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Consultation on extending support to craft brewers and distillers

The Brewers Association of Australia welcomes the opportunity to provide this submission on the draft legislation to extend the concessional draught beer excise rate to smaller kegs.

The Brewers Association of Australia supports the Government's proposal and accompanying Exposure Draft. We acknowledge the bipartisan support for this measure, and appreciate that the major political parties understand the economic and cultural contribution that the brewing industry makes to Australia and the more than 100,000 Australian jobs it creates.

Currently, draught beer sold in kegs exceeding 48 litres is taxed at lower rates compared with beer sold in smaller kegs. This tax concession on large kegs was an Australian Government policy response following the introduction of the GST in 2000 to combat higher than expected costs associated with draught beer and a price hike at the bar.

The prevalence of small brewers in Australia is a relatively recent development. We note the Australian Government's intent of extending the concessional draught beer excise rates to kegs of 8 litres or more is to "level the playing field for craft brewers".

In addition to making the concessional rate available to smaller keg sizes, this measure also increases the alcohol excise refund scheme cap from \$30,000 a year to \$100,000 for all eligible brewers and distillers. This part of the measure, we understand, will be given effect separately through amendments to the *Excise Regulation 2015*.

Announced in the 2018-19 Federal Budget, both measures are to be effective from 1 July 2019.

The Brewers Association of Australia congratulates the Government, and the bipartisan support from the Opposition, for ensuring the proposed measures apply equally to all brewers and looks forward to the Bill's secure passage through the Parliament in time for the measures to take effect on their proposed date.

While the Brewers Association welcomes the Government's proposal we note that, even after the new measures take effect, that Australians pay among the highest excise on beer in the world, in addition to a 10% GST. In 2016-17, taxes on beer drinkers netted the Australian Government \$4.2 billion – \$2.4 billion in excise and \$1.8 billion in GST.

It will still be the case that the most expensive ingredient in Australian beer is tax, with tax currently accounting for 43% of the price of a typical carton of full-strength beer. Australian excise rates on beer are also automatically indexed twice every year.

Australian beer is taxed at more than twice the OECD average and so the proposed changes, we believe, are an important first step to providing a better deal for Australian drinkers, and reducing Australia's high drinking costs relative to other jurisdictions. Brewers believes that

Governments, by reducing current excise rates across the beer category, can have a very real and significant impact on reducing the cost of living pressures for Australians.

The Brewers Association of Australia

The Brewers Association of Australia is the peak body representing Australia's premier beer makers.

Our members – Carlton & United Breweries, Lion Beer Australia and Coopers Brewery – account for the vast majority of beer, including so-called craft beer, sold in Australia, underpinning more than 105,000 full-time equivalent Australian jobs.

Last year, beer in Australia generated \$16.9 billion in economic activity – accounting for 1.02% of GDP. The industry makes a substantial contribution to the national economy through the manufacturing, transport, hospitality, retail tourism and agricultural sectors.

Australian farmers are major contributors to the success of the Australian beer industry, supplying one million tonnes of malting barley per year across Australia for domestic beer production, while 600 tonnes of hops are sourced from Australian farms each year.

If Treasury has any questions or would like further information or discussions with the Brewers Association of Australia, please feel free to contact me.

Kind regards,



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