

Centre for Policy Futures

Clarifying Alcohol Excise in the Era of Nolo

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How comparable pricing dilutes excise's health signal

Key points

No and low alcohol (“nolo”) products closely resemble alcoholic beverages in branding, packaging, and retail presentation, but are not subject to alcohol excise.

Despite this regulatory difference, nolo prices are frequently close to, and sometimes higher than, those of excise-bearing alcoholic products.

This risks diluting the price-based health signal that alcohol excise is intended to convey by obscuring the role of taxation in shaping alcohol prices.

Making explicit that nolo products are not subject to alcohol excise could help restore interpretive clarity without intervening in pricing decisions.

Context: alcohol excise as a health signal

Alcohol excise plays a dual role in Australian policy¹. It is a revenue instrument, but it also functions as a public health signal by embedding some of the social cost of alcohol consumption into retail prices. Higher prices are intended to discourage harmful consumption and make switching away from alcohol economically salient to consumers².

Public debate around alcohol prices is therefore not just about cost of living. It is also about fairness, health, and the legitimacy of pricing interventions. For excise to perform its signalling role effectively, consumers must be able to interpret prices in a way that reflects underlying regulatory differences rather than treating all price movements as equivalent.

As beverage ranges and associated health risks expand, clarity about what excise does and does not apply to becomes increasingly important for policy coherence.

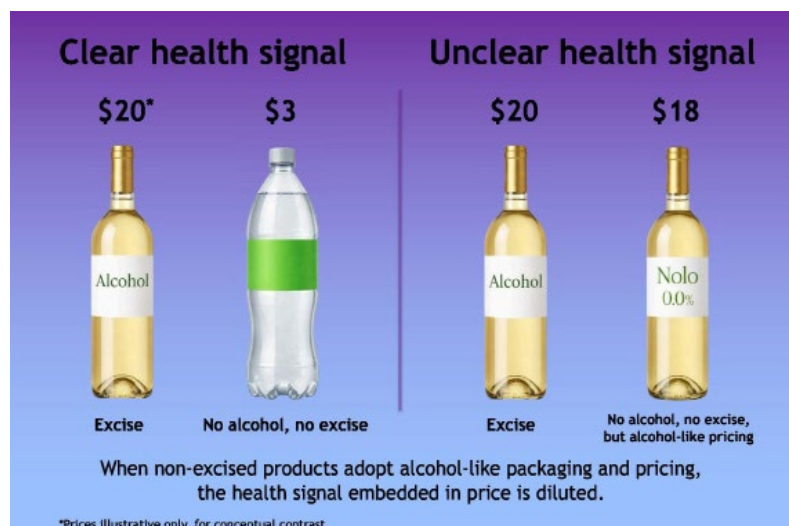
Emergence of nolo products

Over the past decade, no and low alcohol (“nolo”) products have expanded rapidly across Australian retail markets. Many are deliberately designed to closely resemble established alcoholic beverages in branding, packaging, naming, and presentation³. Some directly mimic famous alcohol products (e.g. Heineken 0.0). From a consumer perspective, they sit within existing alcohol categories and are commonly merchandised alongside alcoholic

products in outlets such as Dan Murphy's, Liquorland, and BWS, as well as in bars and clubs.

From a regulatory standpoint, however, these products differ in one critical respect. Because they contain little or no alcohol, they are not subject to alcohol excise. This distinction is clear in tax law but not always salient at the point of purchase given current retail presentation norms.

The growth of nolo products has therefore introduced a new class of products that are visually and symbolically equivalent to alcohol but treated differently for taxation purposes.



Comparable prices and interpretive effects

Despite the absence of excise, nolo retail prices are frequently close to, and sometimes higher than, those of alcoholic counterparts. This is not inherently problematic: retail prices generally reflect what consumers are willing to pay, shaped by branding, familiarity, and perceived product category.

However, because nolo products are designed to closely resemble alcoholic beverages, consumer willingness to pay may be formed with reference to alcohol prices. Where such anchoring occurs, nolo prices may be higher than would otherwise be expected for non-excise-bearing beverages, making the role of excise in shaping alcohol prices less visible and reinforcing the appearance of a single, natural price level rather than one shaped by taxation explicitly intended to moderate consumption.

Signal dilution and its policy implications

This interpretive effect matters because it risks diluting the health signal that alcohol excise is intended to convey. If excise is no longer legible in relative prices, its communicative function is weakened, even if its fiscal function remains unchanged. In such conditions, price ceases to clearly encode alcohol's distinctive health status.

One obvious practical consequence is weaker substitution away from alcohol. While many consumers are willing to pay a premium for taste, brand, or social signalling, the economic case for drinking less suffers if non-alcoholic alternatives appear no cheaper than excise-bearing products. Substitution then becomes primarily a matter of preference rather than a response to health-oriented price differentials.

However, from a policy perspective, this behavioural effect is only one dimension of a broader set of interrelated risks for alcohol regulation and governance, summarised below.

Policy risk	Manifestation
Behavioural	Reduced substitution away from alcohol as alternatives appear economically similar and are categorised in the same way as excise bearing products.
Normative	Erosion of clear category boundaries between regulated alcohol and alcohol coded products
Institutional	Weakening of excise's perceived legitimacy as a health instrument rather than a purely fiscal tax ("Just another tax")
Governance	Misalignment between alcohol's exceptional legal status and its increasingly confusing market presentation

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A minimal, proportionate response

Clarifying that nolo products are not subject to alcohol excise offers a simple way to restore interpretive clarity without interfering in pricing decisions. This could take the form of explicit labelling, shelf guidance, or public-facing information rather than mandatory price controls or new regulatory regimes.



Such an approach is informational rather than interventionist. It does not constrain how products are priced, nor does it presume that current prices are inappropriate. Its effects would scale naturally with the extent that confusion about excise currently exists. Where no such confusion is present, the impact would be minimal.

Importantly, this approach preserves transparency about alcohol taxation without requiring changes to how excise-bearing products themselves are labelled or priced.

Preserving clarity in alcohol pricing

As nolo products become a more visible part of alcohol-adjacent markets, maintaining clarity about the role of excise becomes increasingly important. Comparable prices between excise-bearing and non-excise-bearing products can obscure policy intent, even in the absence of any change to tax settings.

Explicitly clarifying the excise-free status of nolo products is a low-cost, proportionate response that respects pricing autonomy while supporting the communicative function of alcohol excise.

References

1. Australian Government Department of Health (2019). *National Alcohol Strategy 2019–2028*. Canberra: Australian Government Department of Health.
2. World Health Organization (2023). *The SAFER technical package: a public health framework for reducing alcohol-related harm*. Geneva: World Health Organization.
3. World Health Organization (2023). *A public health perspective on zero- and low-alcohol beverages*. Geneva: World Health Organization.