STIMULUS OF THE NEW ZEALAND DISTILLED SPIRITS INDUSTRY

Removal of barriers leading towards an export-led growth path

WHITE PAPER

This White Paper has been prepared by Distilled Spirits Aotearoa (NZ) Inc.

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EXECUTIVE SUMMARY

The objective of this White Paper is to provide data, analysis and discussion to support **the New Zealand Government to promote opportunities to stimulate the growth of the newly emerging New Zealand distilled spirits industry.**

In 2012, the New Zealand Ministry for Business, Innovation and Enterprise (MBIE) commissioned a wide industry screen[a] to identify emerging growth opportunities in New Zealand food and beverage exports. The research identified that New Zealand's spirits sector was in the early phase of its growth cycle and was ripe for expansion. The report stated that it was clear that *"spirits stood out"* as a segment that could drive the country's future exports. It noted that the distilled spirits industry was on the cusp of a huge explosion of new products and new producers, similar to the New Zealand wine industry in the 1970s.

Distilled Spirits Aotearoa (DSA) was established in 2018 as an industry body to promote a strong, sustainable distilling business in New Zealand. There are approximately 75 distilleries of varying scale currently operating in New Zealand, with more than 50% of these less than 4 years old, and one third opening within the last 3 years. Globally, distilled spirits have been proven to generate jobs, economic growth and tax revenue in the countries where they are produced. However, compared to other countries with related economies, the New Zealand industry is struggling to grow.

Distilled spirits manufacturing is capital intensive and initially intensely cashflow-negative, and individual companies have low to no economies of scale. Start-up investment in New Zealand can range from $300,000-$3.5m for distillery set-up, and require a further investment of $130,000 (average) per year for expansion capital works. Initial consents/ licences can cost more than $50,000 and take 3-20 months to achieve before production can start (median 8 months). Excise tax must be paid monthly, even before invoicing is stabilised. Profit to the distiller can be as low as $5 per 700ml bottle. The financial burden on New Zealand distilleries is forward-stacked, and many initially successful start-ups have ceased trading due to financial difficulties.

New Zealand distilled spirits also face strong price competition from well-established imported spirits. New Zealand spirits are usually priced in the premium category, due to high tax, production, retail and distribution costs. Many countries provide financial relief to their smaller distilleries in order to stimulate the growth of their own industry - as an example, a distiller would pay NZ$15.31 excise tax when producing a 700ml bottle of 40% spirits in New Zealand, whereas their counterpart in USA would pay only US$0.43 (NZ$0.67) tax. It is particularly important, as New Zealand distillers come to the notice of the rest of the world, to be able to compete in domestic and export markets on a level playing field with international distillers.

DSA requests, on behalf of its members, that the New Zealand Government assists the distilled spirit industry to grow at a rate beneficial to New Zealand. Based on the analysis in this paper, removal of barriers for growth could be via:

- A direct channel for the sector to grants and regional growth funds.
- Offset of start-up costs through excise-matching grants or rebates.
- Improved consistency of consent / compliance legislative considerations between regional councils.
- More specific benefits negotiated in free trade agreements for New Zealand distilled spirits to compete at the appropriate price point in overseas markets.

PART 1 – THE NEW ZEALAND DISTILLING LANDSCAPE

(A) INDUSTRY REPRESENTATIVE BODIES

There are two industry bodies representing the New Zealand spirits industry: **Distilled Spirits Aotearoa (NZ) Inc** (DSA) representing small New Zealand-based distilleries, and **Spirits NZ Inc**[c] representing the largest nine global and New Zealand-based spirits manufacturers importing, producing, packaging and distributing distilled spirits in New Zealand.

DSA is a national not-for-profit organisation launched in September 2018 as an initiative of New Zealand's small distillers. This emerging industry has matured to a level where it recognised a need to represent the joint interests of New Zealand's distilled spirit producers, nationally and internationally. The main objectives of the DSA Society are:

1. To protect the integrity, authenticity and brand value of distilled spirit products made in New Zealand.
2. To represent the joint interests of all New Zealand makers of distilled spirit products to Government, media and consumers.
3. To promote New Zealand made distilled spirit products within New Zealand and throughout the world.
4. To promote the responsible consumption of distilled spirit products.
5. To establish industry standards and criteria where appropriate to promote consistency and quality across the New Zealand spirits industry.
6. To facilitate professional development, education and the exchange of information through cooperation, industry forums, seminars and workshops.

There are approximately 75 small distilleries manufacturing spirits in New Zealand. DSA currently represents the joint interests of 52 full members, therefore already representing over 69% of New Zealand distillers, with 1-2 companies continuing to join the association every month. The distilleries produce a range of distilled spirits, including gin (35 distilleries), vodka (21), liqueurs (21), whisky (16), rum (8), schnapps/Eau de Vie (5), vermouth (4), bitters (3), amaro (3), brandy (2), "Grappa" (2), absinthe (1) and baijiu (1). In addition, DSA has 24 Associate Members which include distillers in very early start-up phase (not yet secured as a viable business), raw material and equipment suppliers, and complementary beverage manufacturers.

DSA provides a unified voice on issues confronting the New Zealand-made distilled spirits industry. One of the Association's main objectives is to investigate ways to ensure the viability and growth of the New Zealand industry.

(B) NEW ZEALAND INDUSTRY DATA AND BARRIERS TO GROWTH

Small distilleries in New Zealand have an intensely difficult business start-up model. The business is capital and labour intensive, with low to no economies of scale, and cashflow negative for 2-3 years (even up to 4-10 years for e.g. whisky or brandy manufacturers, due to maturation times).

Capital expenditure to set up a distillery is significant (Table 1). In order to establish a brand, approximately 30% of distillers will initially contract another distillery to manufacture their product. New Zealand has a very young distilled spirits industry, meaning that there are very few businesses with the free capacity to produce both their own and another's product as volumes begin to grow. The new distiller will quickly need to plan for scale-up, requiring their own significant initial capital investment for equipment, resource consenting and compliance. Investment is usually based on keeping economies of scale as small and controlled as possible to avoid too early over-investment or early selling out of shares (if any) merely to provide for cashflow. Funding is most commonly via bank loans, overdraft, mortgage of family home, loans from family and part/full time work. Crowdfunding is less common, but has been shown to be effective, involving for example, up to 200 smaller shareholders from the community. Almost all DSA members have commented that in their first 3-4 years of operation they do not draw a direct salary or pay dividends, with all profits going back into the business.

In the start-up phase, costs and time delays associated with securing resource consents and engagement of HSNO consultants and compliance can be major. Cashflow is difficult due to erratic early sales, storage requirements and pipeline fills. Excise payments, GST, bank/POS fees and distribution costs can also be significant. Once sales increase beyond website/local markets and cellar door sales there is also the need to establish a sales force or find a distributor to take over nationwide and export coverage. Over 80% of New Zealand distillers will need to hold a part-time/full-time job to ensure cashflow in the early years of start-up. The speed of growth of a distillery can be shown to be directly related to free cash-flow and the time the distiller can give to the business.

Any extra cash-flow would go into:

i. Funding for capital works to increase production.
ii. Employing more staff: part/full-time, in-house/contractor/consultant in areas of production, sales, marketing, financial, legal, front of house for cellar door sales and tours, project management, trades, resource consenting and compliance.
iii. Paying off debt
iv. Paying a small shareholder salary to allow the distiller to work fewer hours in other paid work.

A new alcohol manufacturer licensee must also pay excise tax on *Litres of Alcohol* produced every month (Appendix 1). Excise tax must be paid on any product removed from or consumed in the distillery's licensed area, including samples and promotional giveaways that are needed to establish the brand. Licensees can apply for extended payment timeframes (payment every 6 months or annually), if they can demonstrate compliance with customs' documentation systems and payment requirements. New Zealand Customs can be cautious about potentially unpaid excise bills due to their experience of small manufacturers going out of business with unpaid debt. Prior to granting a licence, they have required new distillers to make a deposit of, for example $50,000 for the first 12 months in production, or place a lien over their personal home.

After all costs and taxes, a distiller may earn only $5-$10 profit per bottle of spirits sold. In New Zealand's emerging industry, several high-profile, internationally recognised distilleries have faced financial difficulties or closure after an initially successful start-up e.g. 26000 Vodka, Prenzel Distilling Co.

Table 1 *– Typical financial and time burden for a New Zealand distillery business start-up*

Initial cost of start-up - distilling equipment/building and land purchase or rent. • Cost depends upon the complexity of the equipment e.g. urban or rural, green-field or retrofitting of an existing building, additional brewhouse and fermentation required for whisky or grain-to-glass alcohol, storage for e.g. brandy and whisky. • It is realistic for a fully operational business with the ability to produce reasonable volumes of a complex product (e.g. whisky) for local and export markets to cost at least **$3.5 million within the 4 years of start-up**.	$300,000 – $3.5 million.
Cost of consents and compliance at start-up Cost depends upon the complexity and location of the distillery, green-field or retrofitting of an existing building. • Resource consent (for environmental impact e.g. boundaries, impacts to neighbours, accidental discharge management, trade-waste management) • Building consent • Building compliance and retrofitting • Location Test Certificate (hazardous goods management e.g. ignition sources, location of flammable liquids) - this is an annual review. • Registration with fire services department (includes fire extinguishers which need to be certified annually, 6 monthly evacuation drills) • Check and permit of all electrical works – independent of the electrical certification of the building. Any works undertaken is required to be intrinsically safe. • Registration of Customs Controlled Area (CCA) • Liquor licence (includes review by the Chief Medical Officer and Police) • Duty manager licence • Food Act 2014. National Programme 3	$2,000 - $300,000 Median $50,000
Time to get all consents and licences before production can start • Consent and compliance approval processes for distilleries are not consistent between regional councils, often due to differences in interpretation of legislation. • The approval process itself has been described as anything between "swift and supportive" to "a painful and slow process"	3 – 20 months Median 8 months
Cost of set-up packaging design and manufacturing, forward orders of materials • Glass bottles and closures from an overseas supplier could take 6 months to arrive via sea-freight. • Distilleries will often order larger runs of packaging materials in order to reduce overall costs, however this requires a larger initial cash outlay, and appropriate storage for the materials. • Branded packaging produced specifically for an individual company will always have a minimum order size. The up-front cost can be significant, for example approx. $80,000 for the manufacture and delivery of a minimum run of decorated bottles. • Whisky, brandy and other barrel-aged spirits require the purchase of expensive premium offshore barrels - US or French/European oak, port and sherry casks or puncheons. Example costs are NZ$850 - $1,730 for a used, empty 225L French oak barrel.	Approx. $50,000
On-going Capital Expenditure for equipment and expansion • The majority of distilleries will hand-bottle (utilising labour from family and friends) until volumes increase and an investment in a filler/ closer/ labeller is essential. • Market-share is quickly lost if product cannot be supplied to retail outlets and customers. • Initial high Capex occurs at the time of establishment of the distillery and then at each expansion for volume growth (typically every 1-3 years).	Average $130,000 per year

(C) OPTIONS TO ACCELERATE GROWTH

The stimulation of the growth of distilled spirits industry in New Zealand could be addressed via several different approaches:

(i) Specific sector Government grants, loans or discounts

The distilled spirit industry, in this stage of industry maturity, is not favoured by the current Government funding initiatives.

Specific funding via loans and grants can be allocated by the Government to industries that have potential for significant New Zealand economic gain. Funding is however currently prioritised towards primary industries such as fisheries, forestry, horticulture; or to businesses with focus on Māori, exporting, rural or small town development, or research and development (https://www.tools.business.govt.nz/funding-explorer/). The Provincial Growth Fund or Regional Funds have supported 2-3 out of the 75 New Zealand distilleries, but a company needs to prove that it is a viable business, several years into operation, with significant expansion investment planned (see Part 3:A:iv Creation of export opportunities, jobs and tourism). Distilleries within the major cities are not usually eligible for regional funds, however their impact on exports, excise revenue, tourism and job creation can be as significant as their rural counterparts. Growth of the New Zealand distilled spirit industry would be accelerated if a direct channel for the sector was made available to access a specific pool of funding, as opposed to individual distilleries applying separately for discrete funds. Allocation of funds could be more generalised eg. distilleries producing above a certain volume and meeting specific criteria could be automatically eligible for funding consideration.

The Government funded Regional Business Partner network is an initiative that supports small businesses with advice and mentoring (https://www.regionalbusinesspartners.co.nz/). The voucher system in use provides access to business training and coaching services, however this is capped at up to $5,000 of training per year and 50% of the cost must be matched. The impact of a Growth Advisor overviewing the business and connecting the distillery with the right resources and experts would build capability and growth. However, new distilleries are time and cash-poor. A higher discount on training and support services could potentially be offered for specific industries requiring stimulation.

(ii) Excise relief or rebates.

The provision of financial relief to smaller distilleries by providing rebates on excise tax paid is a globally proven way to stimulate the distilled spirits industry and has been adopted permanently by countries such as USA and Australia. Any initial Government revenue loss is offset by the creation of jobs, tourism and export opportunities, resulting in a greater Government revenue income as distilleries expand and pay more excise tax (see Appendix 2: Other countries strategies for distilled spirit industry stimulus).

(iii) Improved consent and compliance approval processes

Consent and compliance approval processes for distilleries are not consistent between regional councils, often due to differences in the interpretation of complex legislation, Resource Management Amendment Act 2017, and Health and Safety at Work (Hazardous Substances) Regulations (HSNO) and different Council District Plans. The current consent approval process can take as long as 20 months to complete and can be crippling to a start-up business. Not only are regional councils often inexperienced with distilleries, but there have been mistakes in the latest (2017 version) of the HSNO regulations, specifically relating to distilled spirits: diluted alcohol handling and storage, and fire protection standards. The Government has recently recognised this issue and have proposed corrections to the document, with public submissions closing on 15 January 2020.

Confusion in interpretation of legislation has often created unintended compliance costs for some businesses without improving safety. One of DSA's key priorities for its members is to establish Industry Standards for distilleries, by creating officially recognised safety and production guidelines (Management Plans and Safe Work Instructions) in areas such as hazardous material handling, food handling, fire safety, labelling etc. It is proposed that this referenced Industry Code of Practice would be assembled by a team of experts working with Worksafe, to provide a clearer interpretation of the practical application of the legislation, consistency between distilleries, for use in government and regional approvals and oversight.

DSA has investigated Government funding in the form of ACC workplace injury prevention grants, which provide funding for organisations to help solve workplace health and safety problems that affect multiple businesses in New Zealand. In the August 2019 Funding Round DSA did not fit the precise criteria required.

There is significant cost and time involved in producing an Industry Code of Practice, and any financial assistance in the form of Government grants or subsidies would speed up this process.

(iv) Specific benefits for Distilled Spirits in Free Trade Agreements

The Government ministry MFAT leads New Zealand's free trade agreement (FTA) negotiations, in order to open up market opportunities, reduce costs and create more certainty for companies doing business overseas. In some FTAs New Zealand wine and distilled spirits are benefitting from the elimination or reduction of foreign tariffs on exports. Some FTAs also provide New Zealand with preferential access into a market.

Tariff reduction is not automatic, and exporters need documentation such as an FTA-specific Certificate of Origin for shipments. Other import compliance details for wine and distilled spirits may be prior-negotiated as a separate Annex to the FTA e.g. as between New Zealand and Singapore, New Zealand and EU (currently under negotiation). The annex covers areas such as beverage content declarations, trademarking, details and consistency in labelling and Geographical Indication agreements.

Tariff reductions on alcoholic beverages have however traditionally focussed on wine, and there is extensive data available on the positive impact of the reductions on this industry. It was recently reported that the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will eliminate and reduce tariff and non-tariff barriers on New Zealand's goods exports to ten key markets. New Zealand wine exports for 2017 were NZ$523 million and the total estimated tariff reductions per year once CPTPP is fully implemented will be NZ$4.5 million.

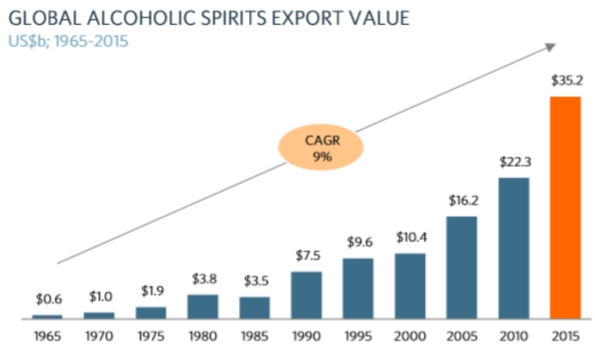
During the negotiation of FTAs and sector-specific Annexes as much weight needs to be put on distilled spirits as there currently is on wine. This will allow New Zealand spirits to compete at the appropriate price point in overseas markets, simplifying the sale and export and reducing costs for New Zealand producers.

PART 2 – THE WORLD SPIRITS INDUSTRY LANDSCAPE

(A) STRONG GROWTH OF THE GLOBAL SPIRITS INDUSTRY

The global spirits trade is growing (Figure 1). In the UK alone, 200 new gins are entering the local market every single year. The US$35.2b global spirit trade is dominated by Europe on the export side and affluent Western countries (particularly the USA) and Asia on the import side. In exports, the historical dominance of the UK and France on the world spirit trade is diminishing; consumers appear to be welcoming a wider range of spirits from a wider range of countries. In imports, the relative importance of the US market is falling, driven by the growth of Europe and Asia.[b]

Figure 1 *– Growth of global spirits industry*

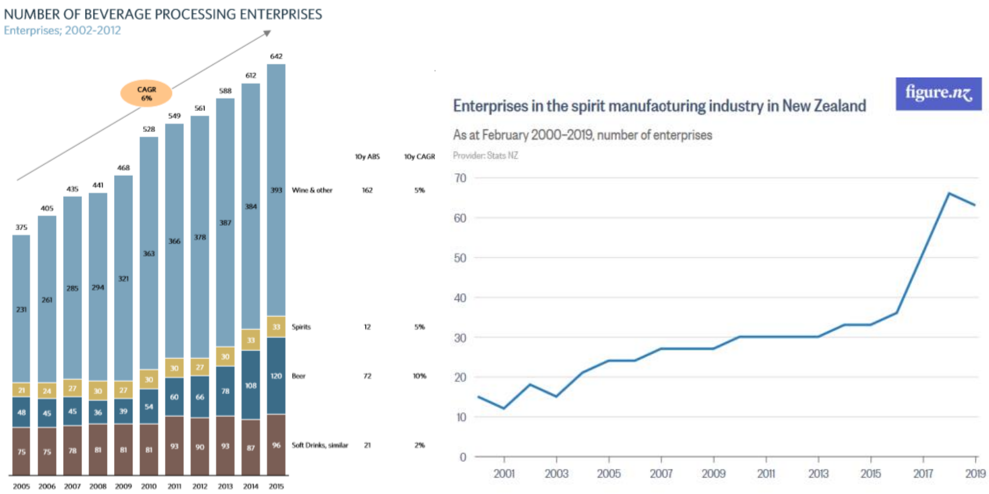


Source : UN Comtrade database; Coriolis analysis [b] *CAGR = Compound Annual Growth Rate

(B) EMERGING NEW ZEALAND DISTILLED SPIRITS INDUSTRY

The significant growth in the number of spirit companies in New Zealand began in 2010 and increased by a 10 year CAGR of around 5% [b] (Figure 2); this has accelerated in recent years, with even stronger growth over the past 3-4 years. In 2015 there were 33 companies producing distilled spirits in New Zealand, and in 2020 approximately 75.

Figure 2 *– Number of distilled spirits companies in New Zealand (2000-2019)*



Source : Statistics NZ business demographics database; Coriolis analysis [b] Figure.NZ (https://figure.nz/)

(C) THE COMPETITIVE ADVANTAGE GIVEN TO IMPORTED SPIRITS

The distilled spirits industry is a proven generator of jobs, economic growth and tax revenue, however, the scale of impact for a country is relatively small while the industry is in its infancy. Because of this, many countries further stimulate their spirits industry by providing excise tax relief to smaller distilleries by way of a reduced excise tax rate or rebate on tax paid (Appendix 2). Governments can also negotiate Free Trade Agreements (FTAs) between countries to eliminate or reduce foreign tariffs on exports, so that their country's products can compete in overseas markets.

New Zealand distillers may benefit from reduced foreign tariffs if an FTA has been negotiated, but they do not receive any in-country excise tax relief at the time of manufacture. In New Zealand the total customs & excise / levy cost on a standard bottle of 700ml spirits (40% alcohol) is currently $15.31 (Appendix 1). By contrast, USA distillers would pay excise tax of only US$0.43 (NZ$0.67) to produce a bottle of 40% alcohol spirits. Australia and many EU countries also rebate their excise tax for their small distillers (Appendix 2).

New Zealand distillers therefore operate under an unfairly taxed environment relative to many of their overseas competitors. New Zealand distilled spirits not only face strong competition from well-established imported spirits for retail shelf space (Figure 3), but also find it difficult to compete on price. Small distilleries starting in the industry usually have high standard costs and final product is priced in the premium category, even when applying a low profit margin for the distiller.

Figure 3 *– Imports of distilled spirit products (excise and duties paid) into New Zealand (2009 – 2018)*

Source : Figure.NZ (https://figure.nz/)

Many countries importing into New Zealand also have well-established Government bodies to assist export businesses, and their emerging spirits industries have benefited from this. The New Zealand government and other organisations offer support for exporters in the form of training, mentoring, toolkits and grants (https://www.nzte.govt.nz/export-assistance). However, grants can have restrictions, such as time limitations to begin exporting, required matched funding and funding only based on target achievements, and extensive reporting requirements.

It is particularly important, as New Zealand distillers come to the notice of the rest of the world, to have the ability to be able to compete on a level playing field with international distillers.

PART 3 – IMPLICATIONS OF INDUSTRY STIMULUS

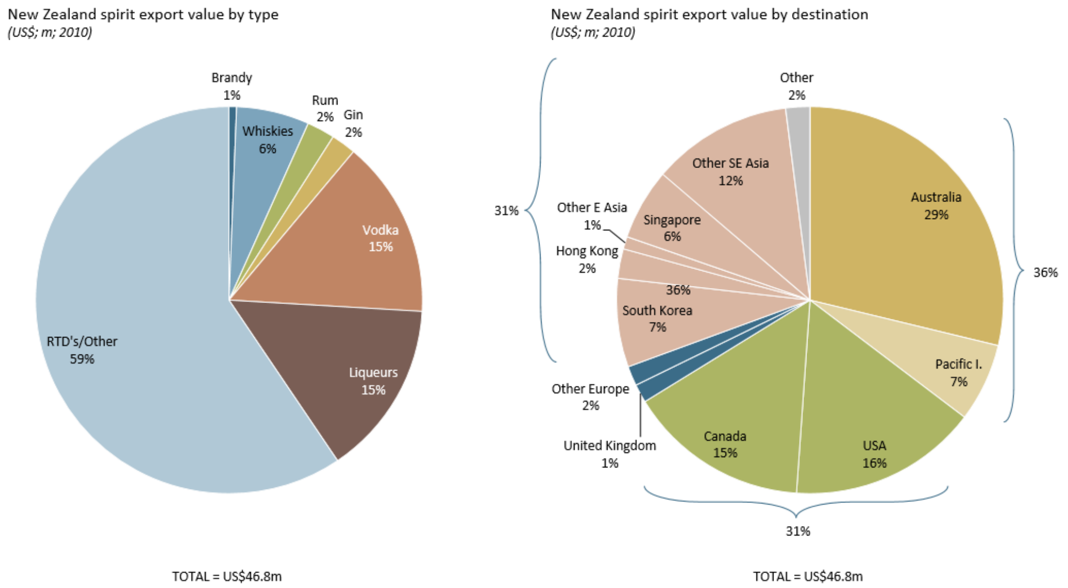
(A) CREATION OF EXPORT OPPORTUNITIES, JOBS AND TOURISM

(i) Export Opportunities

In 2012, MBIE, backed by several New Zealand Government agencies, commissioned a wide industry screen to identify emerging growth opportunities in New Zealand food and beverage exports. Of 559 industries screened, only three industries emerged as key sectors being well positioned for further growth – honey, salmon and alcoholic spirits.[a] Qualitatively these categories attract a premium for quality, are able to leverage New Zealand's image, the New Zealand industry is able to differentiate product in the market and there is growing demand internationally. MBIE identified New Zealand alcoholic spirits production as a value-add sector with potential to demonstrate strong growth internationally.

In 2010, distilled spirits were a US$47m export industry for New Zealand, with exports growing at a compound rate of 10% per year over the previous decade. The New Zealand industry was dominated by Lion, Independent Liquor and Bacardi's 42 Below, with very few small New Zealand distilleries at export-ready stage. Export volume mainly consisting of vodka, liqueurs and ready to drink beverages. Key markets were Australia and the Pacific Islands (36%), North America (31%) and developed Asia (31%). (Figure 4). [a]

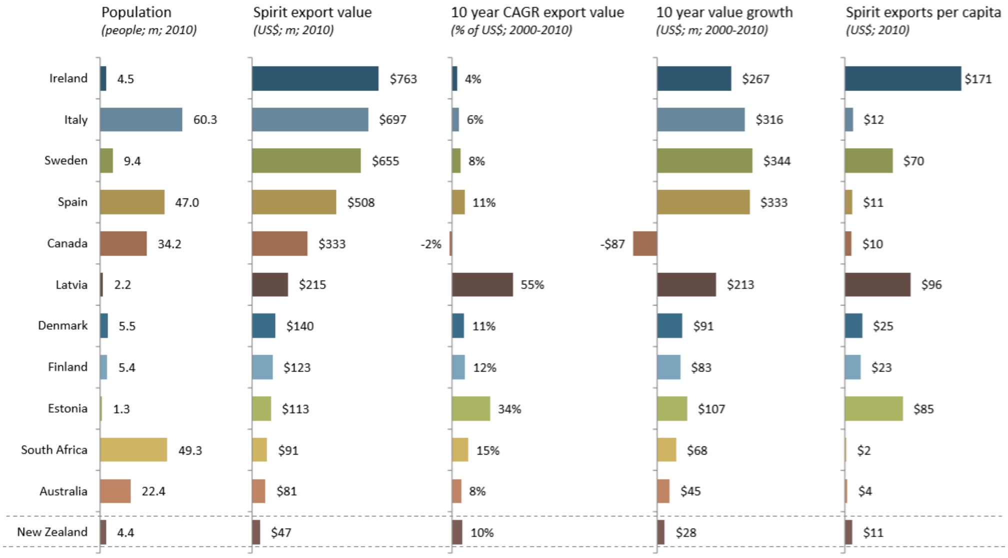
Figure 4 *– New Zealand exported US$46.8m in spirits in 2010 – Export by Type & Destination*



Source: Statistics New Zealand; Coriolis analysis [a]

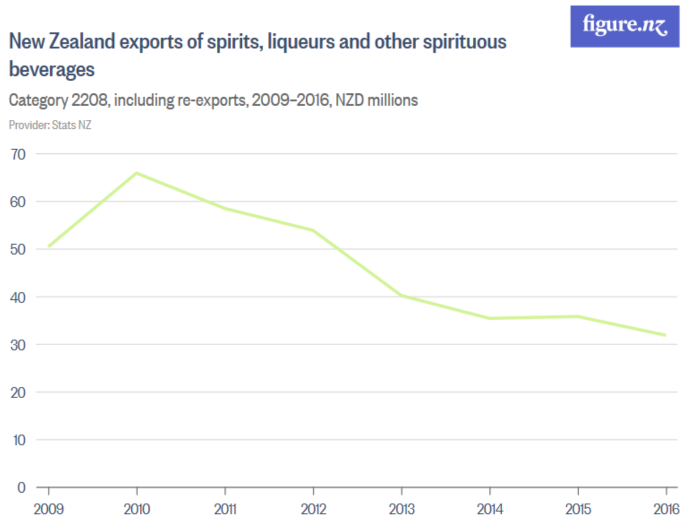
Research into New Zealand's peer countries in 2010 suggested that New Zealand could export more spirits, with a 3-6x potential export growth possible (Figure 5). However, by 2016, the export of New Zealand spirits had reduced by more than half and was valued at NZ$31.8m (US$22.6m) (Figure 6). It was reported that in 2015 wine accounted for 83% of New Zealand beverage exports, followed by soft drinks (7%) and spirits at just 2%.[b]

Figure 5 *– Value of exports of New Zealand distilled spirits versus peer countries (2010)*



Source: UN PopStat; UN Comtrade database; Coriolis analysis[(a)]

Figure 6 *– Value of exports of New Zealand distilled spirits (2009-2016)*



Source : Figure.NZ (https://figure.nz/)

Today, New Zealand's small distillers are ready and willing to move into the export market, with 80% of current DSA members expecting to be exporting just 2 years after launch of their businesses. Spirits is looking to build on the success of the New Zealand wine industry, in particular in exports to Australia, Asia and UK, and will leverage the experience and the reputation created by the wine industry over the past 20 years.

Many New Zealand distillers have already proven themselves on the international market. The launch, rapid growth and financial success of 42Below created global awareness of New Zealand as a super-premium spirits provider. Following along in 42Below's footsteps, New Zealand brand Scapegrace Gold was awarded the trophy for the World's Best Gin at the International Spirits Awards in London in August 2018, competing against more than 600 gins, from 90 different countries. Many of New Zealand's new spirit companies are already multi-international award winners eg. Karven, Dancing Sands, Spirits Workshop, Juno, Lighthouse, NZ Whisky Collection.

New Zealand's distillers push the boundaries when it comes to innovation and quality as they specialise in distilling spirits with flavour, aroma and character that are uniquely New Zealand and have a real point of difference. The highly successful inaugural New Zealand Spirits Awards held in Wellington in May 2019 was the first competition of its kind in New Zealand and attracted international attention. New Zealand spirits won seven of 13 trophies and 40% of the bronze, silver, gold and double gold medals awarded in a blind judging against the top overseas imports available on the New Zealand market.

(ii) Regional Job promotion

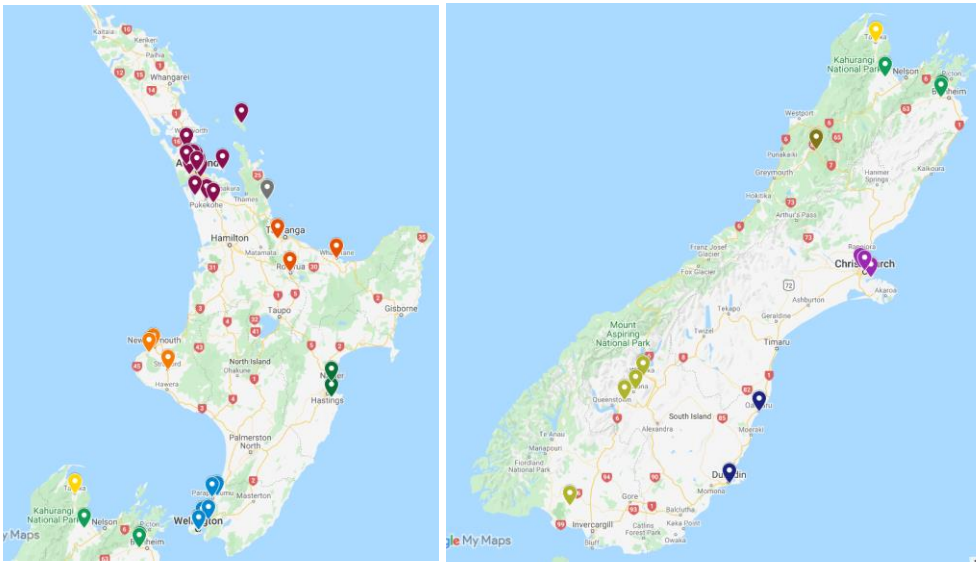
There are currently approximately 490 jobs in the New Zealand spirits industry (Figure 7). A distillery less than 2 years old will usually employ 1-2 full time staff, and the larger distilleries up to 4-5 full time staff. Volunteer staff, part time and casual staff or students are bought in for busy periods. Once a distillery begins to expand more staff are employed: production and maintenance staff, in-house sales and marketing staff, financial and legal support, and front of house staff for tours and cellar door sales.

Figure 7 *– Number of employees in the New Zealand distilled spirits industry (2001-2019)*

Source : Figure.NZ (https://figure.nz/)

A stimulated job market is particularly important for the regions. Approximately 60% of New Zealand jobs in distilleries could be classified as regional (outside of the 3 main centres of Auckland, Wellington and Christchurch) (Figure 8).

Figure 8 *– Location of DSA member distilleries within New Zealand* (*https://distilledspiritsaotearoa.org.nz/*)



(iii) Raw Material Support Industry

Local sourcing of ingredients and unique New Zealand botanicals are being embraced by distillers as opportunities to promote sustainability and add creative marketing value. Some distillers are rediscovering traditional Maori knowledge and the early settlers' experimentation with native plants e.g. the use of manuka, kawakawa, kahikatea to add flavour notes.

In particular, the provenance of raw materials is most important. Many botanical raw materials used in gin e.g. juniper, angelica, orris root, liquorice and coriander seed have traditionally been imported, but the need for local sourcing is extremely important to ensure continuity of supply, maintain quality, and promote 100% pure New Zealand. Alongside the boom in distilled spirits, the New Zealand botanical industry is becoming established in order to supply commercial quantities of raw materials which have not previously been grown here. Research studies undertaken at Massey University have shown that botanicals grown in New Zealand have a flavour and vibrancy that is not found in imported products. It could be expected that New Zealand botanicals will eventually develop into a lucrative export market opportunity, similar to New Zealand hops which are highly sought after by brewers and attract a premium price worldwide.

Juniper is a particularly important raw material, as juniper must be the main or predominant flavour of gin. An exciting project to develop a sustainably grown, commercial juniper is being supported through Venture Taranaki's Tapuae Roa project with Massey University.[d] This project is part of a Taranaki funding boost to enable the region to better identify new food production opportunities for an area with abundant rainfall, fertile soil and good infrastructure. New Zealand distillers plan to form a juniper co-operative, providing a nationwide clearing house for buyers and sellers of the botanical. Farmers are already interested in using juniper as an effective shelter belt which can also be cash-cropped for aromatic use.

New Zealand distillers are highly innovative and will continue to experiment with local raw materials which may not have previously been used in the spirits industry, or been commercially grown in New Zealand. One example of this is New Zealand's version of Tequila - TeKiwi, using 100% Blue Agave. This was the winner of the NZ Spirits Awards - NZ Innovation Award 2019, and the only Blue Agave spirit commercially distilled outside of Mexico. The product is distilled from 18 year-old Weber Blue *Agave tequilana* grown in Golden Bay, Abel Tasman Park.

NZ has a major, globally competitive dairy industry which produces as a by-product, very high quality whey alcohol. The alcohol is used as a base alcohol by many New Zealand and international spirit producers. The spirits industry also uses cream (typically milk powder) as an ingredient in cream liqueurs, fruit for fruit brandy and spirit flavourings, honey, sugar and wine (distilled into "Grappa", brandy, vermouth port, sherry and fortified wine). The whiskey industry can use barley, wheat, rye, corn and other grains.

The increasing investment in crops for distilling opens up employment opportunities for farmers and the cereal industries. Local malting facilities are expanding to keep pace with the demand for malted barley for distillers and brewers. One example is Gladfield Malt - a family-owned business on the Canterbury Plains which invested in a new plant in 2017 to add another 25,000 tonnes of annual production capacity to their existing business.

Distillers are often able to use the rejected malted barley which has not met the precise process specifications required for breweries. This alternate sales stream is important for farmers, particularly when climate change causes unpredictability in growing conditions which may affect the quality of the finished grain. Tonnes of this outlier grain would otherwise mainly go to lower revenue animal feed. In regions with intensified dairying, such as Canterbury, cropping also provides an environmental alternative, with associated benefits for water use and quality.

Barrels or casks are a vitally important element in the maturation of whisky and brandy. Premium barrels have traditionally been sourced from USA, France or Europe at significant expense. Tasmanian distilleries are increasingly using retired pinot noir and chardonnay casks, and at least one New Zealand distillery is now exploring similar options with Central Otago winemakers.

The supply chain, hospitality and retail sector are also benefitting from an expanding New Zealand spirits industry. Local manufacturing, engineering and electrical businesses pay an important role in the construction and day-to-day running of the distilleries. Support industries such as producers of bottles and labels, safety and technical consultants, tourism, marketing and business development also have a significant input role into business success.

(iv) Tourism Opportunities

One of the main objectives of the DSA Society is to promote New Zealand-made distilled spirit products within New Zealand and throughout the world. New Zealand distilleries are beginning to develop diversity and a uniquely New Zealand signature in spirits flavour, styles and choice which is gaining international attention.

In May 2019 the Lonely Planet published a guide to the world's best distilleries. Eight New Zealand distilleries were voted among the best in the world, and featured in the book. The *Lonely Planet's Global Distillery Tour* covers 33 countries and each of the featured distilleries has a suggested tasting experience and recommended key sights for visitors to explore the local area.

The Lonely Planet Top Five New Zealand distilled spirits were:

- Cardrona Distillery, Wanaka - Pink Gin
- New Zealand Whisky Collection, Oamaru - Dunedin DoubleWood Whisky Willowbank
- Kiwi Spirits, Golden Bay - Kiwi blue agave
- Dancing Sands, Golden Bay - Barrel Aged Gin
- Puhoi Organic Distillery, Auckland - Starka vodka

Tourism New Zealand (TNZ) is already promoting New Zealand spirits overseas. At the Associations Forum Conference in July 2019 in Canberra, TNZ along with Conventions & Incentives New Zealand (CINZ) exhibited New Zealand as an exceptional destination to hold a conference. Part of the NZ story was Manaakitanga (New Zealand hospitality) where they offered a special tasting of Juno Gin originating from New Plymouth.

Most of the larger distilleries in New Zealand operate cellar-door sales, or open their premises for tours. DSA has created a distillery location map, which has had positive feedback from overseas visitors wishing to plan their travel around vineyard and distillery tours. The largest DSA member distilleries which have facilities open for tours would receive approximately 50-100 visitors a week. There is credible potential for a dedicated whisky trail in the South Island featuring Christchurch (The Spirits Workshop), Oamaru (The New Zealand Whisky Co), Ranfurly (Lammermore Station Distillery), Cardrona (Cardrona Distillery), Winton (Auld Distillery), Gore (Hokonui Moonshine Museum and Distillery). The distillers all find tours very positive for sales, marketing and community involvement, and they would increase tour numbers if possible. Many distillers are focussed on production and are restricted by the time involved in tours/ tastings or restrained by the distillery size and facilities (public-use requirements of local council).

Government funding is already being used to develop distillery-based tourism opportunities. In April 2019, the Hokonui Moonshine Museum was granted $729,000 from the Provincial Growth Fund to build a distillery as part of a $1.6 million investment in the Maruawai Cultural Precinct project led by the Gore District Council. The new distillery will quadruple the production of its historically accurate whiskey brand, and expects to host 10,000 visitors per year.

In general, accessibility to the Provincial Growth Fund or Regional Funds to invest in a distillery is variable, and a company usually needs to prove that it is a viable business, several years into operation, with significant expansion investment planned. Several distilleries have however benefitted from regional start-up funding eg. Reefton Distilling Co. was awarded a small amount of Development West Coast funding for staff training and feasibility costs for expansion into new premises.

It is clear that more readily accessible governmental funding or start-up relief would accelerate the growth of distilling businesses New Zealand-wide and ensure a faster return of benefits to the community.

(B) COST OF INDUSTRY SUPPORT vs ECONOMIC GAIN

The economic gain from New Zealand distilleries has a wider impact than just the success of the distilleries themselves. Benefits extend to agricultural and horticultural growth in value-add and new crop opportunities, as well as capturing more tourism dollars both in inbound activities and in export sales. New Zealand spirits are filling the marketing gap next to uniquely New Zealand honey, chocolate and salmon for Duty Free shoppers.

The income value of the distilled spirits industry is globally recognised. In countries such as Australia, USA and EU excise tax rebate schemes were introduced to stimulate the local spirits industries even further. It was shown that the cost of introducing the excise rebate for spirits is more than offset by increased Government revenues on GST-type taxes, company tax, personal income taxes, regional employment and export dollars through tourism and direct export of goods, making it a self-funded Government budget initiative. The generation of substantial economic spinoffs in a growing industry quickly recaptures lost revenue through other revenue streams.

The Australia Excise Refund Scheme (Appendix 3) has been a success, and from 1 July 2019 each distillery's claimable rebate was increased from a maximum of $30,000 to $100,000 per financial year. It was estimated that over 100 distillers now benefit from the rebate, supporting around 1,600 jobs, including many new whisky distillery start-ups in Tasmania.[e] After the increase, the Australian Distillers Association (ADA) calculated most distilleries would be likely to claim $50,000-65,000 of the maximum rebate. The expected impact to the Australian Government budget would be around **AUS $5 million dollars/ year.**[f] The Australian Government sees the initiative as cost neutral/revenue generating, with income from sector growth eventually offsetting costs.

If the same Excise Refund Scheme was to be applied to the estimated 75 distilleries in New Zealand the maximum cost to the budget would be $7.5 million a year. However, very few New Zealand distillers are currently reaching the commercial volumes of their Australian counterparts, and therefore it is likely that fewer than 10 distilleries would be immediately eligible for the entire rebate. The more accurate cost to the budget could be estimated to be a maximum of **$1.5 - $2.0 million in the first year**, increasing to $7 million over perhaps 5 years, as volumes increase and more distilleries enter the market. As with Australia, the excise relief initiative could eventually be cost neutral. As the scale of operation grows a distillery will pay more excise tax, but the burden of higher excise tax rates eventually has a much lower impact on the financial sustainability of the distillery. Freeing up working capital would allow the better alignment of small business cash flow to:

- pay wages to the owners
- employ additional labour
- plan building/storage expansion
- plan equipment acquisition
- develop distribution/sales channels
- boost related ancillary manufacturing areas
- increase usage of New Zealand agricultural products
- explore export growth
- support local and regional communities
- build a strong and sustainable business

(C) SOCIAL RESPONSIBILITY

A spirit beverage produced by New Zealand distillers is consumed by a discerning drinker who is focussed on quality, flavour, aroma and appearance for a complete experience and appreciation of the spirit. Consumers seek out innovative and traditional spirit styles with variety, creativity, freshness and new, varied and high-quality ingredients. The global wave of 'New World Whisky' and other spirits is underway, and New Zealand spirits are already being sought out based on the power of 'Brand NZ'. New Zealand distillers emphasise spirit education and appreciation with locals and tourists alike, and promote responsible drinking by focusing on quality, not quantity.

A New Zealand distilled spirit tends to be priced at a premium, directly reflecting the cost of production, distribution and added excise tax, and so is not necessarily associated with the volume drinking that may occur with mainstream, imported spirits.

When presented as a mixed drink, spirits will contain lower units of alcohol per serve than either wine or most modern craft beers. Despite this, spirits pay a much higher per unit of alcohol excise duty than beer, wine or RTDs (Table 2). Increasing the excise tax on alcohol is one tool used by the Government to reduce the proportion of the population consuming alcohol at harmful levels. For example, in 2014, the Ministry of Justice estimated that an excise tax increase of 82% could reduce the amount of alcohol consumed in an occasion by 9% in the population, and by 11% in heavy drinkers. [(g)] However, alcohol companies may not always pass on the full tax increase to the consumer and may choose to absorb the increased costs themselves. Retailers may also employ strategies such as discounting and loss leading, which are used to undercut competition and to promote purchasing of low-priced product. For this reason, other approaches such as 'Minimum Unit Pricing' are useful for alcohol consumption management.

A Minimum Unit Price policy refers to the setting of a minimum or lowest price at which a standard drink of alcohol can be sold. In 2014, the Ministry of Justice[(g)] found that 72% of all spirits and 39% of all wine was sold in off-licences for $1.20 or less per standard drink. The review found that setting a minimum unit price of $1.00 per standard drink would result a net benefit to society (consumers' surplus, industry revenue, Government revenue, and alcohol-related health, crime and workplace productivity harms) of $318 million over a ten-year period, and a minimum price of $1.20 per standard drink would result in savings to society of $624 million over ten years.

Imposing a minimum price per standard drink of alcohol has been advocated on the assumption that it will reduce harmful alcohol consumption, particularly among young people, who consume the highest quantities of low cost, high alcohol volume products. A minimum unit price per standard drink would have little effect on New Zealand small distillery products since these products are usually retailing well above any of these suggested minimum unit thresholds.

The New Zealand Ministry of Justice undertook an investigation into Minimum Unit Pricing following the Law Commission's review, however, a policy has not been pursued at this stage.

APPENDIX 1 – CURRENT ALCOHOL TAXATION POLICIES IN NEW ZEALAND

The main purpose of taxation is to generate Government revenue. However, Governments also use taxes on beverage alcohol for several other purposes: to attempt to reduce abuse and harm by making alcohol less accessible; to create trade barriers; to encourage the purchase of domestic products over imported products.

In establishing alcohol policies, Governments weigh commercial freedoms and consumers' rights of access to a product against protecting their citizens. This includes determining levels of taxation that do not impose an undue burden on consumers and restrict their choices or penalize producers by restricting fair trade practices. It is these considerations and sometimes conflicting interests that Governments must give due consideration when determining policies and frameworks.

(A) CURRENT ALCOHOL TAXATION RATES

There are currently two corrective taxes on alcohol products in New Zealand[h] [i]: alcohol excise and the Health Promotion Agency (HPA) levy. Both are charged on alcohol manufactured in, or imported into, New Zealand; and both are collected by the New Zealand Customs Service. GST is paid on the HPA levy, but not on the excise tax.

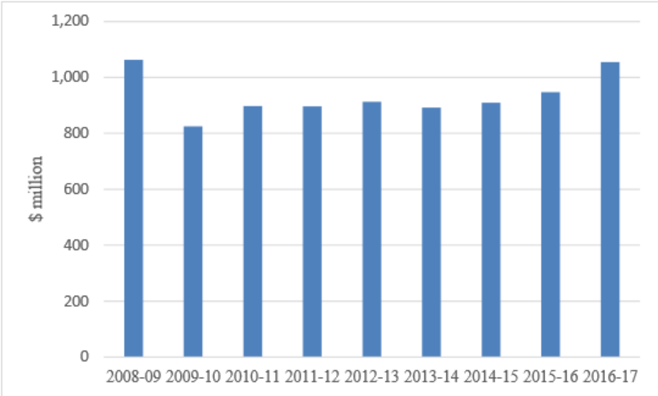
Rates of alcohol excise vary by product type and alcohol volume. Some rates are applied on a per litre basis, while others are applied on a per litre of alcohol basis. Table 2 below shows rates for beer and certain wines and spirits as at 2017, and the annual excise adjustments based on movements in the Consumer Price Index.

Table 2 *– Comparison of New Zealand alcohol excise rates, from 1 July 2017 showing yearly CPI adjustments* [m]

Type	Description	Alcohol excise rates (GST excl.) effective from 1 July 2017	Alcohol Excise Rate (GST excl.) for Spirits from 1 July 2018	Alcohol Excise Rate (GST excl.) for Spirits from 1 July 2019
Beer	Containing more than 1.15% vol., but not more than 2.5% vol.	$0.43573 per litre of beverage	$0.44140 per litre of beverage	$0.44751 per litre of beverage
	Containing more than 2.5% vol.	$29.054 per litre of alcohol	$29.432 per litre of alcohol	$29.839 per litre of alcohol
Wine	Containing more than 14% vol., fortified by the addition of spirits or other substance containing spirit	$52.916 per litre of alcohol	$53.605 per litre of alcohol	$54.347 per litre of alcohol
	Other	$2.9054 per litre of beverage	$2.9432 per litre of beverage	$2.9839 per litre of beverage
Spirits	Containing more than 1.15% vol., but not more than 2.5% vol.	$0.43573 per litre of beverage	$0.44140 per litre of beverage	$0.44751 per litre of beverage
	Containing more than 2.5% vol., but not more than 6% vol.	$29.054 per litre of alcohol	$29.432 per litre of alcohol	$29.839 per litre of alcohol
	Containing more than 6% vol., but not more than 9% vol.	$2.3243 per litre of beverage	$2.3545 per litre of beverage	$2.3871 per litre of beverage
	Containing more than 9% vol., but not more than 14% vol.	$2.9054 per litre of beverage	$2.9432 per litre of beverage	$2.9839 per litre of beverage
	Containing more than 14% vol.	$52.916 per litre of alcohol	$53.605 per litre of alcohol	$54.347 per litre of alcohol

Revenue from alcohol excise is pooled with revenue from other taxes and directed to various spending programmes through the Budget process. Revenue from the HPA levy is set aside to fund the HPA to lead and support health promotion initiatives to promote health and wellbeing and encourage healthy lifestyles. Alcohol excise is far larger than the HPA levy in revenue terms. In 2017, alcohol excise raised $1 billion while the levy raised $12 million (Figure 9). The Government collected approximately $1.1 billion from alcohol excise taxes in the financial year ending 30 June 2019.

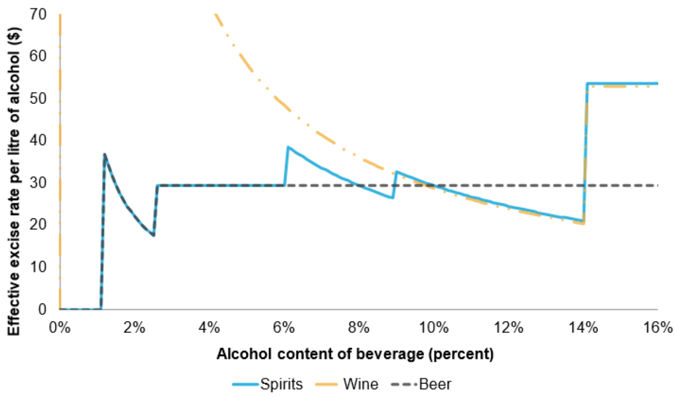
Figure 9 *– New Zealand nominal revenue from alcohol excise (2008 – 2017)* [(i)]



Alcohol excise rates are customarily increased in line with inflation each year. The most recent departure from this policy was in 2003, when rates for spirits containing between 14-23 per cent alcohol volume were increased to the level of rates for spirits containing more than 23 per cent alcohol volume.

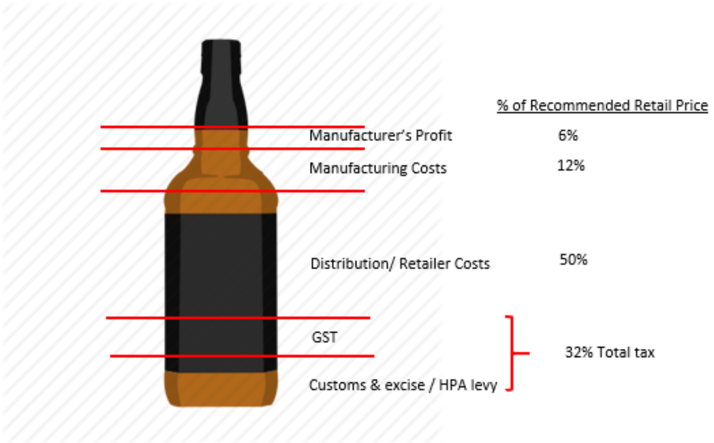
The complex rates structure currently in place means there is considerable variation in the effective rate of excise per litre of alcohol. The rates of alcohol excise vary by product type and alcohol volume (Figure 10). Some rates are applied on a per litre basis, while other rates are applied on a per litre of alcohol basis.

Figure 10 *– Effective rate of excise per litre of alcohol, (2018)* [(i)]



In practical terms, the current cost of excise tax on a standard bottle of 700ml spirits (40% alcohol) is $15.217, and the HPA levy is $0.0953. The total customs & excise / levy cost is therefore $15.31, which is 17.4% of the total of, for example, an $88 bottle of spirits. GST is also paid on the bottle ($13.20), taking the total tax to $28.51 (32.4% of the cost of an $88 bottle of spirits). Typically distributors/retailers will charge up to 50% of the recommended retail price (RRP) of a bottle, leaving just 18% of the RRP for the distiller to cover materials, production and overheads, and any profit. Profit margin would be influenced by the complexity of the manufacturing process and the

RRP. Many distillers would earn as little as $5 profit on each bottle. In all cases, a significant number of bottles need to be sold in order to make a business viable.



(B) 2018 ALCOHOL TAXATION POLICY REVIEW

On 20 September 2018 the New Zealand Tax Working Group released the Future of Tax report.(h)

The Tax Group stated that **"it is difficult to understand why the rates of excise per litre of alcohol should vary so much across different products. A case could be made for applying a consistent rate per litre of alcohol across all products – which would increase rates for some products and decrease them for others."** The Group stated that little could be said in favour of the current approach for applying rates of excise. They recommended that the Government review the rate structure with the intention of rationalising and simplifying it.

However, on 17 April 2019 the Government responded to Tax Working Group report with the comment: The Government considers no further work is necessary.

APPENDIX 2 – OTHER COUNTRY STRATEGIES FOR INDUSTRY STIMULUS FOR SMALL DISTILLERS

Some countries provide excise tax relief to smaller distilleries by way of a reduced excise tax rate or rebate on tax paid. Examples:

EXAMPLES OF EXCISE REBATES IN OTHER COUNTRIES

(i) Australia

Relief Description

An existing brewery refund scheme (Excise Regulation 2015) was extended to Australian-based distilleries and producers of low strength fermented beverages from 1 July 2017 (*Excise Amendment [Refund Scheme for Alcohol Manufacturers] Regulations 2017)*. See Appendix 3 for details. The changes were intended to provide support to domestic distillers of beverages such as whisky, vodka, gin and liqueurs, and domestic producers of excisable low strength fermented beverages such as non-traditional cider. Under this new law, the distillery could claim a refund of 60% of the excise duty paid on products, to a maximum of $30,000 per financial year. Even at this level of rebate, the Australian Distillers Association (ADA) had calculated that in order to be "breaking even" an Australian distillery needed to be turning over a sufficient volume of alcohol beverage such that it was likely to be paying between $260,000 and $572,000 a year in excise.

After a Governmental review the $30,000 amount was increased to a maximum of $100,000 per financial year from 1 July 2019.

Stated impact

Distilleries most benefiting from the rebate were likely to be of the size to pursue export opportunities and to be able to compete in the international markets. Smaller distillers would be encouraged to grow in the industry segment for future export opportunity.

(ii) USA

Relief Description

The *US Tax Cuts and Jobs Act of 2017* [j] came into effect on January 1, 2018 as a two year trial and was extended for a further year from December 2019. The act significantly lowered the federal excise tax rates for alcohol beverages produced at certain production volumes, and allocated government funds to accelerate the growth of beverage alcohol industries by eg. the fast-track processing of label, formula and permit applications.

Prior to the *US Tax Cuts and Jobs Act of 2017,* the federal *Craft Beverage Modernization and Tax Act Reform Act* law allowed for reduced tax rates for small brewers and winemakers, but not distilled spirits. The new Act extended excise relief to distilled spirits and increased the excise tax reduction across the board for all alcoholic beverages. Importers of wine, beer, and spirits also receive excise tax reduction credits. For distilled spirits, the tax credits are provided in production thresholds:

- For the first 100,000 proof gallons (a gallon of spirits that is 50% alcohol) produced or imported, $2.70 per proof gallon; and
- For the next 22,130,000 proof gallons produced or imported, $13.34 per proof gallon.
- Any other production or imported distilled spirits are taxed at the standard rate of $13.50 per proof gallon.

Effectively, the excise tax rate for smaller distilleries is reduced by 80%, from $13.50 per proof gallon to $2.70. This is a decrease from approximately $2.14 per bottle to $0.43 per bottle of 40 proof spirits. Reductions in taxes on beer and wine in the new Act were smaller.

Stated impact

The sweeping changes in this revised Act provided a significant opportunity for producers and importers to take advantage of (more) level playing fields and (more) profitable returns. As the distilling sector continues its growth with more than 1,200 operating distilleries nationwide, lawmakers clearly appreciate the important role these distilleries play in creating jobs, boosting tourism and supporting agriculture. Passing this much-needed tax reform legislation will spur further investment and job creation by reducing the excessive tax burden on distillers small and large.

(iii) EU

Relief Description

Article 22 of EC Directive 92/83 states that Member States may apply reduced rates of excise duty to ethyl alcohol produced by small distilleries within the following limits:

- the reduced rates, which may fall below the minimum rate, shall not be applied to undertakings producing more than 10 hectolitres of pure alcohol per year. However, Member States which applied reduced rates on 1 January 1992 to undertakings producing between 10 hectolitres and 20 hectolitres of pure alcohol per year may continue to do so,
- the reduced rates shall not be set more than 50 % below the standard national rate of excise duty.

Examples of EU rebates for small distilleries [k] [l]

Albania - A reduced rate of ALL65,000 per hlpa applies to quantities produced up to 20,000 hl per year. Raki, the local spirit, is subject to a reduced excise rate of ALL20,000 per hlpa.

Austria - A reduced rate, 54% (€648 per hlpa) of the standard rate, applies on the output of farm distilleries (less than 4 hlpa a year) and small commercial distilleries (max 1 hlpa a year) when sold direct to consumers/restaurants. For small distilleries' output between 1-2 hlpa a reduced rate of 90% of the standard rate (€1,080 per hlpa) applies.

Germany - Reduced rates apply to the production of small distilleries (€730 per hlpa/max 4hl per year) as permitted by *Directive 92/83*.

Luxembourg - A reduced rate of 50% applies to small distilleries producing no more than 20 hlpa per year.

Portugal - Small distilleries pay a reduced rate of 50% (maximum quantity per year 10 hlpa).

Romania - Small distilleries pay a reduced excise rate of RON1,653.49 per hlpa (max quantity 10 hlpa per year).

Slovenia - A reduced tax rate for stills with a capacity up to 40 litres - 0; from 40 to 100 litres - €12.5 per annum; from 100 -500 litres - €25 per annum.

Spain - For small distillers, with an annual output not exceeding 10 hlpa, the excise tax in Spain is €839.15 per hlpa and in the Canary Islands €653.34 per hlpa.

Switzerland - 30% of the standard rate for < 30 litres pure alcohol per annum.

APPENDIX 3 – DETAILS OF REFUND SCHEME FOR ALCOHOL MANUFACTURERS IN AUSTRALIA

REBATE ELIGIBILITY & PROCESS

https://www.ato.gov.au/Business/Excise-and-excise-equivalent-goods/In-detail/Refund-scheme-for-alcohol-manufacturers/

You may be eligible for an excise refund if you pay excise duty on alcoholic beverages such as beer, spirits or other fermented beverages (such as non-traditional cider) that you have manufactured.

If you are eligible, you can claim a refund of 60% of the excise duty you have paid on your products, to a maximum of $30,000 per financial year. This amount will increase to a maximum of $100,000 per financial year from 1 July 2019.

- You must claim the refund within 12 months of paying the excise duty.
- Any alcohol manufacturer excise refund that you receive is assessable income for income tax purposes, so you need to include it in your tax return.
- To be eligible for a refund you must:
    - have manufactured an alcoholic beverage and paid excise duty on it
    - have fermented or distilled at least 70% of the alcohol content by volume of the alcoholic beverage
    - hold a manufacturer licence authorising you to manufacture alcoholic beverages
    - be legally and economically independent of any other entity that has received a refund under the scheme (if you're not legally and economically independent of any other entity, only one manufacturer in your group is entitled to the refund). An alcohol manufacturer is not legally and economically independent if it is a subsidiary of another alcohol manufacturer, or its operations are subsidised by another alcohol manufacturer.
- Additional requirements for distilled beverages
    - For refunds on excise paid for distilled alcoholic beverages, you must also satisfy (if the financial year is not the first or second financial year in which you are eligible to claim a refund under the scheme) the still ownership test and own one or more stills that have:
        - a capacity of at least five litres
        - been installed ready to use at the beginning of the financial year
        - been used to manufacture an alcoholic beverage during the financial year.
    - A still that has been installed and ready to use at the beginning of the financial year does not have to be the same still that has been used to manufacture an alcoholic beverage during the financial year.
    - Still ownership test. You will satisfy the still ownership test if:
        - you claim the refund after the financial year in which the excise duty was paid and had sole ownership of at least one still for the whole of the financial year that you paid excise duty, or
        - you claim the refund before the end of the financial year in which the excise duty was paid and you had sole ownership of at least one still from the beginning of the financial year until when you claimed the refund and through to the end of the financial year.
- The scheme excludes:
    - wine producers producing wine to which the A New Tax System (Wine Equalisation Tax) Act 1999 applies

    - ready to drink (RTD) mixed spirits, where the spirit was produced by another manufacturer and blended with a non-alcoholic beverage to create a RTD product.
- When to claim the refund
    - You must apply for the refund within 12 months from the day the excise duty is paid.
    - If you have claimed a refund of excise duty for alcohol that is returned to a licensed premises:
    - after you have claimed the refund, you are only entitled to a refund of the excise duty, less the amount of the refund you've already claimed.
    - and you have not already claimed a refund for that alcohol excise, you are not entitled to the alcohol manufacturers refund for that alcohol.
- Becoming a manufacturer part way through the financial year
    - If you start operating as an alcohol manufacturer part way through the financial year, the maximum refund payable is calculated by multiplying $30,000 ($100,000 from 1 July 2019) by the number of days in the period, starting when you first became an eligible alcohol manufacturer and ending at the end of the financial year; and dividing the result by 365 days.

APPENDIX 4 – NOTES & REFERENCES

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(b) Coriolis report: The Investor's guide to the New Zealand Beverages Industry 2017. Part of the New Zealand Food & Beverage Information Project FINAL REPORT; v1.02; June 2017. Ministry for Business, Innovation and Enterprise, New Zealand Trade & Enterprise, Ministry for Primary Industries. https://www.mbie.govt.nz/assets/2fd30de252/investors-guide-to-the-new-zealand-beverages-industry-2017.pdf

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(m) New excise duty rates for alcohol from 1 July 2019 https://www.customs.govt.nz/about-us/news/important-notices/new-excise-duty-rates-for-alcohol-from-1-july-2019/