DSICA

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Henry Review signals that alcohol tax system must be fixed

The dangers and drawbacks of narrowly targeted alcohol taxes, such as the 70% increase on Ready-to-Drink (RTD) alcohol products, have been acknowledged by the Henry Taxation Review Consultation Paper.

In examining alcohol taxation, the consultation paper states: *"... where tax is effective in reducing demand for one product, an individual's alternative consumption choices may also have some risks."*

"The Federal Government now has the perfect opportunity to re-consider April's sharp increase to the RTD tax rate, and the widely held and strong view that RTD and like products should be taxed according to alcohol content, not production processes," said Mr Stephen Riden, Information & Research Manager of the Distilled Spirits Industry Council of Australia.

"Our members have maintained from the outset that by dramatically increasing the cost of one alcohol product through a 70% tax hike on RTDs, the Government has fundamentally failed to consider the rates of substitution by consumers," he said. Treasury modelling at the time predicted no shift to other products.

Mr Riden also pointed to comments in the Henry Review Consultation Paper which highlighted the inherent inequity of a tax which punishes the vast majority of responsible drinkers – due to a misguided belief by some that one type of alcohol product could somehow be responsible for underage problem drinking in Australia.

"... while taxation does reduce the aggregate consumption of alcohol, and therefore some of the costs of alcohol abuse, it also reduces satisfaction of individuals whose consumption does not harm others," the Consultation Paper said.

"It is the responsible majority that has been punished by the tax hike on RTDs, while drinkers looking for intoxication will simply substitute to other cheaper forms of alcohol" Mr Riden said.

Mr Riden stated that the Consultation Paper clearly shows that the current system of alcohol taxation is fundamentally flawed and needlessly complex.

"DSICA has consistently stated that binge drinking can only be addressed through a well thought-out, evidence-based, community-wide initiative, and that where RTD and like products are involved these products should be taxed according to the amount of alcohol they contain," Mr Riden said.

"The overwhelming view is that RTD and like products should be taxed according to alcohol content, not production process. Now is the time to get this right, otherwise Australia will inherit a legacy of bad policy and unintended social consequences for years to come," said Mr Riden.

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