

National Liquor News – September 2008

Taxation reform key for spirits industry

Nothing divides the alcohol industry like taxation, to the point that I wonder if the politicians like having the ability to split apart the industry. Excise and the WET are massive drivers of costs and price, and the production and marketing by the industry reflects that reality.

For the distilled spirits industry, excise is by far the biggest component of pricing, and reform of the current illogical and contradictory tax system will be both a long-term goal through the Government's tax review, and a short-term target. DSICA continues to vigorously oppose the new RTD tax, and will continue to point out its unintended consequences. We will continue to point out the tax treatment of wine that allows 10 litres of wine to be retailed for \$20.

I don't think that anyone inside the industry thinks that the RTD tax increase is anything more than a tax grab to shore up the Budget surplus. The Treasurer said as much – twice - during a press conference at the end of July. The Treasurer overlooked any mention of public health as a goal, and continues to talk about 'closing a loophole' and 'removing a concession'.

What the Government and some commentators forget to mention is that the purpose of the 2000 changes were to provide an approximately level playing field between beer and spirits for alcohol products under 10% ABV. Even after that 2000 reform, there were still substantial tax advantages for beer. Apparently, these advantages were not enough.

The public has certainly made up its mind – DSICA had Galaxy Research carry out an opinion poll of 1,042 Australians on the weekend of 26-27 July – three months after the tax came in. The results are stark: 77% of Australians think the RTD tax will be ineffective, 53% think it very ineffective. Only three percent were undecided, didn't know, or thought it too early.

Asked if the tax should be scrapped, 81% agreed that it should, and 58% strongly agreed with that proposition. Only seven percent strongly disagreed with scrapping the tax. Again a very low number (four percent) did not know, said neither, or too early.

I suspect that even those in the public health and alcohol advocacy industries supporting the tax increase, while simultaneously calling for a system of volumetric taxation, see the RTD tax as having little if any effect on public health. However, they see it as a new source of health funding, and are themselves funded largely by the various governments and 'she who pays the piper calls the tunes'.

What has been disappointing is that DSICA's fight against an unfair tax has been questioned by industry insiders for putting at risk industry unanimity. Our rebuttal is this: where was industry unanimity when this illogical and unfair tax was announced? The silence from the other manufacturing sectors was deafening.