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2012 Budget another missed opportunity for easy reform

The annual Budget speech by the Treasurer is the highpoint of the Parliamentary year in terms of tax revenue and government expenditure, which includes almost everything a government does which really matters.

Despite the trend to have the good news on spending ‘pre-leaked’, the Budget speech is always the time that the big announcements on new taxes and increased revenues.

DSICA was disappointed that in a Budget year where the Government was striving mightily to deliver a wafer-thin surplus following a $44B deficit and during a near-recession, some easy, very obvious and widely supported tax reforms were overlooked, such as moving wine off being a value tax and onto a volumetric tax.

Before you conclude that this is just DSICA looking to bring wine up to the misery of distilled spirit taxation levels, consider this: some of the wine industry’s biggest companies support moving away from value based taxes. As does all of the health industry and all of the publicly very respected health lobby groups such as the Australian Medical Association. Add in the indigenous lobby groups, and it would have had many vocal and respected supporters.

The roadmap for change and the intellectual argument was laid out by the Henry Tax Review. No economist or business lobby would have argued against wine tax reform because it would have been in line with the Henry recommendations. There was even a good argument to be made that the current WET tax exaggerated the impact of over-supply – which is now dwindling – by keeping uneconomic grape growers and wineries in operation, so reform is good for the wine industry in the long-term.

Perhaps the Treasurer decided not to announce wine tax reform because the duty-free allowance for tobacco was already being cut back to one-fifth, and he wanted to avoid the ‘Beer Up, Cigs Up’ headlines of past years’ Budgets.

This year, DSICA pushed hard for all ciders to be taxed at the same rate and we probably lost a few friends doing so. One of the reasons we did is that flavoured ciders are taxed as RTDs, while traditional ciders are taxed as wine, so paying about a quarter of the flavoured ciders’ tax. The difference between paying the two tax rates can be as small as the addition of some caramel for colouring. There really is no rational reason for the difference in taxation.

The other reason is that ciders are increasingly positioned in the market as the new ‘alcopops’. It’s only fair they all share the same tax burden.

There were a couple of minor alcohol tax changes in the 2012 Budget – the WET Exemption rules will be tightened up, resulting in saving another $10m per year. The Greens and Independent MP Rob Oakshott wanted some small changes that will make things easier for micro-brewers - to the tune of $30,000 per brewer annually – so that change happened.

But compared to the opportunities that wine or cider tax reform offered, it was pretty small beer.