# Pricing & taxation

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## Why is this important?

Today, alcohol has become more affordable than it has been in the past three decades. [Research shows](https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1360-0443.2008.02438.x) that low alcohol prices lead to risky drinking — among people who drink at high and risk levels, who drink regularly, or who are underage.’

Moreover, young people and people who use alcohol at the riskiest levels are more likely to seek cheaper alcohol than people who consume at lower risk levels.

[Research shows](https://www.who.int/substance_abuse/expert_committee_alcohol_trs944.pdf) that policies aimed at increasing the price of alcohol lead to fewer young people drinking at risky levels, a reduction in underage drinking, and a reduction in per occasion drinking. [Higher prices also delay](https://pubmed.ncbi.nlm.nih.gov/25428795/) the age at which young people start to drink alcohol and the rate at which they increase the amount they drink.

Alcohol taxation is one of the most cost-effective measures to reduce alcohol harms. However, the [current alcohol taxation system](https://treasury.gov.au/review/the-australias-future-tax-system-review) in Australia has been described as illogical and does not adequately recognise the extent of alcohol harm.

The most illogical part of the alcohol taxation system is the Wine Equalisation Tax (WET). Under the WET, wine and other fruit-based alcohol products are taxed based on their wholesale price, rather than alcohol content. This encourages the production of cheap wine and has led to a flood of cheap alcohol, such as cask wine and cleanskins (brand free wines).

All other alcohol products like beer and spirits are taxed on a volumetric basis, albeit at different rates, with the amount of tax paid determined by the volume of alcohol within the product, hence the term ‘volumetric tax', and the type of alcohol (e.g., beer or spirits).

The WET has contributed to wine being the cheapest form of alcohol available for sale, with some wine in Australia being sold for as little as 24 cents per standard drink and the majority of bottled wine (65 per cent) being sold for under $8.00.

## What do we want?

FARE is calling for reform of the alcohol taxation system in Australia to create a more equitable system that discourages risky drinking, addresses the costs of alcohol harm, and most importantly supports public health and wellbeing.

The main aim of alcohol tax reform is to raise the price of low-quality, high-strength wine to make it less affordable, and therefore reduce the amount that people consume. The best way to do this would be to tax wine based on its alcohol content – the same way as beer and spirits; the stronger the alcohol, the more tax paid.

This would ensure that the tax paid on alcohol is proportionate to the harm it causes. At present the wine tax inverts the relationship between tax paid and harm caused; the wine that causes the most harm is taxed the least.

FARE is not alone in calling for this reform. At least 13 government reviews have recommended a volumetric tax for wine. Alcohol industry businesses and representative bodies have also advocated for change.

FARE recommends a staged approach to alcohol taxation reform involving immediate action to move the WET to a differentiated or category-based volumetric tax rate, with the intention being to tax wine and other WET products at a rate that considers the alcohol content of the products.

This staged approach should also include a longer-term plan, based on clearly established public policy objectives that benefit the Australian community.

The Australian Government can no longer delay reform and ignore the negative impacts the current alcohol tax system is having on the community.

## The story so far

Despite the many government reviews as well as the Australian National Alcohol Strategy 2019-2026 recommending taxation reform, the Australian Government has not chosen to take this action.

While jurisdictions have no power to change the taxation system, they can introduce other interventions to increase the price of alcohol.

One such price lever is introducing a minimum unit price (MUP) for alcohol. An MUP restricts the sale of cheap alcohol by setting a price below which alcohol cannot be sold.

Minimum prices have been introduced in many regions of North America and Europe. In Australia, the Northern Territory introduced an MUP in 2018 as part of several reforms following a Territory-wide review of alcohol policy and legislation aimed at reducing the high levels of alcohol harm. (The NT has the country’s highest rates of alcohol-related hospitalisations and deaths, including road fatalities and trauma.)

[An independent investigation](https://fare.org.au/wp-content/uploads/NT-Alcohol-Harm-reduction-Report.pdf) conducted a year after passing the legislation found that there has been a sharp decline in:

* alcohol-related assault offences (23% reduction in alcohol-related assaults across the NT in 2018-19 compared to the same period in 2017-18)
* alcohol-related emergency department (ED) presentations (17.3% reduction in ED presentations in the NT in 2018-19 compared to the same period in 2017-18)

The MUP, alongside the suite of alcohol harm-reduction measures, has made a substantial contribution to building safer and healthier communities.

## How can I help?

Are you or your organisation interested in this issue and happy to advocate for reform with decision-makers? Send an email to FARE’s Policy and Research Team at [info@fare.org.au](mailto:info@fare.org.au).

[Sign-up](https://eepurl.com/hoqIBP) to be kept in the loop on the latest news, information and actions you can take to support this and other causes to tackle alcohol harms in Australia.

Follow us on social media and share our online sale advocacy content with your colleagues, friends, and networks.

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[Chip in](https://fare.org.au/donate) to help support this important work, and our other projects working towards an Australia free from alcohol harm.

## Read more

## Join our community

Will you join the community taking action on alcohol?