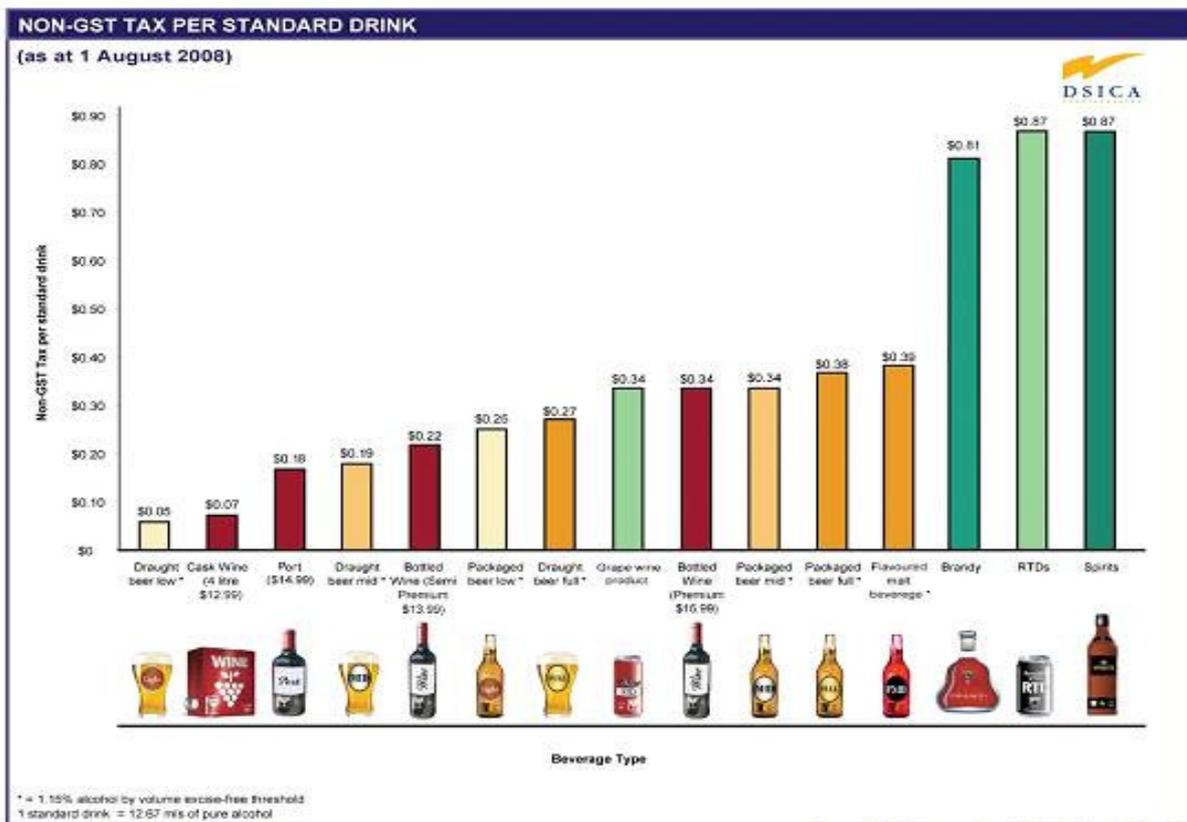


What's wrong with Alcohol Taxation in Australia?

- ◆ The current Alcohol Taxation System is fundamentally flawed. Alcohol products are not taxed according to their alcohol content, but rather according to the way in which they are produced. Beer, wine and spirits are all taxed at different rates.
- ◆ As a result of the 70 per cent hike on the excise applied to Ready-to-Drink (RTD) alcohol products introduced on 27 April this year, RTDs are now taxed at the rate of 87 cents per standard drink.
- ◆ RTDs are now taxed at more than twice the rate of full-strength beer and 12 times the taxation rate applied to cask wine per standard drink.
- ◆ The 70 per cent tax increase only applies to spirit-based pre-mixed drinks and not to pre-mixed drinks made from non-spirit alcohol (e.g. wine or beer alcohol). The wine-based products, which strip out the wine taste and add flavourings and colourings, have between 8 and 22 per cent alcohol content and are taxed according to the value of the wine-base – not their alcohol content.
- ◆ The RTD tax hike ignores all the other alternative products that drinkers can choose, and young people have turned to cheaper and often stronger alcohol products.
- ◆ DSICA's submission to the *Henry Review* argues that volumetric taxation is the most effective fiscal method by which to reduce the problem of binge-drinking, with products taxed according to the level of alcohol they contain.



The introduction of a 70% tax hike on RTDs on 27 April 2007 has both increased the popularity and prompted the release of a growing range of products exempt from the tax – exempt simply because they do not contain spirits.

Wine-based RTDs

- ◆ RTDs made from a wine-base are exempt from the 70 per cent excise applied to their spirit-based counterparts.
- ◆ While spirit-based RTDs have an alcohol content of about 5 per cent, a wine-based drink can look and taste like an RTD but have an alcohol content of between 8 and 22 per cent.
- ◆ As they are made from wine, these products incur the lowest level of tax of all RTDs.



Beer-based RTDs

- ◆ Beer-based RTDs are also exempt from the RTD tax.
- ◆ These products cost around \$25 less per carton than spirit-based RTDs because they are made with alcohol derived from beer - with the beer flavour removed during production.
- ◆ Some beer-based products contain added flavourings to make them taste like a spirit-based RTD.



High-Strength Beer

- ◆ Popular beer brands have been reformulated (with a higher alcohol content) and even re-packaged (slim cans) to appeal to younger drinkers.
- ◆ These products are believed to have been developed to appeal to males who traditionally consumed bourbon and cola pre-mixed drinks.



Ciders

- ◆ The popularity of cider has increased significantly as a result of the RTD tax hike.
- ◆ While cider has been available in Australia for decades, there have recently been a number of new entrants and new marketing campaigns to support this category.



**Contact: Stephen Riden, DSICA – 0408 372 496
John Morton, Ethical Strategies – 0416 184 044**