry is seeking any support it can get from the government.