

CIDER AUSTRALIA POSITION ON TAX REFORM

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Cider Australia's position on cider taxation is that cider, as a fruit wine, should be taxed in the same manner as grape wine. This is the logical position for an industry that mirrors the wine industry from fruit growing, production and manufacturing through to sales and distribution. Cider Australia's position on taxation of cider is in line with that of the Winemakers' Federation of Australia with respect to wine.

Cider Australia along with the Winemakers' Federation supports retention of the current Wine Equalisation Tax (WET) and producer rebate scheme, and ongoing reform to improve the operation of the rebate scheme to support regional communities and maintain the original intent of the scheme. This includes removing the rebate from bulk and unbranded sales and offering the rebate only to producers in Australia. In relation to 'bulk' sales, Cider Australia notes it is common practice within the cider industry to sell branded cider in 30L and 50L kegs. In terms of efficiency and sustainability, packaging in glass bottles costs up to 3 times more than reusable kegs. On this basis, it is important that the definition of a bulk sale in this context be a container greater than 51L.

A section of the cider market comprising flavoured non-traditional ciders (circa 25 per cent) is already taxed like Ready to Drink (RTD) products. These non-traditional ciders are generally manufactured in the same way as RTDs and are similarly marketed, targeting a younger demographic. Cider Australia supports this differential taxation system for traditional versus non-traditional ciders.

On taxation generally, Cider Australia supports:

- **Maintenance of differential tax rates for wine (including cider), beer and spirits reflecting the differences in production and flow on benefits between types of alcohol, particularly in relation to employment and economic diversification in regional Australia.**
- **The existing definition of cider under WET where cider is the fermented juice of apples and/or pears with no added flavourings, colourings or alcohol.**
- **No overall increase in total tax revenue from the cider sector. Analysis by Treasury in the discussion paper confirms that traditional cider is already taxed at a higher rate per standard drink than all types of beer and all but very high value wines. Furthermore, Australian tax rates for cider are already higher than in many other countries.**

CIDER FACTS

- WET is levied on the final wholesale price, and there is a huge difference in the wholesale price of ciders made using fresh juice versus mass produced ciders made with cheap imported concentrate. This means the tax paid on most craft-style ciders is more than \$0.50 per standard drink and substantially more for premium ranges, or at least 2-3 times more than the tax paid on low cost ciders.

- Australia’s inadequate labelling laws prevent cider producers from being able to differentiate their product and compete with low quality ciders or apple/pear flavoured RTDs on a level playing field. A single alcohol tax system would not necessarily allow local producers to all compete on the same level!
- WET is levied on the final wholesale price so tax receipts rise exactly in line with wholesale prices. Excise rates are indexed twice per year, so the rest of the time tax receipts for beer and spirits lag behind inflation.
- Traditional and flavoured ciders above 8% ABV are taxed under WET, but there are many products on the market that are labelled as cider – because this is permitted under the very broad Food Standards Code definition of cider – but actually pay excise tax.
- Australia is not alone in having complicated tax arrangements for alcohol and there are many good reasons for this, often related to agricultural and economic development goals. Furthermore, the rate of taxation for cider is already high in Australia compared to the US and many European countries.
- Cider production supports Australian fruit growers, generates employment, tourism and other economic activity in regional areas, and cider is a new and engaging product for the food and beverage sector to invest in.
- Double the labour goes into generating revenue from cider compared to beer, spirits or RTDs. And in the cider industry, much of the labour is employed in regional Australia rather than urban areas.
- Compared to other alcoholic beverages, a large proportion of cider is sold on premise at pubs, bars, clubs, restaurants which provides additional spill over benefits for these businesses.
- Demand for juice quality fruit for cider production has matched supply over the past couple of years. At the same time, orchards report that demand from the cider industry means they have a stable and profitable market for all their fruit and no longer have any ‘waste’ fruit.
- Cider industry profitability is estimated at 8.9% of total revenue, but this is highly volatile for smaller producers. Given that the top 10 cider brands make up almost 90% of the market by value, it is clear that the majority of cider producers are far less profitable than beer and spirits producers.