

3 June 2008

RESPONSE OF THE AUSTRALIAN DRUG FOUNDATION

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;
- Higher prices for alcohol reduce consumption;
- There are anomalies in the taxation of alcohol that need fixing; and
- Binge drinking needs to be addressed by increasing the price of ready-to-drink pre-mixed spirit-based beverages.

COMMENT

The Australian Drug Foundation (ADF) agrees essentially with each of these propositions. However the final proposition requires further comment because, while RTDs are popular among underage drinkers and are the preferred alcoholic beverage of the riskiest drinkers aged 14-19 years, they are not solely responsible for binge drinking. Some young and mature binge drinkers may substitute other alcohol beverages for RTDs due to the price increase. Nevertheless, the ADF believes RTDs should not receive preferential tax treatment and should be priced in such a way as to deter consumption by minors.

2. Do you agree that the price of alcohol affects consumption? 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? If you do agree with these statements do you support:

- Some alcohol types being tax-free? Why/why not?
- Some higher alcohol products being taxed less than some lower alcohol products? Why/why not?
- Different tax rates for the same product? Why/why not?

COMMENT: There is no doubt that the price of alcohol affects consumption. Alcohol products deserve to be taxed to raise revenue which is used to offset the costs to public expenditure due to alcohol misuse (e.g. health, welfare, law enforcement, legal systems) and to act as a deterrent to excessive use. Essentially, the ADF favours a volumetric taxation regime where alcohol products are taxed solely on the basis of the alcoholic volume (otherwise alcoholic content or strength) of the specific beverage. This contrasts with the present system in which some products (e.g. wine) are taxed on an ad valorem basis of value or price while other products are taxed on a volumetric basis. The present system is confusing and inequitable because it lowers artificially the price of some products (e.g. cask wine) that is misused excessively by some demographic and social groups.

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

COMMENT The ADF view is for all alcohol products to be taxed at a standard volumetric rate (alcohol by volume) regardless of the location of sale.

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?

COMMENT See previous comment.

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?

COMMENT: The ADF sees no justification for any spirits product (e.g. brandy) being taxed at a differential rate from other spirits products (e.g. rum, etc) that have the same alcohol content.

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?

COMMENT: The ADF view is all imported products should be taxed at the same rate given the same alcohol content i.e. taxed within a volumetric scale.

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?

- 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?

COMMENT: The ADF agrees with both statements

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?

COMMENT: The ADF believes there is no justification to tax imported products on anything but a volumetric taxation regime as it believes should be applied to all alcohol products.

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?

COMMENT: In general the ADF believes a volumetric taxation regime is appropriate for all alcohol products.

10. Is cheap alcohol a risk with regard to binge-drinking and alcohol abuse? As an example, does cask wine feature in binge-drinking or alcohol abuse? Is it the case that a standard drink of cask wine and many RTDs average a

similar alcohol content? 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?

COMMENT: Yes. Australian research indicates cheap alcohol encourages excessive drinking. Cask wine is a case in point and the impact of cheap cask wine in some communities justifies the replacement of the ad valorem treatment of wine with a volumetric tax regime.

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?

COMMENT: In general the ADF believes a volumetric taxation regime is appropriate for all alcohol products.

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

COMMENT Yes.

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?

COMMENT The ADF believes this is an anomaly.

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?

COMMENT The ADF believes there may be cases where a variation to the volumetric taxation regime is justified in order to protect the health, safety and well being of the drinking public e.g. when it is, or becomes clear, that a specific product or class of products is of particular concern. The projected case in which strong wine-based RTDs might be substituted for spirits-based RTDs of the same strength in order to exploit the tax advantage under WET may be such a case.

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