



# AUSTRALIAN HOTELS ASSOCIATION

24 Brisbane Avenue Barton ACT 2600 • PO Box 4286 Manuka ACT 2603 • Australia  
email: [aha@aha.org.au](mailto:aha@aha.org.au) • Facsimile: (02) 6273 4011 • Telephone: (02) 6273 4007  
Web: [www.aha.org.au](http://www.aha.org.au)

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February 20, 2013

Mr Bill Fruin  
Budget Policy Division  
Department of Treasury  
Langton Crescent  
PARKES ACT 2600  
[prebudgetsubs@treasury.gov.au](mailto:prebudgetsubs@treasury.gov.au)

Dear Bill,

## **Re: AHA 2013/14 Pre-Budget Submission**

The Australian Hotels Association (AHA) welcomes the opportunity to provide a submission for the 2013/14 Pre-Budget process for the Federal Government.

For your reference, the AHA is an organisation of employers in Australia's hotel and hospitality industry registered under the *Fair Work (Registered Organisations) Act 2009*. Its membership of more than 5,000 licensed hotel businesses includes pub-style hotels plus three, four and five-star accommodation hotels located in each state and territory.

The AHA's members are serviced by branches located in every Australian capital city and a Canberra-based national office. Accommodation hotels are represented by Tourism Accommodation Australia, a division of the AHA.

### **Hotel industry – a major employer and economic contributor**

Australia's hotel industry is extremely diverse. Businesses that are part of the industry include small country pubs, metropolitan pubs and taverns, city bars, international standard accommodation hotels and resorts.

Hotels that focus on the provision of accommodation are dominant players in the tourism industry in Australia. Australia's hotel industry operates 24 hours a day, seven days per week and is a labour-intensive service industry.

The Australian hotel industry is also a significant contributor to the national economy, both in terms of supporting local suppliers and by employing some 300,000 Australians. Hotels are also ingrained in the nation's social fabric as important meeting places and entertainment venues.

### **Alcohol taxation – differential excise rates on draught beer**

The AHA is calling for the 'status quo' to be maintained in relation to alcohol taxation in Australia.

The AHA is strongly supportive of differential (lower) excise rates for low, mid-strength and bulk alcohol products that are served on licensed premises, such as licensed hotels.

Central to this, is **maintaining the differential excise rates on draught beer** (keg beer) served on licensed premises.

Any change to the current method of taxing beverages consumed on licensed premises will cause a reduction in hotel revenues and put the industry's ability to remain a major employer of 300,000 hotel employees Australia-wide. Removing the draught beer differential will increase the price gap between hotels (where wages, rent, security and other overheads must be factored into pricing) and retail liquor stores (where alcohol is sold in bulk and overheads are lower).

The AHA strongly urges the Government to maintain the current alcohol taxation system and reject the latest calls to overhaul the alcohol taxation system in favour of a volumetric system that taxes beverages based on alcohol content.

The latest statistics show around 60 per cent of revenue in hotels is generated by the sale of liquor and other beverages. Any change to existing market arrangements will impact on the viability of hotels, the number of people employed in our industry, the overall level of tax revenue delivered to governments and the effective promotion of responsible service of alcohol.

### **History on differential excise rates on draught beer**

It is important to highlight the background to the current draught beer differential rates which were introduced following the commencement of the GST in 2000 when the Federal Government made a commitment that the price customers pay for beer in hotels would not increase by more than the price of packaged beer due to the introduction of the GST.

It was determined that a lesser rate of excise would be imposed on draught beer (keg beer served on licensed premises) than on packaged beer (beer in a bottle or can). The differential rates mean the excise on draught beer served at a hotel is less than the excise on beer consumed away from the venue.

This outcome – welcomed by the AHA – occurred after the largest petition ever presented to Federal Parliament saw **850,000** beer consumers call on Prime Minister John Howard to honour his promise that beer should rise by no more than 1.9 per cent. Brewers, hotel and club associations said the excise increase, imposed in conjunction with the GST, resulted in a three per cent fall in beer sales in the immediate post-GST period which had implications for jobs and industry viability.

It should also be noted that the Federal Government in 2010 rejected the Henry Review's recommendation for a uniform taxation on all alcoholic beverages on a volumetric basis converging over time to a single rate.

For your reference, the AHA has prepared a diagrammatical chart representing the current taxation of beer attached to this submission.

### **Implications of removing the Wine Equalisation Tax**

Introducing the Henry Review recommendation of a volumetric alcohol tax based on the current excise rate for packaged full-strength beer would see 95 per cent of local wines increase in price, leading to a 34 per cent fall in sales and the loss of more than 5,000 jobs in the wine industry alone.<sup>1</sup>

Hotels located in winemaking regions would also be affected by any policy decision adversely impacting on the wine industry.

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<sup>1</sup> Winemakers Federation of Australia (2009) *Submission to Australia's Future Tax System Review*, p6

In South Australia, 129 of the state's 620 hotels (21 per cent of the industry) are located in winemaking regions where wine tourism is a key driver of patronage. Hotels in other winemaking regions in Western Australia, NSW, Victoria, Tasmania and the ACT also rely heavily on their vibrant local winemakers to attract customers. The AHA estimates that around 300 hotels located in wine tourism regions Australia-wide.

### **Tax treatment of alcoholic ciders**

The AHA notes recent media commentary suggesting a change in the tax treatment of traditional ciders. Traditional ciders currently pay the WET, while sweetened ciders pay the same excise rates as pre-mixed spirits. The AHA submits that the vast majority of recent growth in cider sales has been in the sweetened cider category, which already pays the higher rate of tax. Demand for traditional ciders has remained relatively stable and the AHA does not see how changing the tax treatment of such a small market segment is likely to raise significant revenue.

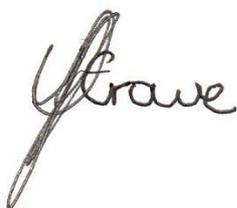
### **Recommendations**

As the leading body for Australia's hospitality, hotel and accommodation sector, the AHA would strongly recommend the following in relation to the 2013-14 pre-Budget consideration:

- **No change to the current system of alcohol taxation, specifically:**
  - **Maintain the current differential rate of excise for draught beer (keg beer); and**
  - **Maintain the differential excise rates for low and mid-strength beer that support the responsible provision of lower-alcohol products in licensed premises.**
  - **Maintain the Wine Equalisation Tax which supports wine-based tourism in several regional communities.**
  - **Maintain the current tax treatment of alcoholic ciders, which sees traditional ciders pay the Wine Equalisation Tax and sweetened ciders pay the same excise rate as pre-mixed spirits.**

The AHA would welcome the opportunity to provide a verbal presentation of our submission to either the review committee and/or a relevant staff member from the Treasury.

Yours sincerely,



Mr Des Crowe  
National Chief Executive Officer  
Australian Hotels Association  
Email: [crowe@aha.org.au](mailto:crowe@aha.org.au)

# ANALYSIS OF BEER TAX



Although keg beer attracts a lower excise rate, the total amount of tax paid on a keg beer is **more than** the total amount of tax paid on a packaged beer. Figures\* below show the tax comparisons on 425ml of beer (schooner).



<p>425 ml On-premise <b>Full strength Keg Beer</b> (Based on \$4.80 – approx.)</p>	<p>425 ml On-premise <b>Full strength Packaged Beer</b> (Based on retail price of \$40 per carton made up of 425 ml bottles)</p>
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\$0.49	<u>Excise</u>	\$0.70
\$0.44	<u>GST</u>	\$0.19
<b><u>\$0.93</u></b>	<b><u>Total Tax</u></b>	<b><u>\$0.89</u></b>

\* Note: Prices and analysis based on current excise rates in Australia, including CPI adjustments as February 1, 2013.  
 \*\* Costs include: Staff wages, workers compensation, payroll tax, super, security, rent, electricity, water, rates, land tax, bank loans and license fees.