ADF POSITION STATEMENT ON ALCOHOL TAXATION

PURPOSE: The purpose of this document is to articulate the ADF's position on alcohol taxation.

ADF POSITION:

i. That Australia adopt a progressive volumetric taxation with rates based on the alcohol content of all alcoholic beverages.

ii. That alcohol taxation rates be increased overall and progressively over time beyond the current CPI-linked adjustments.

iii. That the revenue from taxation of alcohol must at least match the financial cost of misuse.

iv. That the price of alcohol should not decrease as a result of changes to the taxation regime.

BACKGROUND:

Raising the price of alcohol via taxation is an effective way of reducing alcohol consumption and related problems, including violence, crime, traffic offences, hospitalization (Babor, 2010). An Australian study found taxation was the most cost- effective preventative measure as it would reduce more alcohol related morbidity and mortality than any other intervention and at little cost to government (Cobiac L, 2009)

Alcohol products are subject to three different taxes: Beer and spirits are subject to the Excise Tax, based on the product's alcohol content (ABV); wine is taxed via the Wine Equalisation Tax (WET), based on the retail value of the product (*ad valorem*) and customs duties are based on a combination of both ABV and *ad valorem* levies (Australia, 2010).

Consequently wine, with an ABV of 10-14%, is taxed lower than beer with an ABV of 3-5% (Lapsley H, 2008). The 'Henry Review' of taxation in 2009 reported a 2 litre cask of wine that retails at 10.99 includes tax of $1.59 while the excise on an equivalent volume of beer is $7.48 and of spirits is $16.45 (Australia, 2010). The tax advantage given cheap wine contributes to alcohol problems as it is preferred by many dependent drinkers and young drinkers.

Australia should adopt a volumetric system where the tax imposed increases as does the alcoholic strength (ABV) of the product. Volumetric taxation would offer consumers an incentive to purchase low potency drinks and thereby achieve tangible public health benefits. Tax revenue derived from alcohol should balance the financial cost of alcohol misuse. Adoption of volumetric taxation, would result in net consumer benefit of between $230m-$570m per year (Associates, 2012).

The Henry Review recommended volumetric taxation, although on a basis that would allow the price of spirits to fall (Australia, 2010). To prevent that result, a progressive (or differentiated) volumetric taxation regime is preferred where the same tax rate is applied to products within their own category. In general, there should be equivalent tax rates for different beverages with the same % alcohol content. Such a system should include a lower or zero rate on very low alcohol products; a higher rate on heavy spirits; an intermediate rate on fortified wines and flexibility for special products (a temporary discretionary penalty excise rate to target a brand or type of beverage on a rapid-reaction basis.

Works Cited

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