

Hoping that I could get this submission through as it could be a big opportunity for Australia to create a new export industry!

Will the commission review the current 'state of play' with regards to excise tax and how it applies to small producer/distilleries.

The wine industry provides for a \$500,000 rebate on the WET for small producers yet small distilleries get nothing and small breweries next to nothing with regards to tax relief.

There are probably only 12-14 people who make their own spirit in Australia yet there are some 2800 wineries.

The opportunity is in the export numbers?

Australian Wine Exports \$3B revenue,
Australian Beer Exports \$348M revenue,
Australian Spirit Exports \$52M revenue

Whilst we are still the highest taxed wine industry in the world wineries have managed to make a go of it because of the competitive and innovative environment that the government supports.

The excise tax rate \$68.54 LAL and timing of the payments is anti competitive for small producers as we have to tie up so much capital in paying the government tax. Hardly a fair playing field when we are pitted against large multinationals who have the balance sheets to handle the excise burden. Thus, you have no investment and hardly anyone having a go in this industry.

As an example we have to pay the tax office at the end of every week. The producer on the other hand may not get paid for 60-90 days.

i.e. If I sold 1000 dozen of a 40% alc/vol vodka the excise burden would \$246,720. I might as well get into banking carrying that sort of cash for that period.

So what you have is an industry ruled by the large multinationals, with (80%+) of the spirit imported into Australia with hardly any Australian producers in the mix. The shame of it is that we have a fantastic wine and beer industry - world renowned - yet name me a well know Australian Spirit apart from Bundi Rum [which is owned by Diageo UK based company].

What makes Australian beer and wines so good is not only an environment of innovation and competition but also our strong resource base which produces high quality ingredients i.e. barley, grapes, botanicals and water. As you know these are the same ingredients that we use to make spirits.

There is no question that we can make great spirit products in Australia. There is no question that we have the potential to develop another substantial export industry. What is holding us back though is that we are taxed out of the market. So basically there is a huge trade deficit when it comes to spirits.

Lets look at the excise tax rates for products with 40% alc/vol adjusted for A\$:

Canada	\$11.46	LAL
NZ	\$35.79	LAL
California	\$1.51	LAL
UK	\$44.19	LAL
Australia	\$68.54	LAL

So a substantial advantage to our competitors around the world who can build products at home far more efficiently and effectively allowing them to then leverage that brand awareness and enter new markets.

Lets look at the size of the markets we are missing out on.

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Supplier Revenue AUD

Retail Revenue AUD

Australia	\$98,850,000	\$34,597,500
Canada	\$166,250,000	\$58,187,500
USA	\$8,923,230,769	
\$3,123,130,769		

Vodka

Australia	\$197,700,000	\$69,195,000
Canada	\$332,500,000	\$116,375,000
USA	\$16,781,538,462	\$5,873,538,461

SOURCE: LIQUOR CONTROL BOARD of ONTARIO 2008

SOURCE: ADAMS LIQUOR HANDBOOK 2004

The other crazy part about is that I can make a 15% alc/vol spirit, so a similar alcoholic strength to many wines yet I get taxed out of the market.

All the small players are asking for is a 'fair go' when it comes to tax. The wine industry seem to receive this benefit, so why don't we?

Look forward to your reply,

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Managing Director/Bootlegger

Cloud No.9 Spirits

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