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Cider Taxes Really Do Need Reform

DSICA was recently publicly criticised by Cider Australia, an organisation representing Australia's small cider makers, apple growers and two large multinationals (SABMiller and Lion-Kirin) for recommending the Australian government should change the way that traditional cider is taxed.

The way that ciders are taxed at present is a nonsense: traditional cider made solely from apple or pear juice is taxed under the Wine Equalisation Tax as if it is a wine, yet adding a single drop of colouring or other fruit juice to the cider quadruples the tax as if it was a premix drink playing the RTD tax rate. What is the substantial difference between traditional and flavoured ciders that justifies a tax rate four times higher? Is there some form of 'moral worthiness' test, a test of old versus new?

Consider where cider sits in the alcohol market place. Ciders compete against full strength beers and against pre-mixed drinks, both of which pay much higher tax rates, while containing similar amounts of alcohol. Cider marketing looks a great deal like beer marketing and RTD marketing and is aimed at the same population. Yet cider has this huge tax advantage because it was considered by past governments to be similar to wine, and it is the fastest growing product category by far.

Cider Australia makes the argument that having rational cider taxation would damage small cider makers, and apple or growers. But DSICA would argue that the tax system should not be used for industry protection. That is economic madness. Besides, our analysis shows that 73% of traditional cider sold off-premise in Australia is supplied from foreign-owned companies.

DSICA won't apologise for asking for a rational and logical alcohol taxation system, even if it means calling for some products to be taxed at a higher rate matching very similar products. After all, the distilled spirits sector put up with similar lobbying for increased RTD taxes for many, many years.

Harmonising taxes between traditional and flavoured cider would be one small step towards recommendations of the Henry Tax Review, which remains the only independent, expert and comprehensive study of Australia's alcohol taxes.