



EXCISE SUPPORT PACKAGE



CONTENTS

	PAGE
INTRODUCTION	03
DISTILLER EXCISE CAMPAIGN NARRATIVE	04
Industry Economic Impact	04
Growth Potential	05
EXCISE TAX SUPPORT PACKAGE	06
Key Questions from Ministers	07
KEY MESSAGING	08
SECONDARY MESSAGES AND THEMES	10

INTRODUCTION



Distilled Spirits Aotearoa (DSA) is writing a submission to the New Zealand Government, asking it to consider an excise support package for New Zealand distilled spirits in 2023.

An excise support package (rebate scheme) will enable spirits manufacturers to reinvest excise spend into their business. The reinvested excise will provide substantial growth opportunities. Currently the sector is supporting downstream job creation in agriculture, hospitality, tourism. With additional support from a rebate scheme, we would expect to see additional growth in these areas the majority of which are located in regional New Zealand i.e. Reefton, New Plymouth and Southland.

Additionally, this will provide an opportunity for your distillery to free up capital and consider expanding your operations (regardless of your scale), employ more people, support more local businesses throughout the supply chain, and market abroad and consider your export potential.

We are asking you to support this excise support package campaign by participating with the DSA to attract support from MPs and other stakeholders during this campaign. This document has information about the problem and our proposal and some ways you can support it.

DISTILLER EXCISE CAMPAIGN NARRATIVE

INDUSTRY ECONOMIC IMPACT

The New Zealand spirits industry is made up of more than 140 distillers and spirits manufacturers which have approximately 910 jobs with an estimated \$41 million in wages.

The industry has a downstream economic value of \$16.8 million across other industries such as [tourism, hospitality, research, agriculture, and manufacturing], providing approximately 1,547 downstream jobs.

Our distillers are recognised amongst the best in the world, bringing home prestigious awards such as the World’s Best Gin at the International Wine and Spirits Competition on three different occasions.



The industry, largely made up of small and medium family businesses, has managed to grow while paying the one of the highest spirits taxes in the world, which increases yearly. Over 65% are located in rural and regional New Zealand, supporting a growing hospitality and tourism economy.



GROWTH POTENTIAL

The spirit's industry is at a similar point to where New Zealand's wine industry was in the 1980s. That industry showed promise then and is now an important contributor to New Zealand's agricultural, tourism, and exports industries.

The value of New Zealand wine exports reached \$2 Billion in 2020. The New Zealand spirits' sector currently has an export value of \$45.8 million and it is expected that if a "Support Package" was put in place it would accelerate current exports, with New Zealand made spirits having the potential to match if not exceed the value of New Zealand's Wine Exports.

Currently, the spirits industry has been proceeding with limited government support.

The DSA and Spirits New Zealand have recognized that with an excise support package in place, it would accelerate the distilled spirits sectors growth which would result in an increased economic benefit to New Zealand through the export market.

Support for the spirits sector has downstream effects for a wide range of other sectors, including tourism, hospitality, research, agriculture, and manufacturing, and New Zealand agriculture.

\$43.7 billion is spent on leisure and entertainment in New Zealand annually and, increasingly, people are willing to spend more on unique or special experiences. New Zealand distilleries not only produce some of the world's best spirits and but are themselves now becoming tourist attractions throughout regional and rural New Zealand.



EXCISE TAX SUPPORT PACKAGE

Unfortunately for most distillers in New Zealand excise represents over 50% of their overheads. In Australia, an excise support package comprised of a rebate of up to \$350,000 has been proven to be beneficial to both small and large distillers, providing much needed capital while also providing an economic benefit to the government.

We are asking the New Zealand Government to consider introducing an ‘Excise Support Package’ that comprises of up to \$350,000 NZD excise rebate per distillery per year.

Simply put, an Excise Support Package will leave spirits manufacturers with a greater margin. This will enable businesses to expand operations, employ more people, support more local businesses throughout the supply chain, and to market abroad and consider their export potential.

An initial survey suggests that if the requested support package was implemented in 2023, it would lead to more than 120 new jobs paying above the median wage in the spirits sector.





KEY QUESTIONS FROM MINISTERS

These are questions that we know ministers are asking about our sector. If you are asked anything else, you can direct them to the DSA - this demonstrates a united front and we are happy to help with any information needed.

What is the current problem:

The growth potential of New Zealand's craft distillers is stifled due to the excise tax being such a high proportion of business overheads.

Slow job and tourism growth in the sector is similar to the challenges the wine industry faced before government support in the 1980s.

Consider:

- The effect the excise tax has on your business stability and growth potential

What is the solution to the problem:

An excise support package with a rebate of up to NZ\$350,000 will remove capital barriers to growth.

Similar schemes in Australia and America have proven to be highly effective and consequently have been made permanent by the respective governments.

Industry growth and sustainability will support growth in other sectors such as tourism, hospitality, agriculture, and others.

It will allow distilleries to invest in capacity for export.

Consider:

- How many additional people you could employ.
- How much you could invest in your business and how you would allocate that investment.
- The effect on your supply network.

KEY MESSAGING

Tax Reform to Unleash Our Industry's Potential and Create Jobs



PRIMARY MESSAGES AND THEMES:

	FAIRNESS / LOGIC	JOB CREATION & INDUSTRY GROWTH	OUT OF CONTROL TAX INTERNATIONAL COMPARISONS
1	<p>“This is an illogical tax on New Zealand businesses and agriculture who are trying to grow.”</p> <p>*What has your growth looked like?”</p> <p>“Would a rebate of up to \$350,000 support you to grow faster?”</p>	<p>Spirits tax makes up about 50% of many local distillers’ overheads which prevents them from investing in their business and creating jobs.</p> <p>*How many people would you employ if you received an excise rebate of up to \$350,000 NZD?</p>	<p>Distillers in New Zealand are paying a spirit’s tax that is one of the highest in the world – 68% higher than the United States’ excise tax</p>



FAIRNESS / LOGIC	JOB CREATION & INDUSTRY GROWTH	OUT OF CONTROL TAX INTERNATIONAL COMPARISONS
<p>2</p> <p>There were 30 increases in excise tax on a bottle of New Zealand's Whisky Co 30-year-old whisky. Facing 30 tax increases between the time it went into the barrel and when it was ready to sell demonstrates that excise is out of control.</p>	<p>New Zealand's craft spirits industry is on the cusp of huge growth - like wine in the 1980s - but excise tax reductions are needed to enable this growth, especially in the export market.</p> <p>*Have you considered exporting? What are the barriers?</p>	<p>It's not fair that New Zealand spirits are more expensive here than overseas: a bottle of Scapegrace Dry Gin sells for about \$NZD \$80 here, but \$NZD \$55.20 in the US - This is down to a disparity in excise tax.</p>
<p>3</p>	<p>It will free up capital for hundreds of small Independent businesses and create jobs in craft distilling, agriculture, tourism and hospitality.</p> <p>*Would you open a cellar door? Expand your operations?</p>	

SECONDARY MESSAGES AND THEMES

DRINKING HABITS	GOVERNMENT POLICY
<p>Drinking patterns have changed over the past few decades, with the majority of New Zealanders now drinking less and more responsibly. But this tax hasn't kept up with those positive changes and is outdated and unfair, penalising New Zealanders for choosing to drink spirits.</p>	<p>Spirits tax reform aligns with the Government's work in supporting the tourism and hospitality industries at no cost, when modelled on Australia's rebate system.</p>
	<p>This reform is an important step in simplifying the tax system and removing red tape for New Zealand businesses.</p>

DISTILLED SPIRITS AOTEAROA [NZ] INC

16d Sunley Street, Westown, New Plymouth 4312, New Zealand

