

Submission to Australia's Future Tax System Review Panel

Taxation of alcohol specifically and the administration of excise duties generally

Taxation of alcohol

Recommendation

The taxation of alcohol should be standardised so that alcohol is tax according to the quantity of alcohol. That is alcohol should be taxed on a volumetric basis and not on the value of the beverage.

Discussion

The wine equalisation tax currently taxes wine (which includes grape wine, cider, sake, fruit and vegetable wine and a class of beverages that are called 'grape wine products') on the basis of the wholesale value (generally) of the wine. Other alcoholic beverages (such as beer, brandy, liqueurs, vodka, whisky, other spirits and most so called RTDs are taxed on the basis of how much alcohol is present in the beverage.

This creates a a situation so that cheap wine is taxed much less that other alcoholic beverages that may contain the same amount of alcohol. The taxation treatment of wine appears to be the result of favourable treatment for the wine industry but there seems to be no good reason to treat alcohol as anything other than alcohol.

It maybe that there are good policy reasons to continue to have different rates applied to different strength beverages however there should not be different regimes. That is low strength beverages (health advice should be sought on what this is however for the purposes of this example I'll use 3.5% strength) could attract a lower rate for the quantity of alcohol than spirits. A possible brackets could be:

- < 3.5% (eg low strength beer)
- >3.5% < 5.5% (normal strength beer, cans of bundy and coke, etc)
- >5.5% < 10% (high strength beers, ciders, low strength wines)
- >10% < 15% (wines)
- >15% < 22% (fortified wines, some liqueurs)
- >22% < 40% (liquers and spirits)
- > 40% (so called overproof spirits)

In addition to the taxation of wine on a value basis there appears to have developed a bizarre tax treatment called a 'producer rebate' so that the manufacturer of wine is paid a so called rebate even if the manufacturer pays no wine tax. This seems to be a direct subsidy paid to wine producers. The fact that this treatment is extended to wine producers in New Zealand simply highlights how ludicrous this treatment is. How is it that Australian taxpayers pay what amounts to a production subsidy to New Zealand wine makers?

The administration of excise duties generally