

# **The Effects of Excise Tax Changes on Alcoholic Beverages and Tobacco Consumption in Thailand**

Pichai Chonviharpan

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## **Abstract**

The purpose of this thesis is to examine the factors affecting the likelihood of consumption and the amount spent on alcoholic beverages and tobacco in Thailand using the 2009 Socio-Economic Survey of Thailand. Results suggest that household size, tenure and occupation have significant impacts on both the probability of alcohol and tobacco consumption and spending levels. Income also plays a key role in explaining the amount spent on alcoholic beverages and tobacco. Demand elasticities are calculated under the Extended Linear Expenditure System (ELES). Demand for alcoholic beverages and tobacco is found to be inelastic. The effects of increasing taxation on alcohol and tobacco consumption in Thailand are estimated. The findings are that excise taxes in Thailand are efficient taxes with only a modest rise in deadweight loss. Taxes result in a small decrease in consumption but generate higher expenditure and government tax revenue. Excise tax on alcoholic beverages results in a net benefit to the Thai economy. Tobacco taxes increase total expenditure and government revenue as well as increasing net benefit to the Thai economy. However, the low elasticities of demand also mean that excise taxes have only a small impact on reducing the costs associated with drinking and smoking.

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## List of Abbreviations and Acronyms

AAFs	Alcohol Attributable Fractions
AELTRA	Allocation of Excise Liquor Tax Revenue Act B.E. 2493
AFTA	Asean Free Trade Area
AIDS	Almost Ideal Demand System
ATA	Alcohol Tax Act B.E. 1950
BAT	British American Tobacco
CAS	Centre for Alcohol Studies
CBA	Cost Benefit Analysis
CD	Customs Department
CIF	Cost Insurance and Freight
COI	Cost-Of-Illness study
DALYs	Disability Adjusted Life Years
ED	Excise Department
ELES	Extended Linear Expenditure System
FPO	Fiscal Policy Office
GATT	General Agreement on Tariff and Trade
GC	Gross Cost
GDP	Gross Domestic Product
GLS	Generalized Linear Squares

HCA	Human Capital Approach
HM	Heckman Method
HPF	Health Promotion Foundation Act B.E. 2544
IBA	Incidence Based Approach
IMR	Inverse Mills Ratio
LES	Linear Expenditure System
MoPH	Ministry of Public Health
MPC	Marginal Propensity to Consume
NC	Net Cost
NHNES	National Health and Nutrition Examination Survey
NHWS	National Health and Welfare Survey
Non-AFTA	Non-Asean Free Trade Area
NSO	National Statistics Office
OLS	Ordinary Least Squares
PBA	Prevalence Based Approach
PSU	Primary Sample Units
RM	Rotterdam Model
RYO	Roll-Your Own
SAFs	Smoking Attributable Fractions
SSU	Secondary Sampling Units
3SLS	Three-Stage Least Squares

TCRKM	Tobacco Control Research and Knowledge Management
TG	Thai Government
TNC	Transnational Companies
TPBS	Thai Public Broadcasting Service
TSES	Thai Socio-Economic Surveys
TTL	Thai Tobacco Law
TTM	Thailand Tobacco Monopoly
UK FES	UK Family Expenditure Survey
UK GHS	UK General Household Survey
US NHIS	US National Health Interview Survey
VAT	Value Added Tax
WCO-HS	World Customs Organisation Harmonized System
WHO	World Health Organisation
WHO FCTC	WHO Framework Convention on Tobacco Control
YLD	Years of Life Disability
YLL	Years of Life Lost