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Tax Reform White Paper should address alcohol taxation

The Federal Government's Budget announcement neglected to address the glaring omissions and needless complexities of Australia's current alcohol taxation regime.

I acknowledge the fact that nothing divides the alcohol industry like taxation does, and there are many barrows being pushed in this debate. That said, it is clear that nobody - except for parts of the industry itself - looks at the way alcohol is taxed in Australia and agrees that it makes a great deal of sense, either in terms of consistency, equity or simply raising the revenue that it could.

One little-known fact about Australia's alcohol taxation is that the RTD and flavoured cider market segment – representing less than 7% of alcohol in the market- pays substantially more tax than the entire wine and cider segments, which represent just under 40% of alcohol in the market. That sort of imbalance and the potential revenue gains will be very obvious to future governments, all of whom are going to be very, very short of tax revenue.

DSICA has always expected that any serious and substantial reform of alcohol taxation will need to be part of a bigger package of tax reforms, not dealt with as just alcohol on its own.

So DSICA takes great heart in the Coalition's announcement that if it is elected to government in September, it will publish a comprehensive tax reform White Paper within two years and then take that reform package to the election in 2016. The Coalition also believes that it should "finish the job that the Henry (tax) review started".

The Henry Tax Review has certainly done a lot of the heavy lifting in terms of making the policy argument for harmonising tax rates between different alcohol product categories and eventually ending up with a single unified rate based on alcohol content, ending the mishmash of many different rates based on where and how it is made, or how big the container is or the size of the producer.

The Henry review might even end up benefiting all of the industry because it recommends that the purpose of alcohol taxes should not be to raise revenue, but to cover the externalities of alcohol use. That principle might protect us all from being a fiscal cash machine into the future.