Spirits & Cocktails
AUSTRALIA

2026-27 Pre-Budget Submission

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Background

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.

The spirits 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.

Summary of Recommendations

SCA calls on the Australian Government to support the spirits industry in the following ways:

Reduce the excessive tax burden facing spirits producers

1. Extend the freeze on draught beer excise to tap spirits and maintain this indefinitely.
2. Undertake a comprehensive review of alcohol taxation.

Revenue opportunities – Strengthen the integrity of the alcohol tax system to ensure fairness and a level playing field

3. Introduce integrity measures to protect the Alcohol Manufacturers Remission (AMR) scheme from unintended exploitation.
4. Undertake a review of the drivers of illicit alcohol activity and its impacts.

Implement key recommendations from the 2024 Parliamentary Inquiry into Food and Beverage Manufacturing

5. Establish a national spirits marketing and standards body similar to Wine Australia.
6. Ensure uniformity of state and territory Container Deposit Schemes to the greatest possible extent.

Further detail on these proposals is contained herein.

About the Australian spirits industry

The Australian spirits industry contributes $15.5 billion in added value to the Australian economy each year, supporting 5,700 direct manufacturing jobs and 100,000 indirect jobs throughout the industry's total supply chain. Over 80 per cent of all spirits consumed in Australia are manufactured by skilled professionals in 700 distilleries and manufacturing plants across the country, with half of these operations in regional Australia.

For more than three quarters of Australians, alcohol forms part of a balanced lifestyle, being consumed responsibly and in accordance with the National Health and Medical Research Council guidelines (AIHW, 2024).

The Australian Institute of Health and Welfare's (AIHW) National Drug Strategy Household Survey has found significant improvements in Australia's drinking habits over the last decade. AIHW data confirms Australians are drinking less alcohol and making informed choices about their alcohol consumption, with significant declines in risky and heavy episodic drinking.

In recent years, the Australian spirits industry has seen consumer preferences shift in favour of premium products. This is driving the trend of 'premiumisation', with consumer demand for unique and innovative products that celebrate provenance, legacy and craft growing steadily over the last decade.

The 2024 Drinkwise Research Paper *Australian Alcohol Consumption Trends* found consumption of spirits and liqueurs had risen from 14% of the total alcohol consumed in 2018 to 18% in 2024. Similarly pre-mixed spirits rose from 9% in 2018 to 13% in 2024. Bottled wine fell from 35% to 29% and cask wine from 4% to 3% of total alcohol consumed. Regular strength beer was the only type of beer to increase its proportion of the market from 17% to 18%. Low and mid strength beers were static at 4% and 7% respectively.

These changing behaviours and preferences are leading to changes in the market that are not being matched by updates to our policy settings, particularly the taxation system. While consumption patterns and drinking behaviours are changing (for the better) policy settings remain fixed on outdated assumptions and requirements.

Spirits are excessively taxed

There is now a significant body of work, including government reports and inquires over a number of years raising concerns about the sustainability of the spirits excise system. These concerns include the Parliamentary Budget Office, as well as government reviews such as the 2010 Henry Tax Review and the 2015 Re:Think tax review, as well as parliamentary inquiries.

While spirits account for approximately 23 per cent of total alcohol consumption in Australia, they contribute more than 50 per cent of the alcohol excise and duties collected – more than $5 billion per year. Australia's spirits excise is the third-highest in the world at over $105 per litre of alcohol, equating to around $30 on the price of a bottle of gin or whisky. The rate of tax on spirits is double the tax on beer, and approximately four times higher than the tax on mid-range wine. Only Iceland and Norway impose higher taxes, putting Australian industry at a significant competitive disadvantage.

Recent research by the ANU Crawford School of Public Policy and Adelaide University (2025) states that Australia taxes alcohol consumption more than most other comparable economies.

> *"As incomes have grown and with it a greater desire for healthier living, there has been a shift in consumer demand from quantity to quality of alcoholic beverages, such that the volume of alcohol consumption per adult has been falling since the mid-1970s in Australia and globally. Producers have responded accordingly, as reflected in the premiumization of beer, wine and spirits on the world's beverage markets."*

Global spirits manufacturers are discouraged from further investment in the domestic distilling sector because of Australia's high taxes, while successful domestic producers seeking to expand through exports are less able to compete fairly with producers operating in less punitive tax systems. While excise is not charged on exported goods, the excise applying to domestic spirit sales places spirits producers at a competitive disadvantage to beer and wine producers, undermining their ability to build a solid domestic business foundation on which to base their export businesses.

The Australian spirits industry notes that a number of parliamentary inquiry and government reviews have highlighted the need for review of alcohol taxation, most recently including the Final Report of the Committee. The Committee noted that approximately 40 per cent of submissions received for this inquiry were from the alcohol industry raising concerns about the system of alcohol taxation in Australia. Due to the complexity of this issue, the Committee "has recommended that a House Select Committee be formed to look in detail at how to best support the alcohol industry".

Excise Freeze

The Government recently acknowledged the benefits of lowering taxes on alcohol when it introduced a two-year excise freeze for draught beer. The Australian spirits industry welcomes the recognition, via Ministerial media releases and second reading speeches by Parliamentarians, of the important social role of alcohol in Australia when consumed in moderation. Similar tax relief should be provided for spirits sold in the same way as draught beer on licensed premises.

Tap spirits are a growing part of the product mix for pubs, clubs and small bars and appeal to a wide variety of customer demographics. Spirits & Cocktails Australia is seeking to extend the two-year freeze on draught beer excise to tap spirits served on-premise in hospitality venues – this would include bulk containers of spirits and lower-alcohol premixed drinks designed to be connected to pressurised or pump delivery systems.

Extending the freeze would ensure that cost-of-living relief is enjoyed beyond just those who choose to drink draught beer, removing the discrimination against the growing number of spirits drinkers who purchase their drinks at the bar.

Industry costings, based on public ATO reporting and international data reporting indicates that the cost of extending the excise freeze to these new subitems will be around $5 million per year, which is a small increase to the existing draught beer freeze, which the Government expects will cost $95 million over five years.

Recommendation 1: Extend the freeze on draught beer excise to tap spirits and maintain this indefinitely

Is Excise still fit-for-purpose?

Recent experience with tobacco provides a cautionary tale into the consequences of overtaxing products, compounded by further automatic tax increases every six months.

The University of Sydney report 'Tobacco excise revenue has tanked amid booming black market' released in April 2025 concludes that

> *"The Federal Budget revealed a sharp drop in what was once a major source of revenue for the government – the tobacco excise. This financial year, the government expects to earn revenue from the tobacco excise of A$7.4 billion. That's down sharply from $12.6 billion in 2022–23, and an earlier peak of $16.3 billion in 2019–20."*

In addition to the well-documented crisis regarding tobacco, there are now significant tax revenue shortfalls across all excise categories (alcohol, fuel and tobacco). This raises concerns for the long-term sustainability of excise as a tax model, as well as the associated impacts on society and the economy from continued erosion of tax integrity.

According to the Parliamentary Budget Office (PBO) 'Budget explainer for Australia's Tax Mix' (November 2024) the PBO raises concern about the unintended consequences of excise, stating that*:*

> *"Despite what may be seen as positive impacts when individuals smoke less, reduce carbon emissions, save more for retirement, promote local business prosperity and have more babies, taxes which aim to change behaviour are generally inefficient for the economy. They can also skew equity and add complexity to the overall system."*

The PBO further notes the following in relation to tobacco excise:

> *"In recent years, the decline in excise volumes has been offset by large increases to the rate. This may have resulted in an increase in illicit tobacco products to avoid the tax, illustrating the trade-offs between using tax to motivate behavioural change and the motivations for non-compliance."*

The 2023 Australian Bureau of Statistics (ABS) September quarter results attributed the annual Consumer Price Index (CPI) increase for the alcohol category to inflationary impact of the spirits excise, stating that "Alcohol rose 1.3% due to the bi-annual increase in the excise tax for alcohol on 1 August",

The House of Representatives Standing Committee on Industry, Science and Innovation's 2024 inquiry into Food and Beverage Manufacturing in Australia revealed more than 40% of public submissions to the Committee raised the negative impact of high spirits taxes. The Committee acknowledged these submissions and recommended a further parliamentary inquiry be conducted specifically to inquire and report on all aspects of the Australian Alcohol Industry.

The excise system is broken, inefficient, failing to deliver budgeted revenue to government due to the growing proportion of goods that are untaxed, and is making the products of legitimate tax-paying producers increasingly less affordable. The excessive tax on spirits undermines a large and growing sector of small and medium-sized businesses including distilleries and hospitality venues to the detriment of local employment and tourism opportunities.

SCA calls for the Government to consider more effective international models and work with industry to develop a new model for alcohol taxation that better reflects the current consumer and policy landscape.

Recommendation 2: Undertake a comprehensive review of alcohol taxation With a focus on the impact of excessive excise on revenue loss for government through the tax gap and consumers switching to illicit products.

Revenue opportunities – Addressing integrity problems in alcohol tax

Integrity of the Alcohol Manufacturers Remission Scheme

The AMR scheme is an important support mechanism for Australia's emerging craft distillers, but its lack of integrity mechanisms are enabling it to be exploited, with millions in tax benefits flowing to operators who were not the Government's intended beneficiaries.

Increasingly, the $400,000 benefit is being claimed by 'aggregator' businesses which purchase excise-free spirits in bulk from multiple small distillers each claiming the remission. The aggregator then operates as a wholesaler, on-selling the product to the market (often hospitality venues) at heavily discounted prices, thus transferring the benefit of the remission from the small distilleries to the wholesaler.

This activity, which is legal under current policy settings:

- Undermines legitimate producers including excise payers.
- Poses risks of harmful consumption due to a lack of controls over production, distribution and provenance.
- Puts the ongoing sustainability of the scheme at risk for legitimate craft distillers.
- Reduces tax revenue to Government as the remission benefit is claimed by unintended recipients.

In a submission to the Treasury consultation on the increase in the remission threshold in late 2025, SCA proposed the introduction of new integrity measures that would align with integrity measures introduced in recent years to the Wine Equalisation Tax Rebate including:

- Banning the ability of aggregators.
- Introducing stronger distillery-level controls (mirroring the 2016 WET Rebate changes), requiring distilleries to hold a trademark, maintain a Direct-to-Consumer sales channel and maintain a distillery door offering to be eligible to claim the remission benefit.

- Prevention on entities being able to ‘double dip’ on the WET Rebate and the AMR.
- Restriction on all bulk products (mirroring the 2016 WET Rebate changes) so that only bottled product is eligible.

The spirits industry is very keen to work with Government to strengthen the AMR scheme’s integrity and ensure it is able to be sustained into the future in support of craft distillers.

Recommendation 3: Introduce integrity measures to protect the Alcohol Manufacturers Remission (AMR) scheme from unintended exploitation.

Illicit activity and the shadow economy

The Australian spirits industry and others, including the Parliamentary Budget Office and the Australian Taxation Office have raised concerns about the unintended consequences of excessive excise undermining the integrity of the industry.

The 2024 ATO Tax Gap analysis reported a tax gap for alcohol of $798 million, with “around $709 million or 88.8% of the unreported alcohol duty is because of illicit activity in the shadow economy.” Critically the ATO concedes the link between rising taxes and illicit trade “As with most Excise gaps, the amount of the gap increases each year as duty rates increase.”

The ATO is detecting a decline in revenue for alcohol, estimating in the 2024 MYEFO a loss of $800 million due to alcohol ‘bootlegging’. It warns that ‘bootleg’ products *“are being sold, offered for sale, or entered into the Australian domestic market for consumption without the required excise or customs duty being paid. This is what we mean by 'illicit'. We treat this activity very seriously as it's illegal and unfair to businesses who do the right thing.”*

The impacts of leakage to the illicit market is not just a potential growth in illegal activity and a loss in revenue for government, but also a health risk for consumers from unregulated products, as well as the impact on business and workers who are impacted through reduced hours of work and reduced contracts.

In recognition of the serious impacts of leakage into the illegal market, the Senate has referred an inquiry by the Legal and Constitutional Affairs References Committee into the illegal tobacco crisis in Australia, with particular reference to the impact of illegal tobacco on public health and on government revenue, including smoking rates and the loss of Commonwealth excise and customs revenue.

International data shows that illicit activity tends to occur more frequently in relation to spirits than beer and wine, due in part to their higher cost and alcohol content. Concerns about the integrity of alcohol taxation have been raised by numerous organisations both in Australia and internationally, including:

- The World Customs Organization Enforcement and Compliance Illicit Trade Report 2023 reports *“that the greatest volume of illicit trade was tied to the non-payment of taxes within jurisdictions”*

- The OECD illicit trade report states that *"As a general rule, illicit alcohol trade is closely linked to the low affordability of products."* Another OECD report states that taxes on alcohol *"can create additional incentives for counterfeiters to enter the market and supply illicit alternatives."*
- The 'Size and Shape of the Global Illicit Alcohol Market' report released by the Transnational Alliance to Combat Illicit Trade (TRACIT) states that excessively high taxes that incentivise players to maximise profits by entering the illicit market. The TRACIT white paper recommends that governments "Avoid excessive and discriminatory taxation and regulation to the licit players because they can have unintended consequences."
- In 2019 KPMG was engaged by the Department of Home Affairs to analyse the illicit trade in alcohol, and calculated that the illicit trade could be as high as 205 million litres of pure alcohol. Victorian Police estimate that 2.4 million bottles of illegal alcohol enter the market every year.
- The ATO has increased its focus on illicit alcohol products, stating that *"The ATO is obviously concerned about the tax leakage and the unfair impact on businesses that do the right thing, as well as the broader community threats, including the health and safety risks inherent in the consumption of illegally manufactured alcohol."*
- The ATO and Fair Work Ombudsman (FWO) conduct a series of raids in September 2025 to uncover suspected shadow economy activities, with a specific focus on alcohol excise avoidance. Following the raids by Project Sentinel, the ATO stated that "*This behaviour is not only illegal – it also undercuts honest businesses, creates unfair competition and poses significant risk to public safety."*

Evidence and international experience suggests excessive taxes can drive some consumers to illicit and even illegal products as substitutes for over-priced products, especially where bootleg products can be produced through unregulated processes. In response to the evidence of the tax gap and growth in illicit alcohol, SCA remains concerned that excessive taxation may facilitate illegal markets and that the ever-increasing spirits excise may drive consumers to dangerous unregulated products.

There are clearly significant public health risks that can result from illicit products, as well as negative consequences from unlawful operators taking advantage of the tax arbitrage to covertly supply illicit products to unsuspecting consumers.

Prohibition Liquor Co. in South Australia submitted to the Federal Parliamentary Inquiry into Food and Beverage Manufacturing in Australia that *"… spirit(s) makers are walking into venues all over Australia, with drums of gins or vodkas, selling to bars at $25-$35 per litre, a product which should cost more than $43/L in excise value alone. This completely renders distilleries which pay excise, employ staff, generate exports and build the economy, unable to compete on price in such a price-sensitive market."*

SCA members report that multiple websites provide detailed instructions for how legitimate alcohol traders can set up online trading platforms. For example, in their submission to the Parliamentary Joint Committee on Law Enforcement Inquiry into Combatting Crime as a Service (CaaS), Diageo highlighted the problem of multiple websites already established to provide detailed instructions for how legitimate alcohol traders can set up online trading platforms.

Illicit activity is a persistent problem posing risks to public health, affects Government tax revenues, and undermines legitimate operators. SCA calls on the Government to take action by undertaking a review of the factors causing illicit alcohol activity, identifying the impacts this has on the community and industry, and identifying ways to reduce its prevalence.

Recommendation 4: Undertake a review of the drivers of illicit alcohol activity and its impacts.

Implement recommendations of Parliamentary Inquiry

The House of Representatives Standing Committee on Industry, Science and Resources tabled recommendations from its *Inquiry into Food and Beverage Manufacturing in Australia* in early 2025. In its Final Report, the Committee raised concerns about the system of alcohol taxation in Australia. The Committee felt its Terms of Reference did not enable full consideration of the complex issues raised by the alcohol industry, including taxation, stating a further review is needed:

> *7.36 The Committee recommends the formation of a new House Select Committee to inquire and report into all aspects of Australia's alcohol industry.*

The Committee acknowledged the concerns raised by the alcohol industry about domestic industry growth and accessing international markets. The bi-partisan Parliamentary committee recommended that the Commonwealth provide targeted support to help promote industry growth, especially through increased assistance for export development. To promote growth and enhanced industry standards, the committee recommended the establishment of a national body similar to the successful Wine Australia model:

> *Recommendation 17: The Committee recommends the Australian Government work with industry to establish a new body, 'Spirits Australia', similar to the existing statutory body, Wine Australia. The new body should be developed in consultation with industry stakeholders and be industry-funded.*

Wine Australia was fully government funded when first established. In recognition of the $5 billion contributed to Commonwealth revenues by the spirits industry via excise, SCA submits that any national body for the spirits industry should also be fully Commonwealth funded with no additional levies imposed on producers.

In the submission to the 'Food for Thought' inquiry, the Australia spirits industry highlighted the need for enhanced standards and compliance, especially in relation to international trade and Australia's trade agreements. Australia's trading reputation and trade negotiations would benefit through greater compliance and avoidance of trade and labelling disputes, especially over terms protected by certification trademarks, like "Scotch Whisky" and products considered distinctive to a particular place of origin, like "Bourbon" and "Tennessee Whiskey' are to the United States.

As an example, SCA has raised the issue of an Australian producer marketing a product labelled "Bourbon: Made in Australia". The naming of this product could infringe the rights of legitimate US producers using the specific, defined term "bourbon." However, there is not currently a single authority to raise any potential objection to its use, nor any adequate forms of recourse available under Australian law.

A national spirits body would help facilitate compliance with any new product descriptions, minimum standards and trade agreement obligations, to ensure product integrity in spirits made available for domestic sale and export.

Recommendation 6: Establish a national spirits marketing and standards body similar to Wine Australia.

Container Deposit Schemes

The Committee also heard evidence from all parts of the alcohol beverage industry on the disruptive and costly effects of state and territory container deposit schemes being implemented with varying requirements and on varying timelines and recommended Commonwealth intervention:

> *Recommendation 22: The Committee recommends that the Australian Government work with state/territory and local governments and industry to harmonise Australia's container deposit schemes.*

SCA calls on the Commonwealth to implement this recommendation.

Recommendation 7: Ensure uniformity of state and territory Container Deposit Schemes to the greatest possible extent.