

**Questions to those making submissions to the Senate Community Affairs
Committee inquiry into Ready to Drink Alcohol beverages**

1 The Government has increased the excise on ready-to-drink (RTD) alcohol beverages. Do you agree with these broad propositions made in the general debate with respect to this alcohol policy?

- **Price is an important tool in reducing alcohol abuse; yes**
- **Higher prices for alcohol reduce consumption; in general, yes**
- **There are anomalies in the taxation of alcohol that need fixing; yes and**
- **Binge drinking needs to be addressed by increasing the price of ready-to-drink pre-mixed spirit-based beverages.**

ADCA Response: Taxes are likely to reduce consumption and perhaps the rate of binge drinking, but are not known to specifically change the pattern of drinking. Spirits-based RTDs are an important part of youth drinking, and are involved in binge drinking, but are not the only beverage involved. From a public health perspective, increasing the price of spirits-based RTDs should be part of a broader context of tax changes on alcoholic beverages.

2 Do you agree that the price of alcohol affects consumption?

ADCA response: Yes.

Do you support the specific taxation of alcohol products (through customs and excise duties and through the Wine Equalisation Tax (WET)), all of which have the effect of raising the price of alcohol products?

ADCA response: Yes, but with changes in the current regime – specifically shifting wine taxation to a per-unit-of-alcohol content basis.

If you do agree with these statements do you support:

- **Some alcohol types being tax-free?**

ADCA Response: No, with the possible exception of very low alcohol-content beverages. For instance, beer below 2.8% by volume is not taxed as alcohol in Sweden.

- **Why/why not?**

ADCA response: Special taxes on alcohol as a commodity have a strong public health and public order justification. (1) Alcohol is an addictive drug which is among the most important contributors to the burden of disease in Australia. (2) Taxes on alcohol correct imperfections in the market – drinking causes harm to others than the drinker, which the drinker is unlikely to count into the costs.

- **Some higher alcohol products being taxed less than some lower alcohol products? ADCA response: No**

Why/why not?

ADCA response: High-strength alcohol has some particular problems – one can die of an overdose of spirits, while this is almost impossible with beer.

Historically, spirits drinking has often been associated with especially heavy-drinking cultures and subgroups. There is thus some justification for a higher rate per unit of alcohol for high-strength beverages.

Different beverages are culturally associated with different groups of drinkers, who may tend to drink in more or less harmful ways. Generally, the predominant beverages among young men in a society like Australia will be associated with the greatest social harm. Some countries have chosen to tax differentially on this kind of basis – e.g., I believe that Germany, France and Switzerland tax RTDs differentially on their sugar content, since they are seen as especially associated with harmful youthful drinking.

- **Different tax rates for the same product? Why/why not?**

ADCA response: Generally, no. However, with the growth of electronic recording systems it is possible to contemplate a future system where there was a higher tax charged for – say – the 5th bottle of spirits bought in a month by a consumer than for the first.

3 With respect to your answers to Q2, are you aware that - and what is your opinion of these policies:

- **A rebate of \$500 000 is payable in WET paid annually by any producer or producer group, the effect of which is to make tax-free wine bought at the cellar door of small producers?**

ADCA response: This may be understandable in terms of small-business policy, but makes no sense from a public health perspective.

- **All wines, meads, perries, ciders and sakes are subject to the WET, and this means that these products are often taxed less than lower alcohol products subject to customs and excise duties?**

ADCA response: See previous comment.

- **Where beer is consumed on the premise, such as a bar, a draught beer is taxed less than the same beer in a bottle?**

ADCA response: The price to the consumer for a drink consumed on premise is about 4-5 times higher than the price in a bottle. Thus from a public health perspective there could be an argument for taxing off-premise sales as a higher rate. In terms of the trouble per litre from a drink consumed on-premises compared to the same drink consumed off-premises: this has not been well researched, and the result may vary with the cultural circumstances.

4 Do you think there is a case for beer products with the same alcoholic content being taxed at different rates? How do beer products that have the same alcoholic content being taxed at different rates contribute to less alcohol abuse? In answering these questions please give your views on low-strength packaged beer paying 5 times the tax of low-strength draught beer; mid-strength packaged beer paying 1.9 times the tax of mid-strength draught beer; full-strength packaged beer paying 1.4 times the tax of full-strength draught beer?

ADCA response: See the answer above concerning off-premise vs. on-premise prices. In general, there is a strong public health argument for pricing by level of alcoholic content, with two possible exceptions: (1) higher rates for strong products, as noted above; (2) lower rates for very low-strength products, as also noted above.

But on-premise prices are inherently much higher than off-premise prices, and there is a good argument (see above) for partly counteracting this differential with taxes.

5 Do you think there is a case for spirit products that have the same alcohol content being taxed at different rates? How does a concessional tax rate for brandy reduce alcohol abuse when it has the same alcoholic content as rum or any other spirit? What is the justification for brandy not paying tax equal to the spirits rate?

ADCA response: There is no justification in public health terms for brandy paying a different tax rate from the rate for other spirits of the same strength.

6 What is the justification for having a 5% ad valorem (value-added) customs duty payable on imported RTDs and imported spirits but not on imported beer? Why should only some imported alcohol products pay customs duty but not others? Should all imported alcohol products pay customs duty, or none? Why?

ADCA response: It is hard to think of any public health-based justification for differences in taxation between different alcohol beverages of equal strength.

7 Do you agree that alcohol is alcohol, whatever its source, and that ingestion of (say) alcohol at 5% by volume, will have the same or very similar effects on the consumer regardless of the product that the 5% is found in?

ADCA response: Yes.

- **If you disagree with that statement please indicate why?**
- **If you agree with that statement do you agree with the proposition that all alcohol should therefore be taxed by volume, so that whatever the type of product, the taxation is the same for a given % of alcohol in the product?**

ADCA response: Yes, with the two exceptions noted above: (1) a higher rate per unit of alcohol for relatively high concentration products – maybe a steadily increasing from 20% on upward. (2) consideration of removing tax below 2.8% or so, to differentially encourage consumption of low-strength alcoholic beverages.

8 If there is to be a customs duty on imported alcohol, should it be based on alcohol by volume or should it be based on value? Why?

ADCA response: From a public health perspective, it should be based on alcohol by volume (with the two possible exceptions noted above).

9 Are you aware that wines, meads, perries, ciders and sakes are taxed by value but spirits, spirit-based drinks and beers are taxed on their alcohol by volume? Which policy is fairer and why? Which policy contributes more to addressing the abuse of alcohol, or delivers better health outcomes, and why?

ADCA response: I don't know about fairness, but clearly from a public health perspective taxing by volume is superior.

10 Is cheap alcohol a risk with regard to binge-drinking and alcohol abuse?

ADCA response: Yes

**As an example, does cask wine feature in binge-drinking or alcohol abuse? Yes
Is it the case that a standard drink of cask wine and many RTDs average a similar alcohol content?**

ADCA response: By definition this would be true for the "standard drink". If "usual drink size" is meant, I don't know the answer.

Is it the case that RTDs pay 14 times the tax paid by cask wine?

Do you believe cask wine should be taxed on its volume of alcohol content, so raising its price? ADCA response: Yes

11 It is the case that many beer products have a similar alcohol content to packaged RTDs, so why is the excise duty payable on a mid-strength can of RTD greater than the amount payable on a full-strength can of beer? How does that contribute to addressing the abuse of alcohol, or delivering better health outcomes? Given the similarity of alcohol content for both products, why should RTDs and beer be taxed differently?

ADCA response: These questions seem argumentative. From a general public health perspective, there is little justification for differential taxes on beverages of the same strength. If the issue is defined in terms of counteracting specific fashion trend among underage drinkers, for instance, an argument for differential taxation could be mounted. But any such decision should be revisited regularly as fashions change.

12 Do you support differential tax rates so that full-strength beer is taxed more than lower strength beers to encourage the consumption of lower strength beer?

ADCA response: Yes (see above), but only for really quite low-strength beer, say under 2.8%

Do you believe a similar policy should be introduced for all other alcohol products, in particular RTDs?

ADCA response: Yes, but need the emphasis on very low-strength.

13 Is it the case that a cider product pays tax of 26c whereas a spirits-based RTD pays tax of 84c (per standard drink)?

Why is this difference good policy?

ADCA response: It may be good agricultural policy, and an argument can be constructed (see above) for responding in this way to a particular youth fashion. But from a general public health perspective, it is not good policy.

14 Is it the case that under WET, a wine-based RTD would need to have an alcohol content of at least 8 % before being taxed? Is it the case that some wine-based RTDs may bear no WET at all if the producer is in receipt of the WET producer rebate? If wine-based RTDs are taxed according to their value under the WET and have to be at least 8% alcohol by volume to be taxed under the WET, isn't this an encouragement to produce wine-based RTDs with a lower price and higher alcohol content than spirit-based RTDs? How does that contribute to addressing the abuse of alcohol, or delivering better health outcomes? ADCA response: It does not.