



Hon Dr Jim Chalmers MP  
Treasurer  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra ACT 2600

27 January 2023

Dear Treasurer,

On behalf of Australian beer drinkers and hospitality operators, the Brewers Association of Australia is asking that you consider in the upcoming Federal Budget **reducing those rates of excise that apply to draught beer only by 50 per cent and freezing all other rates of excise for beer for a period of two years.**

We are calling for these measures because, though they will have a very limited impact on overall Federal Government revenue from beer tax, they will offer significant support to struggling pubs, clubs and other venues and will ease the burden of ongoing record tax increases on beer drinkers across Australia.

#### **Impact of record beer tax increases on hospitality and beer drinkers**

The record beer tax increases on 1 August 2022 and now on 1 February 2023 are damaging Australia's pubs and clubs and unfairly punishing responsible Australian beer drinkers. Beer is the anchor product for pubs and clubs across Australia with beer sales consistently averaging around 70% of alcohol sales by volume in venues.

The increase in beer tax announced to take effect on 1 February 2023 will mean that the tax has gone up by around 8 per cent in the past six months. Australians are now paying almost \$20 in tax for every slab of beer they buy at the bottle shop and pub and club owners are having to pass on almost 90 cents of tax on every pint of beer they pour. Taken together the Australian Hotels Association estimate that these increases will cost a small pub around \$5,400 a year and come after several years of difficult trading conditions associated with COVID-19 restrictions.

These new record increases, the largest in over 30 years, follow almost 20 increases under the previous Federal Government.

With tax increases and other cost pressures pub goers will soon be faced with the prospect of regularly paying almost \$15 for a pint in their local. It is increasingly unaffordable for many people to visit their local to catch up with friends or have dinner with their family.

## **High beer taxes damage Australia's brewing industry and its Australian supply chain**

Major Australian brewers produced an estimated 1.423 billion litres of beer in 2019/20 and, in the process, made a huge contribution to the national economy and to the States in which they operate.

With 85 per cent of all beer sold in Australia being made in Australia, our vibrant beer sector is a major driver of economic activity and domestic jobs. Australian farmers, in particular, benefit with the brewing industry spending \$478 million on domestically sourced agricultural ingredients such as barley and hops in 2019/20 and supporting 3,021 agricultural jobs across Australia (ACIL Allen, Economic Contribution of the Australian Brewing Industry: 2019-20).

Other sectors such as packaging, distribution, freight also benefit, with the beer industry generating \$16 billion in total for Australia's economy from barley growing to pouring pints in pubs and supporting nearly 100,000 full time equivalent (FTE) jobs (ACIL Allen, Economic Contribution of the Australian Brewing Industry: 2019- 20).

This contribution is under threat from the high rate of beer tax in Australia and ongoing record increases. Australia has the fourth highest beer tax in the world and as this continues to rise it will undoubtedly continue to have a negative impact on brewing and the businesses that supply it, including Australian farmers.

## **Pubs and clubs make an enormous contribution to our economy**

There are 6,670 pubs and taverns and over 6,000 clubs across Australia — with over 90 per cent of these businesses and clubs employing 20 persons or fewer.

The Australian Hotels Association (AHA) represents more than 5,500 hotels and resorts across the state and territories. Significantly, more than 3,200 of these hotels and resorts are in regional Australia — servicing both local residents and tourists.

These hotels and resorts are also significant employers providing nearly 900,000 full and part-time and casual positions across Australia during normal business conditions.

A census of the National Registered Club industry from 2015 found that there were 6,413 clubs that directly employed 131,000 people, paying wages and superannuation of \$4.3 billion.

## **Revenue Impact of reducing draught beer tax and freezing other beer rates**

According to the October 2022 Budget the Federal Government raised \$2,461 million from beer excise in FY22 and expects to raise \$2,620 million in FY23 which is \$30 million lower than it estimated at the Pre-Election Economic and Fiscal Outlook released in April 2022 . Although this is a small correction it is worth noting that successive estimates of revenue from beer tax have had to be revised down.

This reflects a significant drop in total beer sales volumes over recent years. As an example, beer volumes declined from 1.873 billion litres in FY09 to 1.78 billion litres in FY21 – a reduction of around 100 million litres.

We believe this indicates that beer is overtaxed in Australia and that further increases will not lead to additional revenue but will simply hurt hospitality operators and beer drinkers.

Other alcohol categories do not appear to be experiencing the same impact on revenue levels. Projected receipts from spirits excise were revised up at the October Budget from \$3,080 million at the Pre-Election Economic and Fiscal Outlook (PEFO) to \$3,480 million for 2022/23 and from \$3,100 million to \$3,480 million for 2023/24. This would mean \$780 million of extra cash revenue for

Treasury over the course of the next two years.

In this context the economic impact of the measures we have requested is moderate. We believe that the notional cost to Government of a freeze in beer tax would be \$100 million in 2023/24 and \$70 million in 2024/25 in foregone additional revenue.

We believe reducing the draught beer tax rates only by 50 per cent would cost approximately \$130 million per year noting that the impact over time would reduce as CPI increases resume after the one-off cut.

Note: A reduction in the draught beer tax would of course mean that the estimated cost to the budget for a freeze in excise would be marginally reduced, as the freeze would then only apply to pack beer.

### **Strong progress on responsible alcohol consumption**

These moderate reductions in beer tax can be made safely without jeopardising the incredible progress that Australia has made over recent decades in reducing alcohol consumption and embracing responsible drinking patterns.

Alcohol consumption in Australia has been falling for almost 50 years and there has been considerable progress in reducing risky consumption. Australians are reducing the frequency of their drinking and the amount they drink on each occasion. When they do drink the average number of standard drinks consumed is well within the National Health and Medical Research Council's (NHMRC) recommended limits of 4 standard drinks.

Alcohol consumption in Australia peaked at 13.1 litres of pure alcohol per person in 1974-75. Since then, consumption had fallen by 25 per cent to 9.51 litres per capita in 2017-18 (ABS, Apparent Consumption of Alcohol, 2017-2018). In beer terms this represents a drop in consumption of around 140 pints a year of full-strength beer.

The frequency of people's consumption has also declined dramatically over the past three decades. The percentage of people drinking daily almost halved between 1991 and 2019 from 10.2 per cent to 5.4 per cent (AIHW, National Drug Strategy Household Survey 2019).

The percentage of people drinking weekly also fell from 41 per cent to 34.9 per cent over the same period (AIHW, National Drug Strategy Household Survey 2019).

The percentage of Australians drinking at risky levels has also declined. The percentage of people drinking at risky levels over a sustained 12-month period fell from 20.8 per cent to 16.8 per cent between 2007 and 2019 (AIHW, National Drug Strategy Household Survey 2019).

### **Beer's Key Role in Increasing Responsible Consumption**

Changing patterns of beer consumption have played a key role in this trend towards more responsible drinking.

A recent research paper by Professor Kym Anderson of the School of Economics and Public Policy, University of Adelaide found that over 30 per cent of beer sales in Australia are now mid, low or zero strength alcohol, up from 23 per cent in the 1990s.

The study finds that the shift to no-, low- and mid-strength beers has been great news for responsible alcohol consumption in Australia with drinkers reducing their consumption of pure alcohol through beer by around 3 million litres over the past decade by shifting to mid-, low- and zero-strength beers.

Other key trends noted in the report include:

- As beer volumes have dropped significantly since their peak in the 1970s, consumers are drinking more responsibly as they shift to 'premium beers, allowing the beer market to continue to thrive.
- The share of beer consumption that is considered premium in Australia rose from 28 per cent in 2011 to 43 per cent in 2018.
- The share of alcohol consumed as beer in Australia, at two-fifths (down from two-thirds in the 1970s), is now the same as in the rest of the world demonstrating that Australians are consuming beer more selectively and responsibly.
- Zero-alcohol beer is growing rapidly in Australia but still represents only 1 per cent of sales, but that share is expected to double in the next few years.

Interestingly from a tax perspective the Report concludes that through additional preferential excise treatment of mid-strength beer, Australia could see further reductions in alcohol consumption. That would further strengthen Australia's leadership in responsible beer consumption.

Professor Anderson states that:

*"Lower-alcohol beers are becoming more similar in flavour and style to full-strength beers. Should the current difference in the excise duties on mid- and full-strength beers be widened, that would open a further opportunity for this category"* (Mid, Low- and No- is all go: Moving toward lower-alcohol beers in Australia; Professor Kym Anderson, School of Economics and Public Policy, University of Adelaide, and Crawford School of Public Policy, Australian National University; December 2022).

More specifically, the Report states:

*"A decrease in tax on and thus the price of mid- relative to full-strength beers would encourage more substitution away from full-strength beer, and possibly also from wines and spirits. In so doing, Australia's overall alcohol and calorie consumption would decline"* (ibid.).

### **Australia's beer tax rate**

Australia's beer tax rates are out of step with other major beer producing nations and there is an urgent need to take action to make the tax fairer for Australia's world-class hospitality and brewing sectors and Australia's 11 million beer drinkers.

Other countries such as the UK have reduced their beer tax to protect their brewing industry, grow hospitality jobs and assist businesses to recover from COVID-19. As other countries like the UK cut their beer tax to help the hospitality industry or ease pressure on consumers, our beer tax rate is increasingly out of step with comparable countries like the UK and vastly higher than other major beer producing nations such as Germany, the US and Belgium where the rate is less than a quarter of what we pay here.

The table below shows the beer tax rates in the four highest taxing jurisdictions in the OECD with selected rates for OECD member countries below.

## Beer tax in Australia

Australia has the fourth highest beer tax in the OECD.



Measured in Australian dollars per litre of beer

Source: Excise duties on beer: Australia versus other high-taxing countries, Professor Kym Anderson, School of Economics and Public Policy, University of Adelaide

In October this year we expect Australia to overtake Japan to have the third highest beer tax rates in the world behind only Norway and Finland. There is a real opportunity for the Government to take action and make the system fairer for pubs, clubs and Australian beer drinkers.

I would be happy to provide any further information that could assist as you consider this issue. I would also be happy to meet with yourself or your advisers to answer any questions.

Yours sincerely,

John Preston  
CEO Brewers Association of Australia