

National Liquor News – June 2010

Release of the Henry Review

After many months the Henry Tax Review has finally been released, and the Government announced its response.

The team led by Treasury Secretary Ken Henry asked questions about what is the purpose of alcohol tax, is there a better way, and how should taxes be designed to achieve those goals.

Of real interest for the alcohol industry is the recommendation that alcohol be taxed to address the net spillover costs to society imposed when alcohol is abused. Raising revenue should be a by-product of alcohol taxes, not its goal.

Also, this taxation should only occur when the taxes delivers a net gain to community wellbeing; and when taxation is more effective than alternative policies, such as higher licensing fees for premises with more assaults.

The review argued – quite strongly - that taxes should be levied on a common volumetric basis across all forms of alcohol equally. Setting the level of common alcohol tax should be based on evidence of spillover costs. The review also separated itself from using the Collins and Lapsley figure of alcohol costing Australia \$15 billion a year.

The review's discussion of alcohol taxes is one of the clearest and most soundly argued that DSICA has seen, because it states that governments should take into account the benefits to the vast number of drinkers who drink responsibly and this increase in 'welfare' should be balanced against the harm that abusive drinkers cause.

This is an approach that has been sadly missing from most official discussion – especially in the health and policing areas – about alcohol policy: that the gains in individuals' pleasure and quality of life from moderate drinking also have to be considered and weighed in the balance.

While the Tax Review's recommendations were very good, the Government decided to make no changes while there is a wine glut and the wine industry is restructuring. DSICA will now look to working with the Government about the future changes to alcohol taxation.