

## **National Liquor News April 2015**

### **Tax on the political agenda, again**

Treasurer Joe Hockey has very recently announced that the Coalition Government's tax reform issues paper will be released at the end of March. DSICA, as always, is hopeful that the subject of Australia's alcohol taxes will be calmly and sensibly discussed and finally fixed in this tax reform process.

I think the Australian public understand that the nation needs some reform of how taxes are applied and how the essential revenue for governments to operate is gathered. Most people understand that deficits year after year and quickly growing national debt is not a positive sign of Australia's economic health, even if they don't understand precisely the mechanisms and the additional costs into the future. I also think that the public understand that the tax system is needlessly complex and wasteful in regards to all the effort that goes into compliance and minimising. The mood exists among the public for genuine and widespread reform across the broader tax system.

Regrettably, taxation is an issue that divides the alcohol industry. This division is simply because taxes make up such a large part of the costs for each category, so that a change in taxes can bestow significant price advantages or disadvantages in comparison to competing categories. Some sectors benefit from this while other sectors are heavily disadvantaged.

It would come as no surprise to anyone when I point out that the current system of alcohol taxation tremendously disadvantages the producers and consumers of distilled spirits. International visitors to Australia often remark that the government's view of spirits in Australia is highly prejudiced and out of line with the rest of the world. If there is any regard for the concepts of fairness and equity, then the punitive taxes on distilled spirits really do need to be reduced to a more equitable level.

Different sectors will have a lot to say in the coming months about alcohol taxes, and all the anti-alcohol groups as well. But once the government has made its decision and legislated the new tax arrangements (if any), there is an ongoing issue for the entire industry: future governments using rapidly increasing alcohol taxes to fill in the annual budget deficits.

Whatever the outcome of this year's taxation debate and the tax relativities between categories, it won't mean a great deal if the entire industry is regarded by state and Federal government as an easy touch to get evermore revenue.

The United Kingdom's alcohol industry has successfully worked in harmony to have increases halted and some tax rates were cut. But this effort took their entire industry working together to persuade the U.K. Government that it was a worthwhile and valuable benefit to drinkers.

Perhaps the Australian industry could look to the UK and take a valuable lesson from this.