

National Liquor News – October 2011

Tax Forum could shine a very harsh light on alcohol taxes

The way Australia taxes alcohol is – in the words of ex-Treasurer Peter Costello – “a dog’s breakfast”.

The Henry Tax Review agreed and suggested root and branch reform, with an end to all the old arrangements and a completely new start. The health industry and its satellite NGOs agree to reform, but without the same level of technical competence. Every independent tax expert and academic agrees that alcohol taxation is crying out for reform. In fact, the only people who defend the way Australia taxes alcohol is the alcohol industry in general, albeit with DSICA respectfully disagreeing with the rest about the need for change.

It would be fair to say Treasurer Wayne Swan has not embraced Ken Henry’s recommendations for alcohol tax reform. The Treasurer does have a few other taxes on the go at the moment.

The Australian Government is holding a two-day forum in early October to talk about tax, as a demand of independent MP Rob Oakshott for his support for the Gillard Government. Very regrettably, alcohol taxes are not listed on the agenda, which is a missed opportunity.

GST is also not on the agenda – officially - but that won’t stop the tax experts and economic gurus pushing for consumption taxes to be increased, which includes alcohol taxation (both WET and excise qualify). From a tax collector’s point of view, consumption taxes are much better than taxes on income or capital because those things are mobile – they can go offshore to lower taxing nations, while consumption taxes can’t be easily avoided.

Governments in most Western nations are cash strapped, and face deficits for many years to come with aging populations and increasing health costs. Australia is a little better off but alcohol tax reform remains low hanging fruit for Treasurers needing more revenue from consumption taxes.

The politics would be tough, but if the need for revenue is great enough, a future government will plough on. And that is where the forum could shine a very harsh light.