



17 March 2022

Hon Meka Whitiri  
Minister of Customs  
c/- Parliament Buildings, Wellington

via email

Dear Minister

### **Alcohol Excise Increase**

We write as the trade associations representing the majority of the New Zealand spirits industry to ask you consider our arguments regarding the annual CPI-linked adjustment to alcohol excise. You will know from previous years we are seeking relief from what will be a historically high increase as the CPI for the year ended March is predicted to be in excess of six percent (and perhaps higher than seven percent).

We understand and acknowledge that alcohol excise is an indirect tax meant to reflect the social cost of alcohol in New Zealand and that a CPI adjustment is used to maintain relativity. We also acknowledge that, normally, when applying this tax the impact on business profitability is not a factor taken into account.

These are not normal times however and, unlike in previous years, most if not all of the excise increase will be passed it on, as is possible, to retail. This will disproportionately impact the already struggling restaurant and hospitality industries many of whom are small businesses.

In addition to hospitality, New Zealand's emerging spirits industry of around 100 small distilleries will, likewise, be disproportionately affected by such a large increase in excise tax. These businesses support tourism, local and regional development, and many are venturing into export markets.

We therefore ask you to consider deferring all or a significant portion of the tax increase until such time as the economics of the sector improve. At this time we envisage government and industry would agree a scheme which would see deferred revenue recouped through excise increases over and above CPI. We would be more than happy to meet to discuss how this might be accomplished.

We cannot emphasise enough the ongoing impact of COVID on our sector. Significant increases in shipping costs and raw materials as well as labour shortages and the wider impact on the hospitality sector has impacted sales volumes and profitability.

We acknowledge the efforts of government to support business but ask that you consider the above proposal.

Yours sincerely

A handwritten signature in blue ink that reads "Robert Brewer". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert Brewer  
Chief Executive  
Spirits New Zealand

A handwritten signature in black ink that reads "James". The signature is cursive and stylized, with a large loop at the beginning.

Dr Sue James  
Chair  
Distilled Spirits Aotearoa