From the President

11 September 2015

Small Business Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via Email: wineequalisationtax@treasury.gov.au

Dear Sir/Madam

Response to Wine Equalisation Tax Rebate Discussion Paper

The Royal Australasian College of Physicians (RACP) welcomes the opportunity to respond to the Treasury Discussion Paper on the Wine Equalisation Tax (WET) Rebate.

Australia’s current alcohol taxation system is illogical and complex. It has changed over time, with changes to the wine taxation regime seemingly focused on the interests of smaller wine producers in particular, while ignoring the impact of alcohol on the health of the community. The WET is the most distorted feature of the alcohol taxation system in Australia. As the tax is based on the wholesale price of wine rather than the volume of alcohol, it encourages the production, promotion and consumption of cheaper wine, which has flow-on impacts.

The direct relationship between alcohol price and its consumption and associated harms has been demonstrated over many decades and in different settings.\(^1\) Low alcohol prices lead to higher consumption, including heavier drinking per occasion and more underage drinking.\(^2\) Younger people and heavy drinkers are particularly sensitive


\(^2\) Babor et al 2010, Alcohol: No Ordinary Commodity in Research and Public Policy, 2nd Edition. For New Zealand evidence see Casswell, S., Huckle, T., Wall, M., Yeh, L.C., International Alcohol Control
to alcohol pricing,\textsuperscript{3} with changes to alcohol pricing yielding significant changes in total alcohol consumption in these groups.

Fellows and trainees of the RACP know first-hand of the harms that alcohol can cause, from their professional experience across Australia's addiction clinics, emergency departments, orthopaedic wards, rehabilitation centres, liver clinics and cancer wards. The many harms of alcohol and their costs to both individuals and society are both undisputed and substantial, with alcohol consumption being a causal factor in more than 200 disease and injury conditions.\textsuperscript{4} One in eight deaths of 25 year olds in Australia is due to alcohol consumption.\textsuperscript{5}

The evidence clearly shows that more appropriate alcohol pricing has the greatest potential to reduce consumption and alcohol-related harms. For this reason, the RACP questions the underlying premise of the Treasury Discussion Paper to redesign the WET rebate, and is instead calling for the WET rebate and the WET itself to be ended. In order to appropriately reflect the impact of price on alcohol consumption, Australia must move to an underlying volumetric based tax system for all alcoholic drinks, where taxation is based on alcohol content, without exception.

As highlighted in the RACPs submission to the Australian Government’s Tax Discussion Paper,\textsuperscript{6} the costs of alcohol-related harm are at least double the revenue collected by government from taxing the production and consumption of alcohol.

Rather than retaining or simply adjusting subsidies to alcohol producers, these estimates suggest a strong prima facie case for increased taxation of alcohol. These considerations apply particularly strongly to wine because under the existing WET, even without the existence of WET rebates, wine is on average under-taxed relative to other alcoholic beverages with the same alcoholic content. The WET rebates simply add an unnecessary additional subsidy to the wine industry.

We appreciate the opportunity to provide a submission to this consultation and trust that the Treasury will carefully consider our recommendation. Further subsidy of the wine industry makes no sense on the grounds of either public health or sound economics.

Yours faithfully

Laureate Professor Nicholas J Talley