# Alcohol tax reform: Economic modelling

## Researcher

1. ACIL Allen Consulting

## Summary

Alcohol products sold in Australia are currently taxed at different rates through a number of different regimes. Beer and spirits are subject to excise at eight different rates. Wine is subject to the Wine Equalisation Tax (WET), which is based on the value of the wine where rebates are available to small producers.

The purpose of modelling these scenarios is to illustrate the impacts on the Australian economy of changes to alcohol taxation policy in Australia. The impacts of changes to alcohol taxation policy from the existing alcohol taxation are modelled using ACIL Allen’s BeverAGE model with the latest available data. The model is a powerful tool for policy analysis because it can quantify the impact of a tax policy change on consumption, prices and taxation revenue.

To quantitatively assess the impacts of changes to alcohol taxation policy in Australia, ACIL Allen assessed the following changes:

* Scenario 1: change the existing wine tax to a volumetric tax at a rate that is revenue neutral (excluding the consideration of the WET rebate).
* Scenario 2: change the existing wine tax to a volumetric tax at a tax rate of $56.46 (half way between full strength draught beer rate and spirits rate).
* Scenario 3: change the existing wine tax to a volumetric tax at a tax rate of $56.46 (half way between full strength draught beer rate and spirits rate), taxing draught beer at the existing packaged beer rate and taxing cider at the existing regular beer rate.

## Outcomes

#### Scenario 1, replacing the WET with a tax neutral volumetric tax rate (calculated at $14.08 per litre), is estimated to result in:

* $24.97 million per annum in additional taxation revenue collected from alcoholic beverages (although this scenario uses a rate that is revenue neutral for wine products, it is estimated that resulting changes in the consumption of other types of alcohol will impact on total revenue)
* an increase in the price of non-premium cask wine of 28.54 per cent results in a decrease in the consumption of cask wine by 8.5 per cent or 2.3 million litres of pure alcohol
* a small decrease in the consumption of beer by less than 1 per cent or 611.67 litres of pure alcohol
* an increase in the consumption of other alcohol types
* a decrease in total alcohol consumption of just under 1 per cent or 1.8 million litres of pure alcohol
* an increase of 87 full-time-equivalent (FTE) jobs in the alcohol industry, and an increase in total employment for the economy of 447 FTE jobs. These estimated job gains are driven by the small income gain for consumers due to the marginal decrease in the cost of alcohol as a result of the tax change.

#### Scenario 2, replacing the WET with a tax rate of $56.46 (half way between full strength draught beer rate and spirits rate), is estimated to result in:

* $2.3 billion in additional taxation revenue collected from alcoholic beverages per annum
* an increase in the price of cask wine of 160 per cent results in a decrease in the consumption of cask wine by 30 per cent or just under 8.0 million litres of pure alcohol
* an increase in the consumption of only beer of 594 litres of pure alcohol
* a decrease in total alcohol consumption of 7.1 per cent or 13.31 million litres of pure alcohol
* a decrease of 1,032 full-time-equivalent (FTE) jobs in the alcohol industry, and a decrease in total employment for the economy of 14,898 FTE jobs. These estimated job losses are driven by the income loss for consumers due to the increase in the cost of alcohol as a result of the tax change.

#### Scenario 3, replacing the WET with a tax rate of $56.46, taxing draught beer at the existing packaged beer rate and taxing cider at the regular beer rate, is estimated to result in:

* $2.5 billion in additional taxation revenue collected from alcoholic beverages per annum
* a decrease in the consumption of cask wine by eight million litres of pure alcohol
* a marginal increase in the consumption of beer
* a reduction in the consumption of all other alcohol beverage types (cider, spirits, RTDs and bottled win)
* a decrease in total alcohol consumption of 6.7 per cent which equates to 12.6 million litres of pure alcohol
* a decrease of 1,462 full-time-equivalent (FTE) jobs in the alcohol industry, and a decrease in total employment for the economy of 14,404 FTE jobs. These estimated job losses are driven by the income loss for consumers due to the increase in the cost of alcohol as a result of the tax change.

*ERRATA: The figures published in "Table 3.4. Tax per standard drink" (p.15) have been amended since the report's original publication. The report PDF has been updated to reflect this correction.*

[VIEW THE REPORT](https://www.fare.org.au/wp-content/uploads/Alcohol-tax-reform-Economic-modelling.pdf)

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