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Alcohol Tax on Distilled Spirits Now At One Dollar Per Standard Drink

Taxes on alcohol are nothing new. Such taxes were amongst the first to be levied by governments in centuries past. Until income tax was introduced to pay for World War 1, alcohol taxes were 50% of the U.S. federal government's revenue.

People accept alcohol should be taxed, and the 'sin' taxes on alcohol, tobacco and gambling are seen as discouraging something we should do less of.

Increasing alcohol taxes used to dominate the headlines of Commonwealth Budgets as the newspapers announced that beer and cigs were going up. To avoid such headlines, the then Treasurer Paul Keating shifted to adjusting the excise rates for inflation every six months. Ever since, every six months excise rates are increased by the same percentage across all beers, spirits, and RTDs.

Unfortunately for the drinkers of distilled spirits and RTDs, because there were higher taxes on spirits at the time the inflation indexing started, the gap between the beer rates of tax and the spirits rate of tax is constantly widening.

We have reached the stage where drinkers of distilled spirits and pre-mixed drinks will be paying \$1 in alcohol tax for every standard drink when August's six-monthly tax increase flows through.

The new tax rate means that the government will take \$20 to \$22 in alcohol tax from each standard-sized bottle of spirits. Pre-mixed spirits and flavoured ciders retailers can work out how much they are paying to the government by looking at the standard drinks logo on the bottle and putting a dollar sign in front of it.

Alcohol in beer will also pay more tax but at less than half the amount (45 cents per drink) that distilled spirit drinkers will pay. Wine taxes will not increase at all as they are taxed by value, not its alcohol content. The gap between spirits, beer and wine will keep on growing because the twice-yearly CPI percentage increase will always have a bigger financial impact on the higher taxed spirits.

The much higher taxes on distilled spirits are very unfair on drinkers who prefer spirits and these drinkers should question why the alcohol tax system treats them so poorly.