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LETTER TO THE EDITORS

Selective tax on alcoholic beverages in Brazil: the next step toward an effective tax policy to reduce health harms

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Alcohol consumption poses a significant global health challenge, ranking among the primary risk factors for chronic diseases, accidents, and premature death.[1] According to estimates, alcoholic beverages accounted for approximately 2.6 million deaths in 2019 – or 4.7% of all global deaths.[1] Recent evidence indicates that no level of alcohol consumption is completely safe, as even moderate amounts may carry risks.[2] In Brazil, conservative estimates indicate that in 2019 alone, costs associated with alcohol consumption ranged from BRL10.1-18.8 billion.[3]

To help countries mitigate alcohol-related harm, in 2019 the World Health Organization proposed the SAFER package, a set of cost-effective interventions.[4] In 2024, it reiterated these recommendations, highlighting increased alcohol prices as one of three priority actions to reduce harmful consumption.[5] Alcohol taxation data confirm that raising the cost of high-alcohol-content products is among the most cost-effective means of reducing harmful consumption – especially among adolescents, young adults, and heavy drinkers. With higher prices, access to low-cost ethanol decreases, which has been associated with a lower incidence of chronic alcohol-related diseases (such as cirrhosis, certain types of cancer, and cardiovascular diseases), as well as reductions in injuries, traffic accidents, and violence related to excessive consumption.[1]

It is important to emphasize that such taxation is not intended to penalize consumers or undermine beverage sales. Rather, it is a public health instrument designed to balance alcohol availability with a view to reducing the public health burden and public expenditures.[6] When well formulated, i.e. with sufficiently high rates and periodic adjustments for inflation, the selective tax protects the population most vulnerable to the harmful effects of alcohol, saving lives and reducing medium- and long-term healthcare costs.[7]

Tax reform and the selective tax

Brazil faces particular challenges in defining alcohol taxation policies, as its current tax burden is complex and heterogeneous, involving different federal and state taxes (e.g., ICMS, IPI, PIS, and Cofins) and subsidies that vary among states and types of alcoholic beverages. In this context, the national tax reform initiative has proposed unifying taxes and creating a selective tax for products considered harmful to health, such as alcohol.[8]

In December 2024, Congress approved a proposal to institute this selective tax in a mixed format (*ad valorem* + *ad rem*). Later, in January 2025, the president sanctioned Complementary Law No. 214, effectively incorporating a selective tax for alcoholic beverages and other harmful products[8] based on a mixed model that combines *ad valorem* taxation (a percentage of the product's value) with *ad rem* (a fixed amount based on the quantity of pure ethanol), in line with international recommendations.[1,9]

However, despite its approval, no specific definition of the tax rates or methods of periodic adjustment have been established. This definition will be decisive for the law's real impact on public health, since rates that are too low or are inadequately indexed may fail to sufficiently increase the final price of beverages.[6] To better understand the impact of tax rates and periodic adjustments, it is first necessary to examine the different models of alcohol taxation.

Taxation models and the importance of alcohol content

Taxation models for alcoholic beverages vary according to how the tax is applied, which can be classified into four main types. Specific taxation (*ad rem*) is based on the amount of pure ethanol present in the beverage, applying a fixed tax per degree of alcohol or per liter of ethanol. This model is considered effective for public health because it discourages the consumption of beverages with higher alcohol content.[6] *Ad valorem* taxation, however, is applied as a percentage of the beverage's sale price. Although this approach contributes to increased revenue, it does not directly take into account the product's alcohol content, which may render it less effective at reducing the consumption of low-cost high-alcohol beverages.[10] Another model is per unit taxation, in which a fixed amount is charged per liter of beverage, regardless of the alcohol content. In some countries, for example, wine is taxed in this manner, with a fixed rate per bottle or volume. Although this approach simplifies tax collection, it tends to be less effective as a public health policy because it does not differentiate beverages according to their alcohol content. Finally, mixed taxation combines two or more models, such as an *ad rem* component (based on alcohol content) and an *ad valorem* component (based on sale price), thus providing greater flexibility and potentially balancing stable revenue with positive public health outcomes.[6] In Brazil, this model was recently approved as part of the tax reform.

There are also complementary strategies, such as a minimum unit price, which sets a minimum value per gram or milliliter of ethanol, thereby reducing the availability of extremely cheap beverages. These mechanisms enable

governments to tailor taxation policies to the specific needs of their country and population, considering both the revenue potential and the goal of reducing harmful consumption.

Challenges to setting tax rates

Although the approved mixed model represents progress, its impact on public health will depend primarily on how tax rates are defined and adjusted over time.[6] This discussion involves price-demand elasticity, i.e., how much consumption declines following a price increase.[10]

Furthermore, from an economic perspective, the beverage industry argues that taxation may reduce sales, affect revenue, and put pressure on small businesses. Moreover, there are concerns that price increases could encourage illegal markets and clandestine production, thereby elevating public health risks. Politically, resistance from interest groups and industry lobbying may lead to lower tax rates or ineffective adjustments, compromising the measure's impact. Critics also point out that selective taxation may be regressive, disproportionately affecting low-income consumers without providing adequate alternatives for prevention and treatment.[11]

International experience shows that if the tax rates are not high enough to significantly increase the cost of products with higher alcohol content, the effect on reducing consumption may be minimal or null.[12] Furthermore, when the population's purchasing power rises faster than the price of beverages, consumption tends to increase despite additional taxes.[10]

Nevertheless, it has also been demonstrated that a well-planned selective tax can balance revenue generation and public health, especially when accompanied by strict enforcement and the allocation of resources for preventive policies.[1] Therefore, the success of the selective tax in Brazil will depend on defining robust tax rates capable of raising beverage costs and discouraging use, particularly among high-risk drinkers and young people,[13] as well as implementing periodic adjustments in line with inflation or income indicators.[7]

Opposition to effective tax rates

Since the alcoholic beverage sector encompasses significant supply chains and generates high revenue, there may be significant pressure to maintain low tax rates. If such pressure prevails, the measure could lose its effectiveness from a public health perspective. Although it is legitimate for the industry to defend its economic interests, scientific evidence indicates that insufficient tax rates will not produce the necessary reduction in harmful consumption. Therefore, it is important for decision makers to balance economic considerations with public health protection, ensuring that taxation truly reduces alcohol-related harm.

Conclusions and recommendations

The inclusion of a selective alcohol tax in national tax reform represents an important step toward aligning Brazil with global best practices in alcohol control.[4,5] Selectively taxing alcohol, particularly in a mixed format (*ad valorem* + *ad rem*), goes beyond a merely revenue-generating policy. It is a public health instrument capable of curbing harmful consumption, saving lives, alleviating the burden on the healthcare system, and reducing the socioeconomic costs associated with the excessive use of alcoholic beverages. However, the mere existence of such a mechanism does not guarantee its effect on consumption: it is essential that tax rates are high enough to substantially increase the cost of higher-risk beverages and that there are automatic adjustments for inflation or per capita income.[10]

Thus, specific values based on alcohol content (*ad rem*) and an *ad valorem* percentage should be clearly defined, in addition to ensuring periodic indexation to maintain consumer purchasing power. Continuous monitoring of the effects on consumption and health, including gradual adjustments, is also essential, as is integration with other public health policies, such as marketing control and strict enforcement of the prohibition of sales to minors, to maximize the overall impact.

If these guidelines are followed, Brazil's recent legislative victory could be transformed into tangible health gains, reducing the economic and social costs of excessive alcohol use, potentially becoming a regional model.

Andre Akira Sueno **Goldani**,[1,2] Zila M. **Sanchez**,[3] Cristhian Ferreira **Falleiro**,[1] Silvia Bassani **Schuch-Goi**,[1,2] Felix Henrique Paim **Kessler**,[1,2] Lisia **von Diemen**[1,2]

[1]*Hospital de Clínicas de Porto Alegre, Porto Alegre, RS, Brazil.* [2]*Universidade Federal do Rio Grande do Sul (UFRGS), Porto Alegre, RS, Brazil.* [3]*Escola Paulista de Medicina, Universidade Federal de São Paulo (UNIFESP), São Paulo, Brazil.*

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The authors declare no conflicts of interest.

Author contributions

AASG: Investigation, Writing – original draft, Writing – review & editing.
ZMS: Writing – original draft, Writing – review & editing.
CFF: Investigation, Writing – review & editing.
SBSG: Investigation, Writing – review & editing.
FHPK: Conceptualization, Supervision, Writing – review & editing.

LVD: Conceptualization, Supervision, Writing – review & editing.
All authors have read and approved of the final version to be published.

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