



24 September 2025

The Hon Dr Jim Chalmers MP
Treasurer
Treasury
Langton Crescent
PARKES ACT 2600

By email: indirecttax@treasury.gov.au

Dear Treasurer

We welcome the opportunity to provide feedback to the Australian Government on the Excise Amendment (Remission Increase for Distillers and Brewers) Regulations 2025.

Submission overview:

- The Australian spirits industry welcomes the Government's commitment to increase the excise remission eligibility threshold.
- There are unintended consequences associated with the eligibility threshold that require intervention to ensure the ongoing sustainability and integrity of the excise system.
- The Australian spirits industry encourages the Government to:
 1. Commence a consultation process managed by Treasury, ATO and industry to explore the unintended consequences of the AMR with a view to aligning the integrity measures of the scheme to the eligibility rules governing the WET Rebate Scheme.
 2. Adopt the recommendations of the House of Representatives Food & Beverage Manufacturing Inquiry (2024).

Spirits & Cocktails Australia (SCA) represents global and local spirits producers involved in the manufacture, marketing and sale of spirits throughout Australia. Our supply chain showcases the best of Australian industries from farming and harvesting, through to logistics, tourism and world class hospitality.

Our industry contributes \$15.5 billion in added value to the Australian economy, supporting 5,700 spirits manufacturing jobs and a further 45,400 jobs in spirits wholesale, retail and hospitality. An additional 48,700 jobs are supported throughout our supply chain (Deloitte, 2024).

SCA members share a commitment to promoting a safe and vibrant spirits sector, which reflects Australia's mature drinking culture and creates opportunities for economic development, through the sustainable development of a distinctly Australian manufacturing industry.

The Australian spirits industry welcomes the government's election commitment to increase support available under the Excise remission scheme for manufacturers of alcoholic beverages, and that under the new arrangements the eligibility threshold for access to an excise remission under the scheme will increase from \$350,000 to \$400,000 per financial year from 1 July 2026.

When the Commonwealth Government first introduced the excise remission threshold, we acknowledged the full remission of the first \$350,000 in excise benefits a large number of craft distillers. Australian breweries and distilleries create unique tourist experiences that stimulate regional visitor economies. These businesses drive innovation, stimulate investment and importantly offer regional communities an avenue to diversify from traditional industries. This affords communities the benefits of higher yield sectors, such as tourism and hospitality, to ensure long-term economic viability – and higher-paid regional jobs.

Legitimate Australian beverage alcohol producers support rural and regional producers, and in turn the local communities that produce input commodities such as wheat, barley, grape and sugarcane. Importantly, the distilled spirits manufacturing process generates substantial economic value.

Spirits and Cocktails Australia supports the need for a program whereby small distillers can be assisted to create new business in the distilling industry via tax incentives, but our members are increasingly concerned about a remission program that is open to abuse and has the potential to substantially disrupt our position in the market.

The excise remission provided to distillers in Australia was intended to provide relief for small businesses and encourage growth in the industry. While doing this, it has simultaneously disincentivised businesses from innovating and growing beyond the \$350,000 threshold, however. The excise remission has effectively created a ceiling for a developing industry, encouraging manufacturers to stay small and not to grow beyond this threshold. In turn, the cost of investment beyond the \$350,000 cap to expand or to purchase new equipment is too great to facilitate the efficient scaling of our industry.

For instance, the full remission of excise up to \$350,000 disincentivises smaller distilleries from producing more than about 12,500 bottles of distilled spirit each year (or other products produced at 40% alcohol by volume) – which is just 250 bottles per week. This is because the cost of goods increases by \$27 beyond every product produced after the 12,500th bottle of spirits once excise begins to apply. What's more, small producers in the wine and beer industry can produce higher volumes of product as their lower tax rates mean that it takes them longer to surpass this \$350,000 excise-free threshold.

Currently, to be eligible for this automatic remission you must:

- Hold a manufacturer licence authorising you to manufacture alcoholic beverages at the premises specified in your licence

- Have manufactured an alcoholic beverage and entered it into the Australian domestic market
- Have fermented or distilled at least 70% of the alcohol content by volume of the alcoholic beverage
- Be legally and economically independent of any other entity that has received a remission under the scheme in the financial year (or, in certain circumstances, a refund). If you're not legally and economically independent of any other entity, only one manufacturer in your group is entitled to the remission (or refund) in the financial year.

Our members have observed three distinct practices developing since the introduction of the scheme:

1. A legitimate small distillery provides branded product to 1-2 local venues to make full use of their available remission. While they may supply to these venues they do not cease operation as a legitimate business (e.g. distillery door, sales direct to public, branded product).
2. A hospitality group sets up a distillery or brewery, sometimes connected to a venue, to supply product only to their venues under the remission process (ie tax free). This can be a legitimate arrangement with a functioning distillery door, branded product and direct sales aimed at increasing the vibrancy or tourism offering of their business or it can be designed purely as a scheme to avoid tax on their house pour spirits as the distillery has no external functions e.g. no distillery door, no direct to public sales and no branded product.
3. An aggregator who actively works to 'purchase' remission-free product in bulk from multiple small distilleries, then operates as a wholesaler to on-sell that remission free product into the marketplace at a heavily discounted price, thus transferring the benefit of the remission from the small distillery to the larger wholesaler in the supply chain.



These businesses models have developed in part due to insufficient integrity controls in the scheme, which leave it out of step with the WET Rebate scheme. Government should strongly consider aligning the eligibility requirements across both the WET Rebate and the AMR to ensure consistency and integrity within the AMR.

The Australian Mid-Tier Distillers submitted to the Parliamentary inquiry into Australia's food and beverage industry that "across Australia, hospitality groups are installing cheap stills to produce spirits tax-free, with vastly superior profit margins than they could ever get by sourcing products from tax-paying distillers."

In their submission, the Mid-Tier Distillers outlined how the excise remission scheme is used. For example:

1. A hospitality group uses up its excise remission, so it encourages a business next door to install a still and buys all the spirit at excise-free pricing- i.e. double dipping.

2. A business is split into two separate entities with different directors to claim two lots of excise remission.
3. Liquor wholesalers are approaching small distillers to buy their excess 'remission volume' and sell tax-free spirits direct to bars for use as unbranded first pour spirits.

In response to these distortions and unintended consequences, Spirits and Cocktails Australia recommends that Treasury commence a consultation process to introduce a number of reforms to the scheme. The Australian spirits industry is willing to work through these challenges with the Commonwealth Government to develop appropriate integrity measures such as:

- a. Banning the use of aggregators who benefit from the transference of the remission benefit from the small distilleries they purchase from to larger entities such as bulk wholesalers and bottling businesses
- b. Introduce stronger controls at the distillery level, mirroring changes to the Wet Rebate in 2016, requiring distilleries to hold a trademark, have a Direct-to-Consumer sales channel and a distillery door offering in order to benefit from the remission.
- c. Prevention on entities being able to 'double dip' on the WET Rebate and the AMR. We note that currently there are restrictions for Beer and Spirits but not for Wine and Spirits, and the increase in the threshold will exacerbate these distortions,
- d. Restriction on all bulk products (mirroring WET changes) so that only bottled product is eligible.

When the full remission of \$350,000 was introduced in 2022, the Federal Government stated that the intention was to align the scheme with the existing Wine Equalisation Tax (WET) producer rebate for wine producers.

While we welcomed the minor change to the excise remission scheme in July 2021, we also know it holds back many genuine producers of high quality products looking to export and grow their business.

The Australian spirits industry has consistently raised concerns about the negative impact of unintended consequences on the growth and development of our industry, especially the impact of one of the world's highest excise rates, and the competitive disadvantage of taxes in the international market.

The impact of this tax burden can be seen in the level of exports for the spirits industry, which remain small when compared to the wine industry, as well as to its international peers. Australia exported \$210 million in spirits in 2022 compared to \$2.1 billion for wine. Australia's spirits exports ranked 29th in the world by trade value while our wine exports rank 6th.

According to the Spirits Industry Survey conducted by Deloitte in 2024 while only 17% of spirits manufacturers currently export, this figure is likely to grow, with 40% interested in exporting.

Research by Mandala Partners (2024) shows that Australia could be a \$1 billion exporter by 2035.

The Final Report of the 2024 Parliamentary inquiry into Australia's food and beverage industry supported the Australian spirits industry's call for the establishment of 'Spirits Australia' as a support body for the industry.

Spirits and Cocktails Australia submitted to the Committee that Australian consumers and the spirits industry would benefit from enhanced standards and integrity measures, and recommended that the Commonwealth Government:

Develop product descriptions and minimum standards for Australian spirits to build confidence in these products among domestic and international consumers and provide a single point of enforcement to ensure product integrity.

The Final Report recommends that the Australian Government work with industry to establish a new body, 'Spirits Australia', similar to the existing statutory body, Wine Australia.

In the first year of the change, the remission scheme was a cost to the Budget of approximately \$20 million for the spirits category. Yet in August 2021, the Government increased the amount of excise received from the spirits industry by more than \$100 million – five times as much as was allocated to the industry less than a month earlier.

The current cap of \$350,000 already acts as an artificial cap to growth because the marginal cost of production once a producer exceeds the remission cap consumes the profits that would otherwise be made. We also note that when the excise rate is increased twice per year, this reduces the production capacity at the same inverse rate. The production frontier has already reduced by nearly 10% since the introduction of the scheme in July 2021.

Spirits and Cocktails Australia generally supports the need for a program whereby small distillers can be assisted to create new business in the distilling industry via tax incentives, but our members are increasingly concerned about a remission program that is open to abuse and has the potential to substantially disrupt our position in the market. There is even evidence that some of the more cynical operators have even started openly advertising their cheaper products to consumers as excise free.

Therefore, we call on the Commonwealth to commence consultation on integrity measures so that as the benefit is increased to \$400,000 by July 2026, the right eligibility requirements are in place to ensure the scheme is not being taken advantage of and that the spirit of the scheme is maintained to protect Australian taxpayer's, consumers and the local industry.

The industry consultation process should also include a Treasury review of the broader impediments to the growth and sustainability of the Australian spirits industry, as well as the opportunities to grow the industry as well.

Spirits and Cocktails Australia will continue to work with government and all key stakeholders to ensure that we deliver the best outcomes for Australian consumers, for the economy and for taxpayers.

Yours sincerely

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