

## **MEDIA RELEASE**

FOR IMMEDIATE RELEASE

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### **CUTTING SPIRITS TAX WOULD BOOST GOVERNMENT REVENUE, NEW MODELLING SHOWS**

CUTTING the Australian spirits tax would turbocharge the recovery efforts of spirits producers hit by a horror year of COVID-19 lockdowns and bushfires, while also boosting revenue to Government coffers, new economic modelling shows.

The modelling, conducted by PwC for Spirits and Cocktails Australia, reveals three options that promise up to \$1.4 billion in additional tax revenue over forward estimates, while simplifying Australia's complex alcohol taxation system.

Australia currently has the world's third highest spirits tax. Domestically, spirits are taxed disproportionately higher than all other alcohol categories, even when the alcohol content per standard drink is equivalent.

Spirits and Cocktails Australia chief executive Greg Holland said the current spirit excise rate had increased so much in recent years, it was suppressing consumer demand and therefore reducing Government revenue.

"It is a perverse effect, but the rate is now so high, the Government actually collects less in tax than if the rate was lower," Mr Holland said.

PwC modelled three alternative scenarios: cutting the spirits tax rate to the brandy rate; freezing both the spirits and brandy CPI indexation for three years; or a combination of matching the spirits rate to brandy *and* freezing CPI increases.

The third option delivered the greatest revenue boost to the Budget bottom line (\$1.4 billion over forward estimates), with a less than one per cent increase on overall alcohol consumption and no need to lift alcohol taxes on other producers to compensate.

Mr Holland said a cut in spirits tax could not come at a more valuable time, as spirits producers battled to recover from the triple-hit of COVID-19, bushfires and drought.

"Although there was an initial 23 per cent increase in alcohol sales through bottle shops when lockdowns were first implemented, that was nowhere near enough to offset a 72 per cent collapse in spending through hotels, pubs and bars," he said.

“As a result, April 2020 went down as the worst month on record for Australia’s spirits, beer and wine producers. Like everyone else, spirits producers are now working hard to bounce back.

“Our industry includes a number of large Australian-based international distilling companies, who produce well-known brands, while bringing a wealth of innovation and service and supply experience that benefits local tourism, hospitality, manufacturing, agriculture and our local craft distillers.

“There are also more than 300 craft distilleries around Australia, with more than 60 percent of them located outside capital cities. They are vital members of their communities, creating jobs, buying from local farmers and attracting tourism to the regions. Some of them have been hit hard, losing months of tourism income due to the horror bushfire season and now COVID, while also losing valuable suppliers whose farms and operations have also been affected.

“But whether big or small, the unfair level of spirits tax has negative flow-on effects for all of those Australian enterprises.”

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**Background:**

*Spirits & Cocktails Australia* is an incorporated association with a vision to promote and protect a spirits sector which improves Australia's drinking culture to create social and economic opportunities for future generations.

We represent the interests of spirits drinkers and all involved in the production and supply of spirits in Australia. We are a leading proponent for the encouragement of moderate and responsible consumption of spirits and cocktails for those adults who choose to drink.

Our members include:

- Bacardi-Martini
- Beam-Suntory
- Brown Forman
- Bundaberg Distilling Company
- Diageo
- Moet Hennessy
- Pernod Ricard Australia
- Remy Cointreau
- Spirits Platform
- William Grant & Sons