

Beer tax hits during cost-of-living crisis.

The Government has just announced it will implement the second largest beer tax increase in 30 years. The annually adjusted alcohol excise rate has been confirmed to increase by 6.65% after a record 6.92% increase in 2022. It is expected that revenue from all alcohol excise tax in the year ending 2022/23 will be \$1.29b. Based on recently released Government budget forecasts, the 6.65% excise increase will cost New Zealanders an extra \$86m per year, including \$28.9m for beer drinkers alone.

“The beer excise increase could not come at a worse time for brewers and consumers. With Kiwis facing a cost-of-living crisis, more tax is the last thing anyone needs,” said Brewers Association of New Zealand Executive Director Dylan Firth and Brewers Guild Executive Director Melanie Kees.

“What that means is that when you next buy a 12 pack of beer, 50% of the price will be made up of tax through excise and GST¹.

“The system which links annual excise increases to the Consumer Price Index is flawed, especially at times of high inflation. For example, when inflation averages 2-3%, businesses can build or absorb the cost into pricing. But the large increases we have seen in the past two years, totalling more than 13%, mean the cost jump for businesses, and ultimately consumers, prevents further investment, innovation and growth.

“Combined with the many other increasing costs brewers and beer sellers in the hospitality sector are facing, the price of a pint is fast becoming out of reach. The last thing we want to do with our borders re-opening and tourism building up again, is to be seen as the land of the unaffordable pint.

“We have always highlighted to Government that they have the discretion to not raise excise by CPI. This is built into legislation. Given the cost pressures for every Kiwi, we hoped some consideration would be given to this. Instead, we see a decision to impose more costs on brewers and average New Zealanders who enjoy a beer.”

“With inflation expected to remain high into 2024, we urge the Government to consider the means they have to reduce the tax burden on New Zealanders, even if only by a few cents on their beer.”

“Other comparable markets have identified the positive effect tax relief can have on small businesses. The UK Government froze excise tax increases several years ago. Now, with this coming to an end, they have announced almost 10% relief for keg beer sold through hospitality venues to offset inflation. Closer to home, our Australian neighbours have for years identified that pubs have an important place in society, so have a differential keg excise rate which is lower than the rate for packaged beer, as well as an exemption on any excise paid on the first 500,000L of beer produced which supports smaller breweries.”

Joseph Wood, Chairman of the Brewers Guild said "Last year was the highest excise tax increase in 30 years, so to hit the industry with another hefty increase this year, could be that final straw that breaks some of our smaller breweries. Many of these breweries are small businesses who are doing their absolute best, producing amazing beer, adding value to their local communities and economies, employing staff and yet, another increase of this size could be the difference between staying in business or not".

"When you add up the cost increases the industry has faced over the past 12 months, including CO₂, wages and ingredients just to name a few. Add to that the Health Promotion levy, and the fact we cannot claim GST back on the excise these are dire times, especially for those small breweries. It's not so easy to say, just pass the costs onto the consumer, times are tough and many of us are a core part of our local communities, we look after each other. So where does that leave a small business

owner? There will be some very tough decisions to make for business owners, a stressful time for sure."

"Our organisations will continue to advocate for reasonable tax policy for the brewing and hospitality sectors. Because, ultimately, tax increases at these rates will make it difficult for businesses to stay afloat, while consumers, who are already struggling, will be hit in the pocket."

ENDS

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ⁱ Standard \$20 dozen. New alcohol excise rate for a 330ml bottle equates to 58c per bottle