

National Liquor News – June 2009

Budget 2009

The lead up to this year's Budget left many Australians expecting an increase in alcohol and tobacco taxation because the Government faced a huge deficit. An increase in the 'sin taxes' has been used many times in past years to fill holes in Budgets. In the end, the Government only re-announced the RTD tax, after getting the Opposition's agreement to validate the money - \$424m - collected since last year.

DSICA was very happy to see the money collected kept by the Government and hopefully used for alcohol-related programs, despite it being collected without legislation. We never wanted the refund as it would have been impossible to distribute to the consumers who ultimately paid it, and because DSICA recognised that it was not equipped to decide how to spend it most wisely.

The tax has been kept in place through a Minister making a proposal to Parliament – which simply means a Minister has announced the Government's intention to introduce a Bill raising the excise rate. This enables the Australian Tax Office to collect the tax for up to 12 months - without Parliament's approval, and beyond the reach of the judicial branch in terms of ruling on its legality. The ability to announce an excise increase with immediate effect is a sensible one, but to be able to repeatedly impose taxes on a Minister's say so – and to keep on collecting it after it has been rejected – is not something the Government should be able to do.

The Budget papers included some very interesting data on changes to the mix of alcohol products in Australia: the Treasury expects the revenue from beer alcohol to increase by eight percent in 2008-09, and for the revenue from imported bottled spirits to increase by 20 per cent. Both changes are described as being related to consumers substituting away from RTDs due to the tax. These are very substantial increases by anybody's standard, and are conclusive proof that there are massive levels of substitution from RTDs to other products. The spirits industry predicted that this would happen when the tax was introduced, and has been proved correct. The Australian Bureau of Statistics is also showing that wine consumption increased by more than 4 percent (seasonally adjusted) between this March and last March. This government data is not something that the supporters of the tax are likely to repeat when discussing the tax.

The Opposition and Senator Fielding should be congratulated for seeing through the Government's claims that the RTD tax was about underage drinking and public health and not about revenue raising. While most Australians continue to oppose the tax as ineffective, it is not easy to publicly oppose 'doing something' about the levels of underage drinking and alcohol abuse, even when it is clear that that the 'something' is destined to fail, just as it has failed in other countries.