

Voluntary Report – Voluntary - Public Distribution

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Report Name: Thailand Eliminates Tariffs and Reduces Excise Taxes for Wine

Country: Thailand

Post: Bangkok

Report Category: Wine, Trade Policy Monitoring

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Report Highlights:

From February 23, 2024, U.S. wines can access the Thai market duty-free and with lower excise taxes. Post estimates that this tariff/tax restructuring will reduce the retail price of U.S. wine by 35-40 percent. In 2023, Thailand imported \$132 million worth of wine, of which 8 percent came from the United States.

1. Background

To stimulate Thailand's economy, including the tourism sector, on January 2, 2024, Thailand's Cabinet approved (i) the draft Notification of the Ministry of Finance on Tariff Reduction and Exemption for wines, and (ii) the draft Ministerial Regulation on Excise Tax to restructure the excise tax on wine. After the review of the Office of the Council of State, the Royal Gazette published both notifications on February 22, 2024, with the effective date of February 23, 2024. These measures follow the Cabinet's November 21, 2023, decision to promote Thailand as a tourism hub and to increase spending by foreign and domestic tourists. Thailand's Ministry of Finance's Excise Department anticipates that the resulting increase in wine consumption rates will lead to a net increase of 401 million baht¹ (\$11 million) in the annual revenue from excise tax on wine.

2. New Wine Import Tariff and Excise Tax

2.1 Import Tariff

From February 23, 2024, Thailand eliminated tariffs on wine imports under the Harmonized System (HS) codes 2204 and 2205. Previously, wine imported from countries without a free trade agreement with Thailand (e.g., the United States) was subject to a 54 percent tariff (if less than 23% alcohol by volume (ABV)) or a 60 percent tariff if ABV content was above 23% (Table 1).

Table 1. New Structure of Import Tariff and Excise Tax for Wine

Wine Tax	Grape Wine (HS 2204)		Fruit Wine (HS 2205)	
	Old	New	Old	New
Tariff Rate (%)				
- Below 15% ABV and 15-23% ABV	54%	0%	54%	0%
- Above 23% ABV	60%	0%	60%	0%
Excise Tax				
1. Specific Tax (Baht/Liter/100% ABV)	1,500	1,000	900	900
2. Ad valorem Tax				
2.1 Retail Prices below 1,000 baht/Liter	0%	5%	0%	0%
2.2 Retail Prices above 1,000 baht/Liter	10%	5%	10%	0%

Source: Ministry of Finance's Ministerial Notification and Regulation, February 23, 2024

¹ On February 23, 2024, according to the Bank of Thailand, the exchange rate was \$1=36.15 Baht. This is the exchange rate used throughout the present report.

2.2 Excise Tax

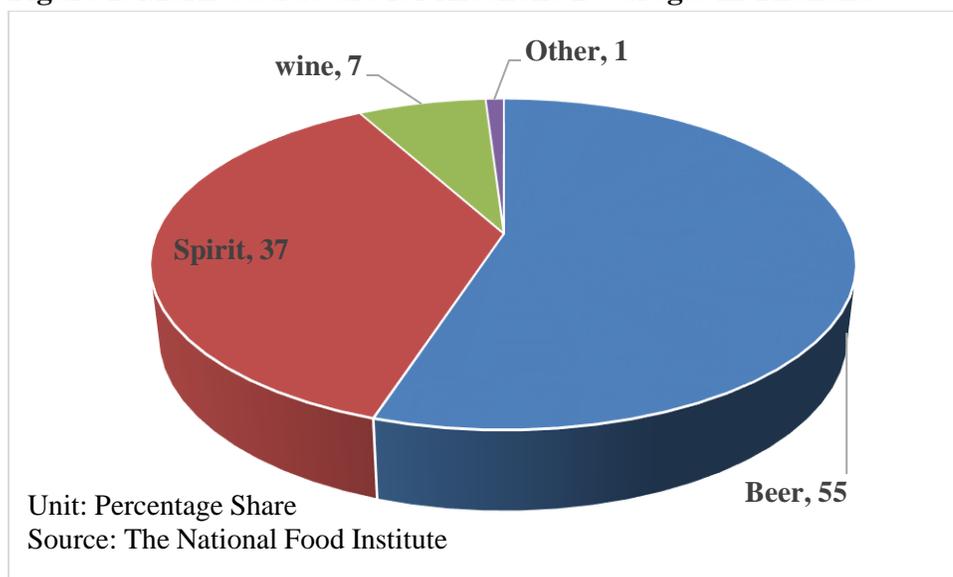
Wine sales in Thailand are subject to an excise tax, calculated both (i) as a specific rate based on the alcohol content, and (ii) ad valorem rate based on the suggested retail price of wine. From February 23, 2024, the new specific rate for grape wine is 1,000 baht/liter/100% ABV (\$28), down from 1,500 baht/liter/100% ABV (\$42). Meanwhile, the specific rate for fruit wine remains unchanged at 900 baht/liter/100% ABV (\$25). The new ad valorem rate is 5% for all suggested retail prices of grape wine, compared to the old ad valorem rate of 10% if the suggested retail price was above 1,000 baht (\$28), and 0% if the suggested retail price was below 1,000 baht (\$28). Thailand also eliminated the ad valorem rate tax for fruit wine with a retail price above 1,000 baht, compared to the 10% ad valorem rate before February 24 (Table 1).

FAS/Bangkok (Post) estimates that the new elimination of the import tariff on wine and the reduction in the excise tax will lower the tax burden on U.S. wine in Thailand from 46 percent on average to 24 percent, resulting in a drop of the average retail price for U.S. wine by approximately 35 - 40 percent. With these fiscal changes, U.S. wines will be subject to the same tax burdens as wines from countries with existing free trade agreements with Thailand (e.g., Australia, Chile and likely soon the EU, which is currently in free trade agreement negotiations with Thailand).

3. Wine Market in Thailand

In 2023, the National Food Institute (NFI) estimated Thailand's 2023 alcohol beverage market size increased to 532 billion baht (\$14.7 billion), up 8.4 percent from 2022. The NFI projects a 6 percent annual growth in the market between 2022 and 2026 in line with the anticipated post-pandemic recovery in the tourism industry. According to the NFI, in 2022, beer accounted for around 55 percent of the total alcohol beverage market, followed by spirits (37%) and wine (7%) (Figure 1). The Excise Department views domestic producers as key players in the beer and spirits markets, accounting for 98 percent and over 85 percent of the markets, respectively. On the other hand, imported wines represent 98 percent of the wine market. The Excise Department reported the 2023 revenue from the wine excise tax amounted to 2.5 billion baht (\$69 million), up 30 percent from 2022. Around 90 percent of the revenue from the excise tax on wine was collected from wine sales where retail prices were less than 1,000 baht/bottle (750 ml.) (\$28/bottle). The remainder was from sales of premium grape wine with the retail price above 3,000 baht/bottle (\$83/bottle). A study of the Center for Alcohol Studies in 2015, based on a 2014 survey by the National Statistical Office, indicated Thailand's annual alcohol beverage per capita consumption was 44.6 liters prior to the COVID outbreak. Per capita wine consumption reached only 0.1 liters, compared to 28.1 liters for beer, and 15.8 liters for spirits. Annual per capita alcohol consumption in Bangkok was well above the national average alcoholic beverage consumption at 61.4 liters, of which wine per capita consumption remained at 0.1 liters, compared to 49.7 liters for beer and 11.2 liters for spirits.

Figure 1. Market Structure for Alcoholic Beverages in Thailand

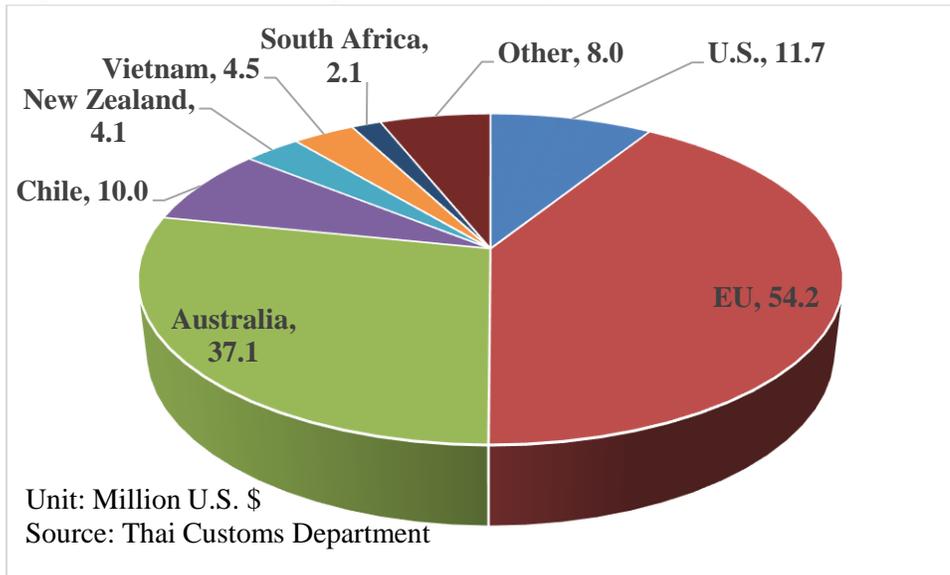


Based on the 2023 Excise Department’s report on excise revenue, imported grape wine accounted for around 98 percent of Thailand’s grape wine market. Meanwhile, domestic wineries primarily produce fruit wine, which supplied around 66 percent of the fruit wine market in Thailand.

Thailand’s imports of wine totaled \$132 million in 2023 with a five-year average annual growth of around 8 percent. Grape wine (HS 2204) accounted for approximately 85 percent of total wine imports. Around 41 percent of wine imports were from the EU, especially France (28%) and Italy (11%), followed by Australia (28%), the United States (9%) and Chile (8%). U.S. wine imports totaled \$11.7 million in 2023 (Figure 2). Nearly all of Thailand’s imports of U.S. wines were grape wines with a higher average import prices than key competitors (i.e., about 20 percent higher than French wine, 54 percent higher than Australian, 178 percent than Italian, and 200 percent higher than Chilean). Under the previous tariff/tax structure, U.S. wine was economically positioned in the middle to premium segment of the Thai market. In 2023, U.S. wine imports totaled around 1.3 million bottles², which accounted for 3 percent of Thailand’s total wine imports by volume, compared to 3.6 million bottles from Chile, 4.4 million bottles from Italy, 4.9 million from France, and 9.2 million bottles from Australia.

² Post converted imported wine volume into approximate number of 750-mL bottles.

Figure 2. Thailand's Imports of Wine by Value in 2023



4. Impact of the New Import Tariff and Excise Tax on U.S. Wine Imports

Post projects that the removal of the import tariff on wine will improve the competitiveness of U.S. wines against products from countries with existing free trade agreements with Thailand, particularly Australia, New Zealand, and Chile, and those in free trade agreement negotiations, especially the EU. Post estimates that the average retail price on U.S. wine will drop by 35-40 percent with the elimination of import duties and a reduction in the excise tax (the total tax burden will likely fall to 24 percent from 46 percent under the previous fiscal policies). Moreover, the new policy measures may expand and diversify the demand for U.S. wine in Thailand beyond the current U.S. wine market position in the middle and premium wine market segments. Post's wine importer contacts note that the average retail price of U.S. wine could decline by 50 percent for more affordable wines (i.e., retail price of around 2,000 – 3,000 baht/bottle (\$55 – 83/bottle)) and by approximately 42 percent for premium wines (i.e., retail price of around 7,000 baht/bottle (\$193)). Industry contacts expect wine retail prices to fall in the next 3-6 months as there are still high inventories from record imports in 2022 and 2023.

Attachments:

No Attachments.