



BOLD ALCOHOL TAX INCREASE DELIVERS \$2.9 BILLION WINDFALL

8 March 2016: Modest but necessary changes to Australia's alcohol tax regime would deliver a \$2.9 billion dollar revenue boost to the Turnbull Government, and an even greater windfall for the health of the nation.

New economic modelling has found that a ten per cent increase to all alcohol excise, combined with changes that would tax wine more equitably, would result in a 9.4 per cent reduction in alcohol consumption, with a corresponding reduction in alcohol harms.

The Foundation for Alcohol Research and Education (FARE) says that with the additional tax revenue invested wisely in Australia's health system, the alcohol tax changes would further reduce the growing burden of chronic disease.

FARE's *Pre-Budget Submission 2016-17* proposal would see wine and cider taxed according to the volume of alcohol, bringing wine into line with beer and spirits; before applying a ten per cent across-the-board increase on all alcohol excise.

The existing Wine Equalisation Tax (WET) would be replaced with a volumetric tax on wine and cider at a rate of \$56.56 per litre of pure alcohol (halfway between full-strength draught beer and spirits), and the WET rebate scheme would be abolished.

Replacing the way in which wine is taxed in Australia would ensure a fairer tax system where wine, which currently represents 40 per cent of all pure alcohol consumed but only 15 per cent of alcohol tax collected, pays for its share of the resulting alcohol harms.

Economic modelling by ACIL Allen Consulting and commissioned by FARE, forecasts such a change would generate \$2.9 billion in revenue while reducing the total alcohol consumed by 9.4 per cent.

FARE Chief Executive Michael Thorn says fixing Australia's broken alcohol taxation system and increasing the alcohol excise tax would have substantial benefits beyond the budget bottom line, and must be a priority.

"Reforming the alcohol tax system should be a no-brainer. In fact nine separate Government reviews have recommended we do exactly that. Increasing taxes on alcohol would not only address the budget deficit but, as research shows, is also the most cost-effective way to reduce alcohol consumption and the resulting harms, particularly among young people and risky drinkers,"¹ Mr Thorn said.

Importantly, the proposed tax changes would have minimal impact on moderate drinkers. ACIL Allen Consulting examined the price increases under the proposed changes, with a schooner of full-strength



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draught beer increasing by only 5.5 cents, a can of premixed spirits increasing by 16.7 cents and a bottle of wine currently costing between \$15 and \$20 increasing by approximately \$3.80.

Alcohol use results in 5,500 deaths and 157,000 hospitalisations in Australia each year. FARE's *Pre-Budget Submission 2016-17* argues that a proportion of the alcohol excise revenue collected must be directed to addressing the social costs of alcohol in Australia, which in turn would result in further savings to the health system.

FARE says that the additional revenue should target chronic disease prevention and research, with specific investment to help reduce the incidence of Fetal Alcohol Spectrum Disorders (FASD), to conduct strong public awareness alcohol harm prevention campaigns, and to introduce a structured screening and brief intervention program for alcohol.

"Reform of Australia's alcohol tax regime is long overdue and by wisely directing a proportion of that revenue we can start to address the high social cost of alcohol in this country; we can reduce the high levels of alcohol-related family violence, we can reduce the incidences of Fetal Alcohol Spectrum Disorders, and we can start to tackle this preventable health burden that is currently shouldered by the entire nation," Mr Thorn said.

Michael Thorn is available for interview.

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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. 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. For more information visit www.fare.org.au

¹ Vos, T., Carter, R., Barendregt, J., Mihalopoulos, C., Veerman, J.L., Magnus, A., Cobiac, L., Bertram, M.Y., Wallace, A.L., ACE-Prevention Team. (2010). *Assessing cost-effectiveness in prevention (ACE-Prevention): Final report*. University of Queensland, Brisbane and Deakin University, Melbourne.