

1 August 2023 Excise Increase Resource Handbook

Prepared by



**Australian
Distillers**

Background

On 1 August, the excise rate for spirits will be increase to \$100.05 per pure litre of alcohol, following the latest six-monthly increase indexed to CPI.

This threshold moment provides an opportunity to raise awareness among politicians, customers, communities and staff of the impact that high spirits excise has on the growth and sustainability of the Australian spirits industry.

Previous advocacy to align and freeze the brandy and spirits excise rates has built a strong foundation from which to engage key audiences to call for urgent action to address further discrimination of the spirits category through future CPI increases.

What are we calling on the Government to do?

Spirits & Cocktails Australia and Australian Distillers Association will use this milestone to proactively call on the Federal Government to freeze spirits excise at the 1 August 2023 rate.

Freezing spirits excise will provide immediate relief to spirits producers, allowing time for industry and government to work together to get the policy settings right to support sustainable growth.

How to get involved

This handbook provides a range of resources you can use to get involved in the campaign for fair and sustainable tax reform:

- Write to your MP and invite them to your distillery
- Share infographics on social media
- Communicate the impact of the change with your staff and customers
- Engage with local media

Talking points

The following talking points can help you prepare for a discussion with staff, customers, local politicians and media.

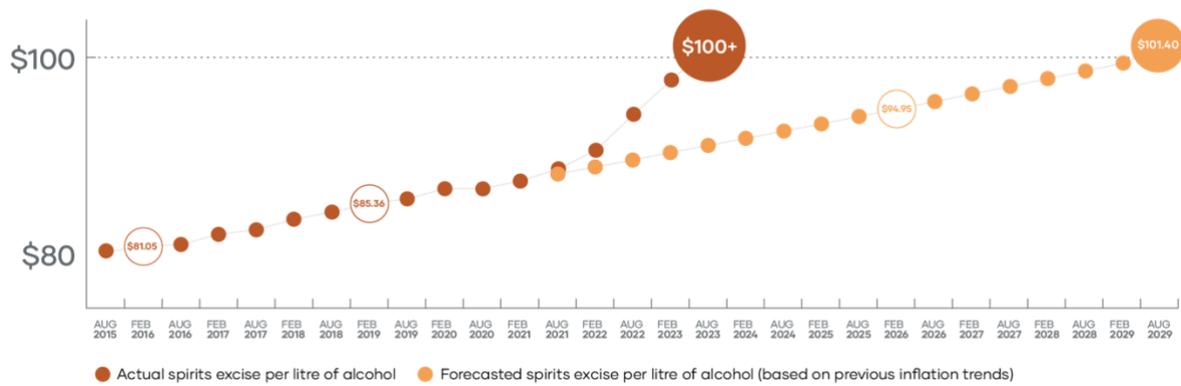
If you are contacted by media, please advise Australian Distillers so we can help you prepare and ensure your engagement is included when we report on the impact of our media campaign. Email media@australiandistillers.org.au

- **What is the excise tax on spirits?**
 - The Australian Taxation Office confirmed spirits excise increase to a whopping \$100.05 from 1 August 2023.
- **What is the significance of passing the \$100/litre threshold?**
 - Australia has the third highest spirits tax in the world. Behind Iceland and Norway.
 - This should give the government pause to reconsider policy settings for spirits manufacturers that were set 40 years ago!
 - Rampant inflation has propelled the tax past this threshold six years earlier than forecast.
 - This latest 2.2% increase is on top of 4.1% this time last year and another 3.7% in February.
 - Where does it stop?
 - We are already confronting a perfect storm of supply chain issues, soaring input costs and depressed consumer demand.

AUSTRALIA'S SPIRITS EXCISE PER LITRE OF ALCOHOL VS. COMPARABLE MARKETS (IN AUD) FROM 1 AUGUST 2023.



Australian Spirits Excise Forecast vs. Actual



- **Why don't you just pass the excise increases on to consumers?**
 - Small producers do not have the market power to force these price rises through – retailers simply wouldn't take the product.
 - Australians are struggling with the cost of living. Craft spirits are becoming unaffordable, they will balk at additional price hikes.
 - Excise is the one lever Government has got to provide relief.
- **How much tax are consumers currently paying on spirits?**
 - Generic example: In a \$70 bottle of gin, half of that price is tax (\$28 excise + \$6.36 GST)
 - The tax on a gin & tonic is more than double the tax on beer.



- **Isn't it true that spirits are taxed at a higher level because of its higher alcohol content, to offset the costs associated with alcohol-related harms?**
 - Alcohol is alcohol – the breathalyser doesn't discriminate, nor should the tax system.
 - Australian Bureau of Statistics data tells us alcohol consumption is at a 50-year low.
 - Vast majority of Australians are enjoying spirits responsibly, drinking less but drinking better.
 - Consumption occasions are very similar to beer or wine e.g. a gin & tonic or a whisky & coke, or the occasional cocktail.

- **But haven't spirits had a good few years? We've all heard about consumers mixing up cocktails at home during the pandemic.**
 - We have enjoyed a period of strong growth, but economic pressures are really starting to bite.
 - Rising cost of living is impacting spending on our premium spirits.
 - Out of control tax is exacerbating other economic pressures on distillers.
 - The disparity between tax on spirits versus beer and wine is unfair and cannot be justified.
 - We are already starting to see insolvencies in this industry, and some businesses are scaling back their operations.

- **Has the government shown any interest in reviewing the current excise regime?**
 - There's been little appetite for change so far, but we think \$100/lal will be the catalyst.
 - Surely at \$100/litre it is time to take stock of a tax policy introduced 40 years ago.
 - We are now at a crossroads. We either get the policy settings right to support this burgeoning industry, or tax it into oblivion.
 - This excise regime is at odds with the governments stated aim of driving growth in manufacturing and tourism, and job creation in regional areas.

- **What are you proposing?**
 - We're calling on the federal government to freeze spirits excise at its current rate, so we can work with them to get the policy settings right to support our sustainable growth.
 - Jim Chalmers has spoken repeatedly about growing manufacturing jobs in the regions – this is not possible with such an unsustainable tax regime.
 - This industry can follow a similar growth trajectory to wine – an economic boon that will ultimately grow tax revenue while:
 - Boosting jobs;
 - Increasing export opportunities; and
 - Allowing businesses to reinvest in their growth and attract investment to scale their operations.

Fast facts

- From 1 August 2023, Australia's spirits tax will be \$100.05 per litre of alcohol.
- This threshold wasn't expected to be reached until 2029, based on inflation trends pre-2021.
- Australia has the third highest spirits tax in the world, behind Iceland and Norway.
- The tax on spirits is more than double that on beer – and four times the tax on wine.
- This tax is particularly bad for regional communities, because two-thirds of distilleries are in regional areas.
- The federal government already collects \$5 billion in excise from the spirits industry in Australia per year. Compare that to wine (\$1.2 billion) and beer (\$2.6 billion). Why are we unfairly discriminated against?

Invite your local Member of Parliament to your distillery

Your experience and story are powerful. Sharing your story with your local Member of Parliament (MP) helps raise awareness of the impact of spirits excise on your business, customers, and the flow-on impacts to your local community.

Consider writing to your local MP, and/or inviting them to a meeting at your distillery. This meeting could also include other distillers located within the same electorate.

Meeting with your local Member of Parliament is a great way to demonstrate how important it is to support the industry's call to freeze twice-yearly CPI increases to spirits excise to support sustainable growth and investment in the Australian spirits industry.

Members of Parliament will generally only meet with their constituents. Each person has one Member of the House of Representatives (the Lower House), with twelve Senators (the Upper House) for each State and two for each Territory.

You can confirm your electorate by searching by suburb or postcode via the Australian Electoral Commission website: <https://electorate.aec.gov.au/>

To make the best choice about who to meet with, you can access a full list of Federal MPs and Senators online:

https://www.aph.gov.au/senators_and_members/guidelines_for_contacting_senators_and_members

Depending on the position of the Member of Parliament and their various commitments including parliamentary sittings, it may be difficult for them to find a timeslot to meet with you in the short term. We recommend being patient and working closely with their staff to determine a suitable day and time to meet. Meetings would generally be no longer than 30 minutes but vary depending on the Member.

Before the meeting, we recommend:

- Contacting us immediately for a full list of distilleries in your electorate, via admin@australiandistillers.org.au
- Thinking about what you would like to share with the Member of Parliament. Write down your story and think about how you can articulate it to help them understand the impacts of the spirits excise on your business, customers, family and your local community.
- Being prepared to ask for their support to freeze spirits excise increases. Connect your personal story to why you are meeting with the Member, and why it is important that they support your ask for excise relief.
- Ask if you can be in a photo with them and if you can share it on social media with your online community. Always ask permission before taking a photo and be clear about where you would be publishing it. We recommend the following caption:
I'm meeting with my [local Member of Parliament/Senator] [Name] to seek their support to freeze spirits excise increases to facilitate sustainable growth and investment in our promising industry.

Template invitation

INSERT YOUR NAME
INSERT YOUR ADDRESS
INSERT YOUR CONTACT DETAILS

Find who your local MP is [here](#)

Find their email or address [here](#)

INSERT NAME OF MP

ADDRESS OR EMAIL OF MP

CC: admin@australiandistillers.org.au

1 August 2023

Dear [insert name of MP]

I am a distiller in your electorate and make quality Australian craft spirits products including [insert your hero products]. We are based in [insert your suburb] and employ [insert number of employees] Australians.

On 1 August, Australia's punishing spirits tax will surpass \$100 per litre of alcohol. This means that \$28 of a 700mL bottle of spirits (40% ABV) will go straight to the tax office in the form of excise. A single [G&T / whisky / other single serve of spirits] now has double the tax of a schooner of beer – even though that same schooner of beer contains more pure alcohol.

This latest increase exacerbates a perfect storm of supply chain issues, soaring input costs and depressed consumer demand impacting our business. It therefore stymies opportunities for us to invest back into our business, employ more staff, and attract the investment needed to realise our export potential.

That's why we're calling on the Federal Government to intervene to freeze future spirits excise rises. This will provide us with much needed respite, while affording policymakers – like yourself – the time to explore opportunities to support our sustainable growth, without exacerbating the strain caused by Australia's highest alcohol tax.

[If distillery is located in a regional area] With more than two-thirds of Australia's distilleries located in the regions, the right policy settings will also support more skilled manufacturing jobs, increased tourism and exports, while ensuring the benefits flow throughout regional Australia.

You can show your support for our distillery and the broader Australian spirits industry in two simple ways:

- Visit our distillery so we can tell you more about the valuable contribution we make to our community, and how freezing spirits excise will help unlock our potential; and
- Write to the Treasurer, The Hon. Jim Chalmers MP, to ask that he intervenes to freeze spirits excise increases to provide immediate relief for distillers battling Australia's highest alcohol tax.

I look forward to working with you to build a more sustainable future for the Australian spirits industry. Please contact me using the details below to coordinate your visit to our distillery.

Your sincerely,

[insert name]

Title, Distillery name

Media engagement

Spirits & Cocktails Australia and Australian Distillers will coordinate external engagement with key media in the lead up to 1 August.

If you are contacted by local media directly for your response to these stories and the latest excise increase, please refer to the talking points at the start of this document, and follow the tips and tricks below to maximise this engagement.

If you are contacted by media, please advise Australian Distillers so we can help you prepare and ensure your engagement is included when we report on the impact of our media campaign. Email media@australiandistillers.org.au

Tips and tricks

If contacted for an interview..

- **respond promptly** and
- **find out what deadline the journalist is working towards.**

Ask them how you can prepare to ensure everything runs smoothly.

- Will they be filming or photographing on the day?
- If so, it may be helpful to **think about where they are best to shoot.**

Ideally, we want to highlight the manufacturing and agricultural aspects of the industry.

- So, it would be ideal to shoot in front of distilling equipment, packaging lines etc.
- Or, if your distillery is 'farm to glass', perhaps you could show where/how you harvest and/or process your raw materials.

Familiarise yourself with the key messages and key facts in this handbook and how they relate to your business.

- What impact is spirits tax currently having on you?
- What would you be able to do in the event of a three-year freeze? For example, hire more staff, invest in export markets, buy more equipment etc.

If you feel like you are not being given an opportunity to deliver your messages you can **use bridging techniques to respond to the question on your terms.**

- For example, "I can understand where you're coming from with that question. Let me deal with it in this way..."

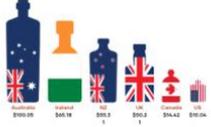
Most importantly, be yourself. Local media are looking for authentic local stories, so this is an opportunity to showcase who you are and what you do.

Infographics

Share the following infographics on social media or use in other communication materials.

Click the links below to access editable files on Canva, so you can add your brand name to the \$TAX per standard drink and “unsustainable” infographics.

Alternatively, access ready-made files via [Dropbox](#).

Square 1080 x 1080	Stories 1080 x 1920																																
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Tips to customise your infographics on Canva

You don't need a subscription to access files on [Canva](#) – all you need is a free account, which is quick and easy to set up.

You can personalise files marked *Editable* with the name of your product. To do so:

1. Click on the infographic you want to edit/ personalise.
2. Click 'Edit.'
3. Double-click the text box under SPIRITS.
4. Edit the text box contents by inserting the name of your product in place of the existing product name.
5. Click outside the text box to finish.

FAQs

Who are Spirits & Cocktails Australia and Australian Distillers' Association?

The Australian Distillers Association is the peak industry body for craft distillers, representing nearly 500 members, across all states and territories, from Darwin to Devonport and from Manly to the Margaret River.

Spirits & Cocktails Australia is the peak body for major spirits manufacturers operating in Australia. Our vision is to promote a safe and vibrant spirits sector, which reflects Australia's mature drinking culture and creates opportunities for sustainable growth and economic development.

Together, we represent spirits producers involved in the manufacture, marketing and sale of spirits throughout Australia. Our industry directly supports over 53,000 jobs in spirits manufacturing, retail, wholesale and hospitality, contributing \$11.6 billion in added value to the Australian economy. Our supply chain stretches from 'farm to glass', incorporating farmers and primary producers to the hospitality and tourism sectors.

What are we asking the Government to do?

Taxes on alcohol in Australia are complex, opaque to the consumer and unfair to Australian spirit producers.

We propose that spirits excise be frozen at the 1 August rate to allow policymakers time to explore opportunities to support the sustainable growth of the Australian spirits industry, without exacerbating the strain caused by Australia's highest alcohol tax.

How much do distillers contribute to the economy?

Our industry directly supports over 52,900 jobs in spirits manufacturing, retail, wholesale and hospitality, contributing \$11.6 billion in added value to the Australian economy.

Distillers buy produce from local farmers, attract tourists to their regions, and create jobs, both within their own operations and in the services and supply chains.

How much tax do we pay?

The Australian spirits industry pays \$5 billion in excise each year.

Spirits tax currently represents over 50% of many local distillers' overheads and represents a significant proportion of costs for manufacturers operating in Australia.

How does Australian tax compare to other countries?

The tax on spirits in Australia is the third highest in the world. Only Iceland and Norway's are higher. The perverse impact of high domestic taxation means that it is actually cheaper to buy Australian spirits in New Zealand and United States.

Australia's domestic spirits industry is experiencing significant growth – like wine in the 1980s – but tax reform is needed to help grow exports and attract foreign direct investment to help scale local distilleries to meet increasing consumer demand for premium and premixed spirits.

How will the savings be used by spirits manufacturers?

If implemented, distillers would have more capital available to help grow their businesses and to employ more locals – bringing important economic benefits through job creation, expanding farm production, regional tourism and hospitality to their communities. Distillers buy their produce from local farmers and attract tourists to the regions that create jobs in manufacturing and down the supply chain.