DSICA

Mr Russell Campbell
Budget Policy Division
Department of the Treasury
Langton Crescent
PARKES ACT 2600

28 January 2011

Dear Mr Campbell

Pre-budget Submission 2011-12

On behalf of the Distilled Spirits Industry Council of Australia Inc (DSICA), I enclose DSICA's Pre-budget Submission (PBS) for the 2011-12 year.

DSICA is the peak body representing the interests of distilled spirit manufacturers and importers in Australia. DSICA's members account for over 80 per cent of the spirits industry in Australia.

In 2009-10, DSICA estimates that spirits products (including Ready-to-Drink (RTD) spirit products) accounted for approximately 20 per cent of the total alcohol market in Australia (when measured in litres of pure alcohol). Spirit based RTDs comprised only 7 per cent of the market. By comparison, beer and wine comprised 43 per cent and 37 per cent of the market respectively.

There are a number of key features of the enclosed submission which I wish to highlight:

- **Recommended 2011-12 Budget taxation measures:** DSICA outlines three recommendations for changes which should be implemented in the 2011-12 Budget. Taken together, the recommended measures are estimated to be **revenue positive** by $31 million per annum. The recommendations relate to:
  - ⇒ **Wine Equalisation Tax Rebate:** amending the WET system to prevent double dipping and abuse of the wine producer rebate (estimated revenue **gain** of $50 million per annum).
  - ⇒ **Tax equivalence for low and mid-strength RTDs:** amending the Excise and Customs Duty legislation to provide excise/customs duty equivalence for low and mid-strength RTD beverages with low and mid-strength packaged beer (estimated revenue cost of $3 million per annum).
  - ⇒ **Customs Duty:** removing the 5% ad valorem customs duty on imported spirits and RTDs (estimated revenue cost of $16 million per annum).
- **Urgent need for comprehensive alcohol taxation reform:** The current alcohol tax system is complex and riddled with anomalies. There is an urgent need for reform of the alcohol tax system.

"Free The Spirit"

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- **Henry Taxation Review:** DSICA urges the Government to implement the recommendations of the Henry Review to introduce a volumetric taxation system for all alcohol, including wine. The Government must outline a timetable for reform and transition to a new alcohol tax system.
- **Tax Forum:** To progress the imperative for longer term tax reform, DSICA calls on the Government to confirm that alcohol taxation will be included on the agenda for the 2011 Tax Forum.
- **Avoid isolated dramatic tax changes:** The failure of the 2008 tax increase on RTDs to reduce harmful consumption amongst young people demonstrates that dramatic tax changes on specific products in isolation are not effective in achieving these desired policy outcomes. We provide an extensive analysis in the PBS on how the 2008 RTD tax increase has failed, and therefore why such isolated tax changes should not occur in the future.

DSICA looks forward to maintaining its ongoing dialogue with Treasury and other relevant Ministers and Government Departments regarding the recommendations in this PBS. Please do not hesitate to contact me on (03) 9696 4466 if you have queries in relation to the enclosed Submission.

Gordon J Broderick
Executive Director