

Modelling the impact of beer excise taxes on consumption and revenue in South Africa

(addendum)

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workshop of 16 July 2026.*

*This addendum presents additional modelling of alternative beer excise tier
proposals to support the evaluation of policy options for alcohol-strength-
based taxation.*



Background

The Research Unit on the Economics of Excisable Products (REEP) presented the findings of its report, *Modelling the impact of beer excise taxes on consumption and revenue in South Africa*, to the National Treasury and industry stakeholders during a technical workshop on 4 June 2026. Following this engagement, National Treasury convened a follow-up technical workshop on 16 July 2026 to discuss the design of alcohol-strength excise duty differentials for beer, including alternative tier structures, stakeholder-proposed refinements, and the appropriate anchors or reference points for excise duty adjustments. This addendum has been prepared in response to discussions and requests arising from that workshop and is intended to support National Treasury's evaluation of alternative policy options for introducing alcohol-strength tax tiers for beer in South Africa.

This document builds on the original REEP report, "[Modelling the impact of beer excise taxes on consumption and revenue in South Africa](#)". Whereas the original report evaluated REEP's proposed four-tier beer excise structure, this addendum extends the analysis by modelling a range of alternative tier designs discussed during the stakeholder consultation meeting. These include three-tier and two-tier structures with different alcohol-by-volume (ABV) thresholds and uplift factors, as well as an industry proposal submitted during the consultation process.

The simulations were undertaken using the REEP alcohol tax microsimulation model to assess the likely effects of each policy option under different behavioural assumptions. For each proposal, the analysis estimates changes in beverage consumption, absolute alcohol (AA) consumption, government excise revenue and industry revenue under scenarios with and without product reformulation. For ease of reference, we include the assumed reformulation statistics in this addendum as Figure 1. The assumed reformulation is the same as the assumed reformulation that we presented in the main report. The purpose is to evaluate the trade-offs associated with alternative tier structures and to identify designs that best balance public health objectives, revenue generation, administrative simplicity and incentives for product reformulation.

Figure 1 | Alcohol content and uplift factors by tax proposal and industry response

Brand	ABV	— NT (No response) —		— REEP (No Response) —		— REEP (Response) —	
		After ABV	Uplift factor	After ABV	Uplift factor	After ABV	Uplift factor
Carling Black label	5.5%	5.5%	1.2	5.5%	1.6	4.5%	1.4
Castle	5.0%	5.0%	1.2	5.0%	1.6	4.5%	1.4
Castle Light	4.0%	4.0%	1.2	4.0%	1.4	3.5%	1.2
Hansa Pilsner	4.2%	4.2%	1.2	4.2%	1.4	3.5%	1.2
Heineken	5.0%	5.0%	1.2	5.0%	1.6	4.5%	1.4
Amstel	5.0%	5.0%	1.2	5.0%	1.6	4.5%	1.4
Windhoek	4.0%	4.0%	1.2	4.0%	1.4	3.5%	1.2
Flying Fish	4.5%	4.5%	1.2	4.5%	1.4	3.5%	1.2
Castle Milk Stout	6.0%	6.0%	1.2	6.0%	1.6	4.5%	1.4
Lion Lager	4.5%	4.5%	1.2	4.5%	1.4	3.5%	1.2
Corona	4.5%	4.5%	1.2	4.5%	1.4	3.5%	1.2
Miller	4.7%	4.7%	1.2	4.7%	1.6	3.5%	1.2
Tafel Lager	4.0%	4.0%	1.2	4.0%	1.4	3.5%	1.2
Stella Artois	5.0%	5.0%	1.2	5.0%	1.6	4.5%	1.4
Devil's Peak	4.0%	4.0%	1.2	4.0%	1.4	3.5%	1.2

Source: Alcohol content - Euromonitor International. Alcoholic drinks South Africa, 2014-2023. • Created with Datawrapper

The remainder of this addendum presents the results for each policy scenario, compares their expected impacts, and concludes with policy recommendations based on the modelling evidence. An appendix provides the simulated outcomes for an industry proposal .

4-Tier Proposal – The original REEP Proposal

Table 1 compares the current National Treasury (NT) proposal with the original REEP four-tier proposal. The REEP proposal introduces tax bands at 2.5%, 3.5% and 4.5% ABV, with progressively higher uplift factors applied to stronger beers. This structure is designed to encourage both reductions in consumption (through higher retail prices) and product reformulation towards lower alcohol strengths.

Proposal (no reformulation):

Under the NT proposal (which introduces tax thresholds at 2.5% and 9%, and set the excise tax 20% higher in the 2.5% to 9% range), the volume of beer consumed and absolute alcohol consumption are projected to decline by 1.9%, while government excise revenue is expected to increase by 17.7%. In contrast, if there is no reformulation, the REEP proposal produces substantially larger reductions in beverage consumption (4.7%) and absolute alcohol consumption (4.9%), reflecting the larger proposed excise tax increases. Government revenue is likely to increase by 46.3%, considerably more than under the NT proposal, while industry revenue declines by 4.6%, compared with a 1.8% decrease under the NT proposal.

Proposal (full reformulation):

Under the reformulation scenario, producers are assumed to reformulate the alcohol content of their products to take advantage of the lower taxes in the lower-alcohol tiers. The reformulation is assumed to happen according to the information presented in Figure 1. In this scenario, beverage consumption declines only modestly (1.4%), but absolute alcohol consumption falls by 15.7%. This outcome is driven by a substantial reduction in the average alcohol content of beer rather than a reduction in beverage volumes. In fact, the simulation suggests that the average weighted average alcohol content of beer is likely to decrease from its current level of 4.84% to 4.18%. Government excise revenue will likely increase by 12.9% compared to the baseline (but is substantially reduced from the 46.3% increase predicted if there is no reformulation), while industry revenue declines by only 1.3%.

The results of these simulations are shown in Table 1 below.

Table 1 | Simulation 1 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor		Tiers	Uplift factor
National Treasury Proposal	0.5% to 2.5%	1.0	REEP Proposal	0.5% to 2.5%	1.0
	>2.5% to 9%	1.2		>2.5% to 3.5%	1.2
	9% to 15%	1.4		>3.5% to 4.5%	1.4
				>4.5%	1.6

Variable	Units	Baseline	NT Proposal		REEP Proposal/Simulation 1			
			No reformulation		No reformulation		Full reformulation	
		Levels	Levels	% change	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 398	-1.9%	3,299	-4.7%	3 415	-1.4%
Consumption of ABV	L mil	167,5	164.4	-1.9%	159.4	-4.9%	141.3	-15.7%
Government revenue	R mil	24 304	28 617	17.7%	35,555	46.3%	27 429	12.9%
Industry revenue	R mil	92 699	91 030	-1.8%	88 434	-4.6%	91 493	-1.3%

3-Tier Proposal – Thresholds at 3.5% and 4.5% ABV

Table 2 presents an alternative three-tier proposal with tax bands at 3.5% and 4.5% ABV, replacing the original 0.5%–2.5% ABV tier in the original REEP proposal with a broader 0.5%–3.5% ABV tier. Compared with the original REEP proposal, this design simplifies the tax structure while creating a stronger incentive for beers above 3.5% ABV to reformulate to the lower threshold.

Proposal (no reformulation):

Without reformulation, beverage and absolute alcohol consumption are projected to decline by around 2%, substantially less than the 4.7% and 4.9% reductions under the original REEP proposal. This reflects the lower uplift factor applied to all beer strengths. Government excise revenue increases by 30.9%, compared with 46.3% under the original REEP proposal, while industry revenue declines by only 2.0%, compared with 4.6% under the original proposal.

Proposal (full reformulation):

Under full reformulation, beverage consumption is expected to remain broadly unchanged (small increase of 0.2%), while absolute alcohol consumption declines by 14.3% as products reformulate to 3.5% and 4.5% ABV. Although this reduction is slightly smaller than the 15.7% achieved under the original REEP proposal, the simplified three-tier structure achieves a comparable health outcome while requiring fewer tax bands.

Government excise revenue will likely fall slightly below the baseline (-2.4%), reflecting the movement of products into lower-tax categories. The model indicates that this scenario would have limited, if any, negative impact on the beer industry. If the industry reformulates the beer as is assumed in Figure 1 (in the Introduction), it can expect a modest increase of 0.2% in revenue.

Overall, Simulation 2 demonstrates that a simpler three-tier structure can preserve most of the health benefits of the original REEP proposal, albeit with lower government revenue gains.

Table 2 | Simulation 2 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor
Simulation 2	0.5% to 3.5%	1.0
	>3.5% to 4.5%	1.2
	>4.5%	1.4

Variable	Units	Baseline	Simulation 2			
			No reformulation		Full reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 389	-2.1%	3 468	0.2%
Consumption of ABV	L mil	167.5	163.8	-2.2%	143.6	-14.3%
Government revenue	R mil	24 304	31 805	30.9%	23 717	-2.4%
Industry revenue	R mil	92 699	90 804	-2.0%	92 883	0.2%

3-Tier Proposal – with more aggressive uplift factors

Table 3 presents a three-tier proposal with more aggressive uplift factors. The uplift factor for the 3.5%–4.5% ABV tier is increased from 1.2 to 1.5, while the uplift factor for beers above 4.5% ABV is increased from 1.4 to 2.0.

Proposal (no reformulation):

Without reformulation, beverage and absolute alcohol consumption are projected to decline by approximately 5%, reflecting the larger impact of the tax changes on the retail price. Government excise revenue is projected to increase by 74.9%, while industry revenue is expected to decline by 4.7%.

Proposal (full reformulation):

Under full reformulation, beverage consumption declines only marginally (-1.0%), while absolute alcohol consumption falls by 15.4%, as products reformulate to lower ABV categories. Government excise revenue is expected to be about 13.8% above baseline, and industry revenue is expected to decline by only 0.9%. These results indicate that a three-tier structure with more

aggressive uplift factors can achieve substantial reductions in alcohol consumption while maintaining positive revenue gains.

Table 3 | Simulation 3 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor
Simulation 3	0.5% to 3.5%	1.0
	>3.5% to 4.5%	1.5
	>4.5%	2.0

Variable	Units	Baseline	Simulation 3			
			No reformulation		Full reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 292	-4.9%	3 429	-1.0%
Consumption of ABV	L mil	167,5	158.9	-5.2%	141.8	-15.4%
Government revenue	R mil	24 304	42 499	74.9%	27 429	13.8%
Industry revenue	R mil	92 699	88 298	-4.7%	91 888	-0.9%

2-Tier Proposal – Threshold at 3.5% ABV

One of the characteristics of a good tax system is that it should be as administratively simple as possible. While we acknowledge that the introduction of tax tiers will make the excise tax more complex to administer, our analysis indicates that the public health effects are substantial, and probably worth the extra administrative complexity. There is clearly a trade-off between positive public health effects and administrative ease.

For completeness, we present a number of scenarios, where the current uniform system is changed to two tiers. The excise tax structures presented below are administratively simpler, but do have the drawback that they are not as finely tuned as the three-tiered and four-tiered structures that were presented above.

Table 4 presents a two-tier proposal designed to encourage reformulation to below 3.5% ABV. Under this proposal, beers with an alcohol content between 0.5% and 3.5% ABV are taxed at the current excise rate, while beers above 3.5% ABV face an uplift factor of 1.2. Compared with the three-tier proposals, this structure further simplifies the administrative burden requirements.

Proposal (no reformulation):

Without reformulation, the proposal results in a 1.3% decline in both beverage consumption and absolute alcohol consumption, reflecting a modest reduction in demand following the higher

excise rate on beers above 3.5% ABV. Government excise revenue is projected to increase by 18.4%.

Proposal (partial reformulation):

Under the partial reformulation scenario, beers with an alcohol content between 4.0% and 4.9% ABV are assumed to reformulate to below 3.5% ABV, while beers with an alcohol content of 5.0% ABV and above retain their existing alcohol content. Beverage consumption declines only marginally (-0.6%), while absolute alcohol consumption falls by 5.6% as consumers would purchase more beer with a lower average alcohol content. Government excise revenue is expected to increase by 8.1%, because some products are expected to move into the lower-tax tier. Industry revenue expected to decline by only 0.5%, suggesting that reformulation substantially offsets the revenue losses experienced under the no reformulation scenario.

Table 4 | Simulation 4 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor
Simulation 4	0.5% to 3.5%	1.0
	>3.5%	1.2

Variable	Units	Baseline	Simulation 4			
			No reformulation		Partial reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 418	-1,3%	3 442	-0,6%
Consumption of ABV	L mil	167,5	165.4	-1,3%	158,2	-5,6%
Government revenue	R mil	24 304	28 785	18,4%	26 270	8,1%
Industry revenue	R mil	92 699	91 550	-1,2%	92 205	-0,5%

2-Tier Proposal – Threshold at 3.5% ABV with more aggressive uplift factors

Tables 5 and 6 present the likely impacts of a two-tier proposal targeting reformulation to below 3.5% ABV, with more progressive uplift factors. Simulation 5 applies an uplift factor of 1.4, while Simulation 6 increases the uplift factor to 2.0. Compared with Simulation 4, these scenarios strengthen both the price incentive to reduce consumption and the incentive for producers to reformulate products below the 3.5% ABV threshold.

Proposal (no reformulation):

Increasing the uplift factor from 1.4 in Simulation 5 to 2.0 in Simulation 6 results in progressively larger reductions in consumption. Beverage consumption is projected to decline by 2.5% in Simulation 5 and by 5.7% in Simulation 6, with similar reductions in absolute alcohol

consumption. The larger tax increases also generate higher government revenue, with excise revenue expected to increase by 36.5% in Simulation 5 and by 88.3% in Simulation 6.

Proposal (partial reformulation):

Under the partial reformulation scenario, beers above 3.5% ABV and below 5% ABV are assumed to reduce their alcohol content to the threshold of 3.5% ABV. Beverage consumption is projected to decline only modestly, by 1.5% in Simulation 5 and by 3.7% in Simulation 6, while industry revenue declines by 1.3% and 3.5%, respectively.

In contrast, absolute alcohol consumption falls much more, by 6.5% in Simulation 5 and 9.0% in Simulation 6. Unlike scenario 4, where the uplift factor is only 1.2, government excise revenue continues to increase under reformulation, rising by an expected 20.4% in Simulation 5 and by 55.9% in Simulation 6.

These findings suggest that combining stronger uplift factors with reformulation incentives can simultaneously deliver meaningful reductions in alcohol consumption while generating substantial gains in government revenue.

Table 5 | Simulation 5 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor
Simulation 5	0.5% to 3.5%	1.0
	>3.5%	1.4

Variable	Units	Baseline	Simulation 5			
			No reformulation		Partial reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 377	-2,5%	3 412	-1,5%
Consumption of ABV	L mil	167,5	163.3	-2,5%	156.7	-6,5%
Government revenue	R mil	24 304	33 164	36,5%	29 273	20,4%
Industry revenue	R mil	92 699	90 463	-2,4%	91 463	-1,3%

Table 6 | Simulation 6 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor
Simulation 6	0.5% to 3.5%	1.0
	>3.5%	2.0

Variable	Units	Baseline	Simulation 6			
			No reformulation		Full reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 264	-5,7%	3 333	-3,7%
Consumption of ABV	L mil	167,5	157.8	-5,8%	152.5	-9,0%
Government revenue	R mil	24 304	45 768	88,3%	37 888	55,9%
Industry revenue	R mil	92 699	87 521	-5,6%	89 476	-3,5%

2-Tier Proposal – Threshold at 4.5% ABV

Tables 7 and 8 present a two-tier proposal designed to encourage reformulation to encourage reformulation to below 4.5% ABV. Compared with the earlier two-tier proposals targeting 3.5% ABV, this proposal places the threshold at a higher alcohol content, beers that currently have an ABV of less than 4.5% are not expected to reformulate their alcohol content. Simulation 7 applies an uplift factor of 1.2 for beers above 4.5% ABV, while Simulation 8 increases the uplift factor to 1.4.

Proposal (no reformulation):

Under Simulation 7, beverage consumption is projected to decline by 0.9%, with an equivalent 1.0% reduction in absolute alcohol consumption. Government excise revenue is expected to increase by 12.7%. Increasing the uplift factor to 1.4 in Simulation 8 strengthens the demand response, resulting in a 1.8% decline in beverage consumption and a 1.9% decline in absolute alcohol consumption, while government revenue is expected to increase by 25.2%. These modest reductions reflect the fact that only beers above 4.5% ABV are affected by the higher tax rate, the rest of the market remains unchanged.

Proposal (full reformulation):

Under full reformulation, only beers above 4.5% ABV are assumed to reduce their alcohol content to the threshold. In both simulations, beverage consumption is projected to increase marginally by 0.7%, resulting in a similar increase in industry revenue. Absolute alcohol consumption, however, declines by 9.0% because consumers purchase roughly the same volume of beer, but at a lower average alcohol content. Government revenue falls by 9.0% in both simulations, reflecting the movement of products into the lower-tax tier.

The fact that the two simulation models provide the same consumption, tax revenue and industry revenue effects if there is reformulation, is to be expected, because, by assumption, there will be no beer with more than 4.5% ABV after the reformulation has taken place. In such an instance, the size of the uplift factor for beer with an alcohol content of more than 4.5% becomes immaterial.

Compared with the proposals targeting 3.5% ABV, these scenarios achieve smaller reductions while incurring a fiscal cost of declining excise revenue. If the government were to decide on a two-tier tax structure for beer, we do not recommend that the threshold be placed at 4.5%, but rather at 3.5%.

Table 7 | Simulation 7 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor
Simulation 7	0.5% to 4.5%	1.0
	>4.5%	1.2

Variable	Units	Baseline	Simulation 7			
			No reformulation		Full reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 431	-0,9%	3 486	0,7%
Consumption of ABV	L mil	167,5	165,9	-1,0%	152,5	-9,0%
Government revenue	R mil	24 304	27 401	12,7%	22 118	-9,0%
Industry revenue	R mil	92 699	91 907	-0,9%	93 299	0,6%

Table 8 | Simulation 8 - changes in consumption, government revenue and industry revenue

	Tiers	Uplift factor
Simulation 8	0.5% to 4.5%	1.0
	>4.5%	1.4

Variable	Units	Baseline	Simulation 8			
			No reformulation		Full reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 401	-1,8%	3 486	0,7%
Consumption of ABV	L mil	167,5	164,3	-1,9%	152,5	-9,0%
Government revenue	R mil	24 304	30 421	25,2%	22 118	-9,0%
Industry revenue	R mil	92 699	91 161	-1,7%	93 299	0,6%

Summary of results

Tables 9 summarise the main findings from the eight policy simulations under the assumptions of no reformulation, partial reformulation and full reformulation. Overall, the simulations indicate that a **three-tier structure with thresholds at 3.5% and 4.5% ABV** provides the most balanced policy option. Compared with the original four-tier REEP proposal, it achieves almost identical reductions in absolute alcohol consumption under reformulation while substantially simplifying the tax structure.

Table 9 | Summary of results assuming different thresholds and uplift factors

Simulation	Tier structure	Beverage volume (%)	Absolute alcohol (%)	Government revenue (%)	Industry revenue (%)
NT Proposal	No reformulation	-1.9	-1.9	17.7	-1.8
Initial REEP Proposal	No reformulation	-4.7	-4.9	46.3	-4.6
	Full reformulation	-1.4	-15.7	12.9	-1.4
Simulation 2	No reformulation	-2.1	-2.2	30.9	-2.0
	Full reformulation	0.2	-14.3	-2.4	0.2
Simulation 3	No reformulation	-4.9	-5.2	74.9	-4.7
	Full reformulation	-1.0	-15.4	13.8	-0.9
Simulation 4	No reformulation	-1.3	-1.3	18.4	-1.2
	Partial reformulation	-0.6	-5.6	8.1	-0.5
Simulation 5	No reformulation	-2.5	-2.5	36.5	-2.4
	Partial reformulation	-1.5	-6.5	20.4	-1.3
Simulation 6	No reformulation	-5.7	-5.8	88.3	-5.6
	Full reformulation	-3.7	-9.0	55.9	-3.5
Simulation 7	No reformulation	-0.9	-1.0	12.7	-0.9
	Full reformulation	0.7	-9.0	-9.0	0.6
Simulation 8	No reformulation	-1.8	-1.9	25.2	-1.7
	Full reformulation	0.7	-9.0	-9.0	0.6

Notes: NT Proposal: 3-tier (2.5%, 9% ABV with uplift factors of 1.0, 1.2 and 1.4); initial REEP Proposal: 4-tier (2.5%, 3.5%, 4.5% ABV with uplift factors of 1.0, 1.2, 1.4 and 1.6); Simulation 2: 3-tier (3.5%, 4.5% ABV with uplift factors of 1.0, 1.2 and 1.4); Simulation 3: 3-tier (3.5%, 4.5% ABV with uplift factors of 1.0, 1.5 and 2.0) *with more aggressive uplift factors*; Simulation 4: 2-tier (3.5% ABV with uplift factors of 1.0 and 1.2); Simulation 5: 2-tier (3.5% ABV with uplift factors of 1.0 and 1.4); Simulation 6: 2-tier (3.5% ABV with uplift factors of 1.0, 2.0) *with more aggressive uplift factors*; Simulation 7: 2-tier (4.5% ABV with uplift factors of 1.0 and 1.2); Simulation 8: 2-tier (4.5% ABV with uplift factors of 1.0 and 1.4) *with more aggressive uplift factors*.

Policy Recommendation

The simulations modelled using the REEP alcohol microsimulation model demonstrates that introducing alcohol-strength tax tiers for beer can improve the alignment of South Africa's excise system with public health objectives while preserving, and in many cases increasing, government revenue. However, the choice of tier structure and uplift factors involves trade-offs between reducing alcohol consumption, encouraging product reformulation, maintaining revenue, limiting administrative complexity, and political feasibility. Based on the evidence presented in this addendum, we recommend the following.

Recommended policy: A three-tier structure targeting 3.5% and 4.5% ABV

The preferred option is the **three-tier structure with thresholds at 3.5% and 4.5% ABV (Simulation 2)**. This proposal strikes the best balance between public health, revenue generation and administrative simplicity. Compared with the original four-tier REEP proposal, it delivers almost identical reductions in absolute alcohol consumption under reformulation (14.3% versus 15.7%), while simplifying the tax structure by reducing the number of tax bands.

Fewer tax bands reduce compliance costs for industry and simplify tax administration for SARS, making the proposal easier to implement.

The proposal also creates clear incentives for brewers to reformulate products towards 3.5% and 4.5% ABV. Although excise revenue declines slightly under full reformulation, this reflects the intended behavioural response of rewarding lower-strength products with a lower tax rate, rather than a failure of the policy. In practice, reformulation is likely to occur gradually and only for selected products, implying that actual revenue losses may be smaller than those estimated under the full reformulation scenario.

Why the two-tier proposals are less preferred

We do not believe that two-tier tax structures are appropriate for South Africa, because they create too few incentives for reformulation, but we nevertheless present these modelling results for the sake of completeness.

The two-tier proposals targeting **3.5% ABV** (Simulations 4–6) offer a simpler tax structure and reduce administrative complexity further. However, they also create a stronger "cliff-edge" at a single threshold, encouraging all reformulation towards one alcohol level rather than allowing a more gradual adjustment across products. While the more aggressive versions (particularly Simulation 6) produce substantial reductions in alcohol consumption and large revenue gains, these outcomes are achieved through much higher tax differentials that may reduce political acceptability and increase implementation risks.

The two-tier proposals targeting **4.5% ABV** (Simulations 7 and 8) are the least effective among the reform options. Because fewer products are affected by the higher tax rate, they generate relatively small reductions in consumption and weaker incentives to reformulate. Although they require less product reformulation, they also deliver substantially smaller public health benefits than proposals targeting 3.5% ABV.

Why the industry proposal should not be adopted

The industry proposal (appendix – Table 10) performs poorly against the policy objectives of reducing alcohol-related harm and strengthening excise policy. It creates a very small incentive to reformulate and is bad for the fiscus. In a scenario where there is no reformulation, it is expected to result in no change in consumption or government revenue because most beer products remain taxed at the current rate. If there is reformulation, it will result in a very limited change in absolute alcohol consumption, and a reduction in government revenue.

Overall recommendation

The evidence indicates that a **three-tier beer excise structure with thresholds at 3.5% and 4.5% ABV (Simulation 2)** provides the most balanced reform option. It achieves almost the same reductions in alcohol consumption as the original REEP proposal while substantially simplifying the tax system. If government wishes to pursue more ambitious public health and revenue objectives, the same structure can later be strengthened by increasing the uplift factors, as demonstrated in **Simulation 3**.

Appendix – proposals from industry players (SAB, Heineken and BASA)

Table 10 presents the simulation results for the proposal put forward by industry stakeholders. The proposal introduces three tax bands with uplift factors of **0.8**, **1.0** and **1.2**, effectively reducing the excise burden on beers with an alcohol content of 3.5% ABV and below, maintaining the current rate for beers between 3.5% and 9% ABV, and applying only a modest increase to products above 9% ABV.

Since more than 99% of beer products fall within the 3.5%–9% ABV band, the proposal provides limited incentives for reformulation across the mainstream beer market. The modelling therefore assumes that only beers with an alcohol content between 3.5% and 4.9% ABV reformulate to 3.5% ABV or below, while beers with 5.0% ABV and above retain their existing alcohol content.

Proposal (no reformulation):

No reformulation is assumed, and the proposal is expected to produce no change in market outcomes. Beverage consumption and absolute alcohol consumption remain unchanged, while government excise revenue and industry revenue are also unchanged. This outcome reflects the fact that the vast majority of beer products remain subject to the current excise rate.

Proposal (partial reformulation):

Beverage consumption is projected to increase marginally by 0.6%, while absolute alcohol consumption declines by 4.3% as consumers purchase beer with lower alcohol content. Government excise revenue is expected to decline by 9.6% as reformulated products move into the lower-tax tier. Industry revenue is projected to increase slightly by 0.7%. Overall, these results suggest that the industry proposal provides only limited public health benefits while reducing government revenue, making it less effective than the alternative tier structures evaluated in this report

Table 10 | Industry Proposal simulation results - changes in consumption, government revenue

	Tiers	Uplift factor
Industry Proposal	0.5% to 3.5%	0.8
	3.5% to 9%	1.0
	>9%	1.2

Variable	Units	Baseline	Simulation 8			
			No reformulation		Partial reformulation	
		Levels	Levels	% change	Levels	% change
Consumption of Beverage	L mil	3 463	3 463	0,0%	3 485	0,6%
Consumption of ABV	L mil	167,5	167,5	0,0%	160,3	-4,3%
Government revenue	R mil	24 304	24 304	0,0%	21 967	-9,6%
Industry revenue	R mil	92 699	92 699	0,0%	93 322	0,7%