

Media Release

THE GOON SHOW: TAXPAYERS PICK UP \$1.4 BILLION DOLLAR WINE TAB

For immediate release

9 July 2015: A new report has exposed Australia's wine tax system as corporate welfare, with Australians paying a billion dollars a year to subsidise the wine industry.

Unlike beer and spirits, which are taxed based on their alcohol content, wine is taxed on its wholesale value. As a result, cheap wine attracts far less tax than beer or spirits.

Per litre of alcohol cheap wine attracts only \$3 in tax. Bottled beer pays over ten times more (\$35), premium wines pay \$55, while spirits attract an alcohol excise of \$80 per litre of alcohol. (SEE CHART BELOW)

Modelling in The Australia Institute report, *The goon show: How the tax system works to subsidise cheap wine and alcohol consumption*, shows that if wine were taxed in the same way as beer, an extra \$1.4 billion in tax revenue would be raised.

"We tax alcohol for two purposes. Firstly, to reflect the social costs of drinking, and secondly, to raise revenue. Yet the Wine Equalisation Tax (WET) fails at both. It subsidises cheap wine, most associated with problem drinking, and also reduces revenue by over \$1 billion per year," said Director of Research at The Australia Institute, Rod Campbell.

"All this at a time when governments claim to be getting serious about both budget deficits and alcohol-related harm."

The report found that while Australia has around 3,800 wine producers 3,500 of them pay almost nothing under the WET, and many in fact receive a subsidy through an associated rebate. Just 23 wine producers paid nearly 90 per cent of the \$800 million raised by the WET.

Foundation for Alcohol Research and Education (FARE) Chief Executive, Michael Thorn says the WET is corporate welfare at its worst.

"Most Australians pay more personal income tax than these wine producers and wholesalers. It simply beggars belief that ordinary Australians continue to foot the bill for the significant health and social costs of alcohol, while the majority of wine producers are profiting from favourable tax arrangements that encourage production of cheap alcohol that we know is targeted at, and consumed by problem drinkers," Mr Thorn said.

The report modelled three alternative approaches to assess the impact of alcohol taxation reform.

Taxing wine at the same rate as full strength bottled beer, as recommended by the Henry Review, would see a litre of wine containing 12.7 per cent alcohol attract an excise of \$5.44.

The second approach would see wine taxed at a rate midway between beer and spirits, with a litre of wine attracting excise of \$7.31.

The third model would impose a tax of \$3 per litre of wine, bringing Australia's taxation of wine into line with the OECD average.

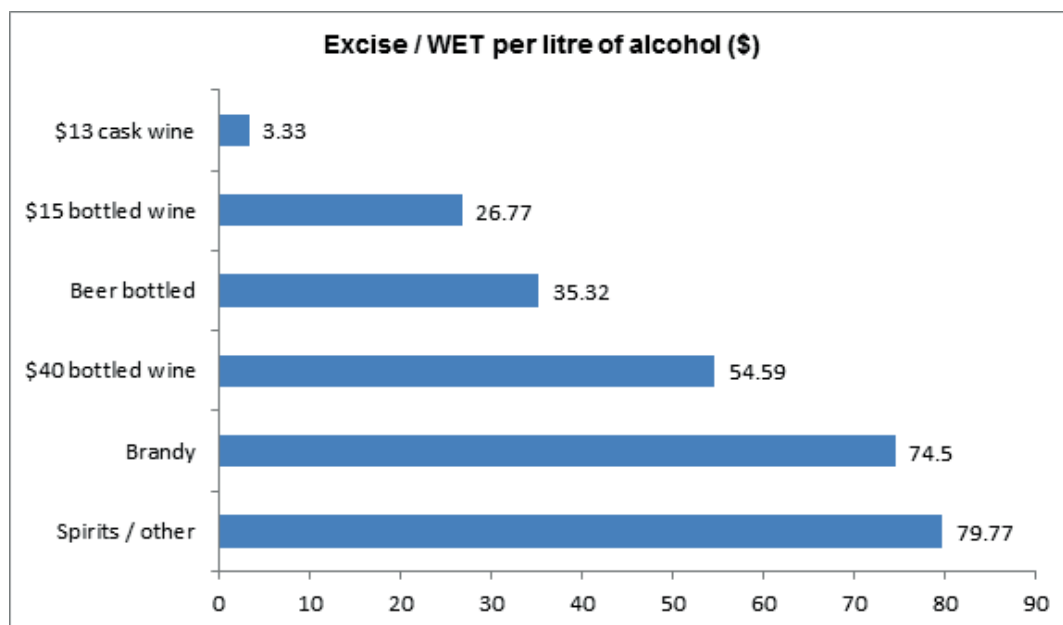
Under all three proposed models, the cheapest wine would still remain the cheapest alcohol available from off-licence premises, however net tax revenue would increase significantly.

Mr Campbell says the preferential tax treatment for wine can be effectively seen as a subsidy to the wine industry of \$1 billion a year.

“Our modelling illustrates just how much revenue is being lost and the high cost to the Australian taxpayer. If the government were to tax wine the same way in which we tax all other alcohol in Australia, the government would raise around \$1 billion a year,” Mr Campbell said.

Mr Thorn says Australia’s unacceptable level of alcohol harm could be effectively lessened by abolishing the WET.

“It’s important to remember that we’re not just talking about lost tax revenue. Each year in Australia alcohol kills 5,500 Australians and hospitalises a further 157,000. That toll could be reduced by abolishing the WET, and replacing it with a more equitable and efficient tax,” Mr Thorn said.



Source: The Australia Institute, 2015, *The goon show: How the tax system works to subsidise cheap wine and alcohol consumption*

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The **Foundation for Alcohol Research and Education (FARE)** is an independent, not-for-profit organisation working to stop the harm caused by alcohol. Alcohol harm in Australia is significant. Over 5,500 lives are lost every year and more than 157,000 people are hospitalised making alcohol one of our nation’s greatest preventative health challenges.

For over a decade, FARE has been working with communities, governments, health professionals and police across the country to stop alcohol harms by supporting world-leading research, raising public awareness and advocating for changes to alcohol policy. In that time FARE has helped more than 750 communities and organisations, and backed over 1,400 projects around Australia. www.fare.org.au

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