



30 August 2021

Deregulation Taskforce

Department of the Prime Minister and Cabinet

PO Box 6500

CANBERRA ACT 2600

via email to: DeregulationExcise@pmc.gov.au

Independent Brewers Association response to the *Deregulation Taskforce - Streamlining excise administration for fuel and alcohol 2021*

The Independent Brewers Association (IBA) is the peak national industry body representing Australia's 600 independent brewers, 65% of these being small businesses based in regional and rural Australia.

Australia's 600+ independent brewers contribute an estimated \$1.93 billion in economic output to the Australian economy and employ 6,891 people, representing 51% of all employment in the brewing industry.

For every direct job in the brewing industry, a further 3.8 jobs are created in associated industries such as agriculture, logistics, manufacturing, hospitality and services. This means that the independent brewing industry is responsible for supporting over 33,000 jobs reflecting its significance to the Australian economy.

Our organisation is thankful for the increase in the excise refund cap for small brewers and distillers from \$100,000 to \$350,000 announced earlier in the year, as it will ensure our members are able to realise their investment opportunities to further our national beverage manufacturing industry – ultimately creating more jobs for Australians.

The IBA also welcomes the Deregulation Taskforce's focus on improving the excise and excise-equivalent customs duty system, through both administrative and legislative reforms as outlined in the consultation paper. The IBA believes this streamlining exercise is necessary to fully realise the benefits of the Government's increase in the excise refund cap and achieve growth in this industry.

To this end we would provide the following feedback on behalf of our members:

We agree that this antiquated system is cumbersome and places unnecessarily complex and duplicative requirements on small business, who are already heavily burdened with red tape.

The regulation is overly restrictive, imposes unnecessary costs and stifles innovation and growth. When the business owner is often the head brewer, accountant and people manager, the complexity and time involved with tight lodgement and payment cycles stifles productivity and innovation and therefore should be streamlined.

The excise system has, as its primary focus, the collection of revenue. While the legislation has undergone changes overtime it remains fundamentally centred on the premise that those operating within the system are large operations, producing goods that attract high rates of excise. With the growth in the independent brewing industry, and the increase in the excise refund cap, the IBA believes this now represents a unique opportunity to significantly streamline the requirements commensurate to the very low revenue risk to government.

As a result, the IBA supports changes to the following changes to the regulatory framework:

1. **Deferred settlement** - Businesses that do not pay excise (due to being under the \$350,000 cap) should be able to lodge a return annually (rather than monthly) in a simpler/streamlined format. Businesses that are currently required to lodge weekly should be able to, as a default, lodge on a calendar month basis. It is realised that more frequent reporting ensures positive cash flow for government however we assume this also comes at a cost in terms of processing time for the department.
2. **Alignment to other tax requirements** - For example, alignment with GST would be desirable, and reporting could be incorporated with BAS. Ultimately it is the same amount of work for the same return, for the business and the ATO.
3. **Improved guidance and support** - Provide guidelines, online tools and templates to alleviate the learning curve and information gaps for those starting a new business.
4. **Remove restrictive refund time limits** - The time limit for claiming back excise that has been paid in error should be extended to 4 years, consistent with other indirect taxes.
5. **Reduce overlap/duplication for licensing** - The ability to roll the wholesale producers licence and an excise licence into one would be of benefit to breweries. Further alignment with state liquor licencing requirements would also be welcomed.
6. **Remove requirement to continually renew licences** - Our members would benefit from licences that continue until cancelled by the regulator or business.

7. **Reduce the number of tariff items for beer** - It would reduce complexity and the regulatory burden if there were only two tariff items; one for packaged beer and one for kegs. We note that two tariff items adds complexity and does not make sense given they are the same rate, for beer under 3.5% and over 3.5%.
8. **Remove requirements relating to growlers** - It has long been recognised that the repackaging provisions in excise law, which were designed to prevent the contrived avoidance of duty, are having the effect of stifling innovation and creating perverse outcomes. The ATO has temporarily allowed businesses providing kegged beer in growlers to be exempt from the onerous regulation, reporting and licencing involved with the excise system. The IBA requests that this sensible concession be extended until the government is able to fix this defect in the law.
9. **Simpler measurement** - Instead of basing excise on ABV, it could be based on original gravity like those regimes in place in Europe. The accuracy and equipment required to measure ABV seems unnecessary. Even the smallest, unsophisticated brewery can easily measure original gravity.
10. **Less frequent indexation of rates** - We question the need for 2 points of indexation in a financial year as well as the justification for the constant increase. If bi-annual indexation is considered necessary then as a minimum the length of notice of each change should be longer.
11. **Waive requirements for samples** - We would request that some consideration be given to waiving excise requirements for a 'reasonable amount' of finished product that is used for testing, product development, marketing similarly to the WET framework.

Thank you in advance for your assistance and I can be contacted on 0490 818 717 or kylie.lethbridge@iba.org.au should you require any further information.

Yours sincerely,



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