

National Liquor News – May 2009

Taxes are not the way to change alcohol abuse

The distilled spirits industry has maintained a very long and effective campaign against the RTD tax hike. Even after the tax bills was rejected by the Senate, the Australian Tax Office had kept the tax in place because there was still a possibility the Government would bring the tax back to Parliament before 13 May.

Suntory Australia, with the support of other DSICA members, took legal action in the Federal Court to end the collection of the higher excise rate, because the Parliament had rejected the bill and on behalf of RTD consumers still having to pay unnecessarily higher prices.

Unfortunately, the Excise Act 1901 protects the ATO from legal action for 12 months from the date that the Government proposes to Parliament that it increases an excise tax. The judge stayed proceedings until 13 May – the day that the excise proposal reaches its time limit.

The same day that the judgement was given, the Minister for Health and the Treasurer announced that the Government were going to continue to keep the higher tax on RTDs by introducing another excise proposal, and that they had changed their mind and were going to keep the revenue already collected, which should be approximately \$400m by Budget day.

The RTD tax is now a matter of high politics and possible double dissolution elections. The media debate is no longer about its impact on binge drinking, only the politics.

What is most vexing is the ability of Australian governments to impose a tax through an administrative mechanism, fail to get the necessary bill through Parliament, and keep the tax in place after the vote and refuse to refund the money (without paying interest) for 12 months. And then do it all over again.

What is to stop a future government from selectively punishing any part of the industry or any particular product that it does not like, in the full knowledge that it does not have the support of Parliament for its actions?

In the face of massive budget deficits in the future, the Government will have looked hard at increasing alcohol taxes in the upcoming Budget. Given the well-organised and highly publicised anti-alcohol campaign over the past years, the Government may think it is on solid ground to increase alcohol taxes across the board. However, I hope that it has learnt from the RTD tax hike that narrowly-based tax increases only shift the choice of product, not the amount of alcohol consumed, and sometimes abused.

Taxation is a very broad, badly-aimed weapon when it comes to changing behaviour: it increases the price for everyone, including the majority of drinkers who are responsible or moderate drinkers, as well as those with the intention of becoming extremely drunk. The public health advocates say that taxes hit the heaviest drinkers hardest because they buy the most. True, but pricing alcohol beyond the reach of heavy drinkers doesn't work when there are great differences in the prices of different types of products. People who simply want to be heavily intoxicated move to the lower priced products, while the responsible majority pay unnecessarily high prices.

For the people who simply want to leave their troubles behind for a while and don't mind how, there are plenty of illegal alternatives to alcohol. Not that you will hear the anti-alcohol campaigners admit to that, or that people combine drinking and consumption of illegal drugs or solvents in order to get the greatest bang for their buck.