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Peru's Alcoholic Drinks and Beverage Taxes

Report Categories:

Beverages

FAIRS Subject Report

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Wine

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Report Highlights:

Peru Supreme Decree 055-99-EF (April 15, 1999) regulates the taxation of alcoholic drinks and beverages, applying: 1) an excise tax and 2) a value-added-tax (VAT) of 16 percent combined with a flat municipal tax of 2 percent. The excise tax is levied once, normally at the point where the state will maximize its tax revenue generation. The value-added-tax (18 percent) is levied on the final consumer. Supreme Decree 167-2013- EF (July 9, 2013) updates the tax structure; establishing an excise that now varies dependent on alcohol by volume (ABV). FAS Lima estimates Peru's wine import market at \$34 million per annum, growing with a compound annual growth rate (CAGR) of 70 percent [2009-13]; we estimate the overall wine market at \$85 million. These taxes are levied on domestic products and foreign imports. The taxation system penalizes lower ABV products.

General Information:

Supreme Decree [055-99-EF](#) (April 15, 1999) regulates the taxation of alcoholic drinks and beverages, applying: 1) an excise tax and 2) a value-added-tax (VAT) of 16 percent combined with a flat municipal tax of 2 percent. The excise tax is levied once, normally at the point where the state will maximize its tax revenue generation (i.e., either at the local producer or the importer level); this tax is ultimately passed onto the consumer in the form of a higher product price. The value-added-tax (18 percent) is levied on the final consumer.

FAS Lima estimates Peru's wine import market at \$34 million per annum, growing with a compound annual growth rate (CAGR) of 70 percent [2009-13]; we estimate the overall wine market at \$85 million. The excise tax for beer is 30 percent, while excise taxes levied on wine and spirits are 25 percent. These taxes are levied on both domestic products and foreign imports. The current taxation system however disproportionately taxes lower alcohol by volume (ABV) products.

Legislative Framework:

Supreme Decree [055-99-EF](#) (April 15, 1999) is the implementing regulation for Law [27,039](#) (December 29, 1998) which establishes Peru's excise and value-added-taxes. Supreme Decree [167-2013-EF](#) (July 9, 2013) updates the country's tax structure, incorporating previous alcohol tax legislation. The decree clarifies that the amount taxed in local currency must be converted into U.S. dollars using the local foreign exchange rate as published by Peru's Superintendent for Banking and Insurance. Prior to this legislation, Supreme Decree [092-2013-EF](#) (May 14, 2013) had increased the excise tax for alcoholic drinks and beverages through the establishment of a new tax structure based on alcohol by volume and value (i.e., sales price). The objective of the foregoing decree has been to increased tax revenues for the state.

Table 1: Peru, Alcoholic Drinks and Beverages Tax Structure

GOODS			SYSTEM		
HS Code	Products	Alcohol by Volume (ABV)	<i>Section B of the new Appendix IV (by volume)</i>	<i>Section A of the New Appendix IV (Ad Valorem)</i>	<i>Section C of the New Appendix IV (Ad Valorem, consumer price)</i>
2203.00.0000 2204.10.0000 2204.29.0900	Alcoholic Beverages	0 to 6 percent (e.g., beer, wine coolers)	S/.1.25 per liter	N/A	30%
2205.10.0000 2205.90.0000 2206.00.0000		6 to 20 percent (e.g., wine)	S/.2.50 per liter	25%	N/A
2208.20.2200 2208.70.9000 2208.90.2000 2208.90.9000		20 percent or greater	S/.3.40 per liter	25%	N/A

Note: HS = Harmonized Tariff System. N/A = not applicable. USD 1 = S/. 2.77.

Source: Peru, Supreme Decree 167-2013-EF, article 2.

Local manufacturers complain that Peru's mixed taxation structure for alcoholic drinks and

beverages penalizes lower ABV products. It fails to consider product quality or actual costs, relying solely on product alcohol content levels. Reportedly some local craft brewers are brewing higher alcohol content (6 percent ABV or greater) beers in order to avoid the full 30 percent excise tax. Importers of foreign beers (HS 2203.00.0000) are nonetheless levied the full excise tax.

At FAS Lima, we find that this legislation has so far had a relatively minor effect on imports of higher ABV alcoholic drink and beverage products. The lower ABV product imports have however lost significant market share (reportedly over 50 percent) due to the newly updated tax structure; many are exiting the market.

Table 2: Typical ABV for Select Alcoholic Drinks and Beverages

Fruit juice (naturally occurring)	less than 0.1%
Low-alcohol beer	0.05%–1.2%
Kvass	0.05%–1.5%
Kombucha	0.5%–1.5%
Kefir	0.5%–2.0%
Chicha	1%–11% (usually 1%–6%)
Cider	2%–8.5%
Beer	2%–12% (usually 4%–6%)
Alcopops	4%–17.5%
Malt liquor	5%+
Barley wine (strong ale)	8%–15%
Mead	8%–16%
Wine	9%–16% (often 12.5%–14.5%)
Dessert wine	14%–25%
Sake(rice wine)	15% (or 18%–20% if not diluted prior to bottling)
Liqueurs	15%–55%
Fortified wine	15.5%–20% (in the EU, 18%–22%)
Bitters	28%–45%
Mescal, Tequila	32%–60% (usually 40%)
Vodka	35%–50% (usually 40%, minimum of 37.5% in the EU)
Brandy	35%–60% (usually 40%)
Rum	37.5%–80%
Ouzo	37.5%+
Cachaça	38%–54%
Gin	40%–50%
Whisky	40%–68% (usually 40%, 43% or 46%)
Absinthe	45%–89.9%
Arak	60%–65%
Neutral grain spirit	85%–95%
Rectified spirit	95%–96%

The Ministry of Economy and Finance is seeking to increase revenues and combat informality within the Peruvian drinks and beverages market. Local sources however report that informality has nonetheless now increased from 7 percent to over 34 percent since the measure was enacted last year. Informality is defined as product adulteration, contraband trade, and undeclared sales.