

The Hon Scott Morrison MP
Treasurer
Australian Government
Parliament House
CANBERRA ACT 2600

19th February, 2018

Independent Brewers Association submission on Alcohol Excise Reform

Dear Treasurer

We are writing to you to propose a series of small but important reforms to the excise regime that currently applies to the alcohol industry, and in particular the way in which it operates with respect to Australia's 443 independent brewers and the wholesalers, retailers, restaurants and bars that their businesses support.

The Independent Brewers Association is the peak industry body representing Australia's small, independent brewing industry.

What we are seeking is a fairer, safer and more business-friendly set of excise laws and their application, which will ultimately be a better outcome for consumers, employees and also the Australian economy.

The reforms we propose in this submission will enable our members to operate more efficiently, increase their production and their exports, create more jobs and reduce prices for consumers.

The independent brewing sector has grown in an impressive way in Australia in recent years with the number of industry participants having more than doubled in the last five years. It now directly employs more than 2400 Australians and contributes in excess of \$740 million in economic output each year.

However this growth has come in spite of excise laws that operate as a significant cashflow impediment and are unfair in their application when compared with other parts of the alcohol industry.

The independent brewing industry operates under one of the OECDs highest taxing systems, which is highly complicated, with six excise rates dependent on factors including the level of alcohol in the beer and the type of package or container it goes in, and has a settlement process that creates tremendous cash flow issues for small businesses.

In addition it is a system which rewards the use of vessels (in our case, beer kegs) that weigh 65 kilograms when full rather than those that weigh less. This is creating obvious workplace health and safety issues in breweries and in the broader hospitality industry.

The excise rules also favour one alcohol type over others. Where independent brewers can only claim up to a maximum of \$30,000 per annum, similar businesses in the wine industry can claim up to \$500,000 in WET rebate.

The IBA recommends the following reforms to address these issues:

- Increase the maximum Australian Alcohol Manufacturing Refund claimable by an independent brewer to \$350,000 per annum
- Indexing the refund amount so that it keeps up with the twice yearly increases to the excise rate
- Allow independent breweries the choice of weekly, monthly or quarterly excise settlement periods
- Lower the excise rates on 30 litre kegs to the equivalent of that on 50 litre kegs

The good news is that the reforms we are seeking will not only be revenue positive for the Australian Government, but will supercharge the independent brewing sector in a way that allow it to:

- Create more than 134 additional direct jobs and hundreds more indirect positions.
- Increase Federal Government receipts by \$12.56 million per annum
- Allow brewers to focus on increasing production and reaching out to export markets, in a similar way to highly successful US and NZ craft brewers
- Work with local suppliers of malt, barley and hops to boost Australia's agricultural sector
- Build further strength into the important retail and hospitality sectors

The IBA has commissioned independent analysis from Essential Economics to demonstrate the largely neutral cost of these reforms for the Australian Government and the positive economic impacts they will have. A copy of that report is included with this submission.

The excise reforms will operate in a similar way to the Australian Government's Enterprise Tax Plan, with a more competitive set of excise regulations freeing up businesses to increase output and create more jobs. The excise reforms will also address a lack of fairness across the way excise applies to different parts of the alcohol industry. Most importantly, the largely revenue neutral nature of these reforms for the government means there is no trade-off that has to be made in terms of the federal budget.

We would welcome the opportunity to discuss this submission with you. Our acting Chief Executive Officer Chris McNamara will contact your office shortly to arrange a meeting.

Yours sincerely



For Ben Kooyman
Chairman
Independent Brewers Association