

Red Tape Committee
Department of the Senate
PO Box 6100
Canberra ACT 2600

Dear Senators,

I write to you on behalf of the Craft Beer Industry Association (CBIA). The CBIA is the trade body representing Australia's craft brewers, which we define as a brewer that produces less than 40 million litres per annum.

The craft brewing industry is a shining light in Australian manufacturing. There are now in excess of 400 craft brewing businesses in Australia with approximately 65% of these being located in regional and rural areas. In 2015/16 the number of craft brewing business in Australia grew by approximately 25%. The industry now produces almost 5% of all of Australia's beer.

A recent Essential Economics report found that our industry has 2100 full time equivalent (FTE) employees with a wages bill of \$90 million. It further supports 15,190 FTE jobs in the wider economy across a range of sectors. As an industry we paid \$67 million in excise to the Federal Government in 2016/17 and generated \$655 million in economic output.

Like most industries craft brewers face a particular set of challenges when dealing with Government red tape. For brewers most issues are around excise and how the Australian Taxation Office (ATO) administers it. These issues fall into three categories:

- 1) The administrative burden involved with completing excise returns
- 2) The effect of excise periodic settlement permissions on cash flow
- 3) The processes involved with excise remission.
- 4) The process involved with excise refunds.

1) The administrative burden involved with completing excise returns

The ATO requires brewers to periodically lodge an excise return detailing deliveries and then make payment of excise on those goods. Presently Australian craft brewers can apply to the ATO for periodic settlement permissions, which

allow them to report and pay, excise weekly or, if they are a business that is eligible for small business concessions, monthly.

It is the administrative burden of this process that the CBIA believes could be improved.

The ATO requires brewers to reports in litres of alcohol (LALs) sold. To enable this brewers must complete a full stock count each reporting period. They must then convert those sales figures into LALs. Given that brewers' sales are not based on LALS but instead on beer and package type this requires the brewer to formulate their own system which enables them to convert those sales into LALs taking into account each beers' sales figures and alcohol by volume (ABV) percentage. For those reporting weekly this process must be completed each Monday to allow for payment to be made by 4pm that day.

On average each small brewery requires somebody to spend approximately half a day completing and ensuring the accuracy of their return. For those on monthly returns this is a significant administrative burden. For those on a weekly return cycle it is a system that has serious effects on their business.

The CBIA recommends that all small brewers be allowed to apply for quarterly periodic settlement permissions that would be aligned with the Business Activity Statement (BAS) cycle.

2) The effect of excise on periodic settlement permissions on cash flow

As outlined above small brewers are required to settle excise on a monthly or weekly basis. This settlement is based on when the beer leaves the brewery and bears no resemblance to the time frame in which the brewer may be paid for that beer. Subsequently brewers are forced to carry the cost of that excise which, depending on their trading terms, may extend out to 60 or 90 days.

As above the CBIA recommends that all small brewers be allowed to apply for quarterly periodic settlement permissions that would be aligned with the Business Activity Statement (BAS) cycle. This would more accurately align the excise and payment cycles for these small businesses.

3) The processes involved with excise remission.

Occasionally brewers are required to get a remission on excise due to the beer being not fit for sale. Under the current system the brewer must apply to the ATO

for permission to destroy the product. This process may take up to 28 days. This means that the beer may take up valuable tank or keg space for that period. For small brewers this may mean that they are unable to run the brewery at full capacity until approval is given.

The CBIA recommends that criteria be developed by the ATO that would allow brewers to destroy, without pre-approval, stock not fit for sale that has not left its bonded area. Any destroyed product would then be accounted for on the next excise return.

4) The process involved with excise refunds.

Brewers apply for excise refunds when excise paid stock is returned. The process for claiming this refund is the same regardless of the amount of the refund. So whether it is a six-pack or a pallet returned the paperwork is the same.

The CBIA recommends that criteria be developed by the ATO that would allow brewers to apply for an aggregated refund through the normal excise return process.

So in summary the Craft Beer Industry Association would like to make three recommendations to how the Australian Taxation Office administers excise on alcohol.

Firstly, we recommend that all small brewers be allowed to apply for quarterly periodic settlement permissions that would be aligned with the Business Activity Statement (BAS) cycle. This would reduce the administrative burden placed on these small businesses and better align with trade terms.

Secondly, we recommend that criteria be developed by the Australian Taxation Office that would allow brewers to destroy, without pre-approval, stock not fit for sale that has not left its bonded area. Any destroyed product would then be accounted for on the next excise return.

Thirdly, we recommend that criteria be developed by the Australian Taxation Office that would allow brewers to apply for an aggregated excise refund through the normal excise return process rather than through individual applications.



On behalf of the Craft Beer Industry Association I would like to thank the senators for their time in considering our submission. I am always available and willing to provide any further information that is required.

Yours sincerely,

Chris McNamara
Executive Officer
Craft Beer Industry Association