

Excise Amendment Regulations 2000 (No. 1) 2000 No. 116

EXPLANATORY STATEMENT

STATUTORY RULES 2000 No. 116

Issued by the Authority of the Assistant Treasurer

Excise Act 1901

Excise Amendment Regulations 2000 (No. 1)

Section 164 of the *Excise Act 1901* (the Act) provides that the Governor-General may make regulations prescribing matters required to give effect to the Act or the conduct of any business relating to the Excise.

Background

The August 1998 policy document entitled *Tax reform: not a new tax, a new tax system* (ANTS) outlined a number of changes to the existing taxation treatment of alcoholic beverages, to take effect from 1 July 2000, including applying excise to alcoholic beverages which are currently non-excisable.

This will be done by changing the Excise Tariff in the *Excise Tariff Act 1921*. A Tariff Proposal to alter the *Excise Tariff Act 1921* will be tabled in Parliament shortly before the end of the current financial year.

The changes to the Excise Tariff will:

- * impose excise on alcoholic beverages not currently subject to excise; and
- * adjust the rates of duty to offset the removal of the wholesale sales tax

by introducing a new tariff structure for alcohol.

In recent times new products, such as the ready-to-drink designer drinks, have emerged in the marketplace. These drinks use alcohol which is not subject to excise, typically fortified wine or alcohol derived from the fermentation of sugars. To bring these drinks under the Excise regime, the new tariff structure will include items for 'other excisable beverages'.

The Regulations

The amendment Regulations inserts the term 'other excisable beverages' in the licencing and manufacturing provisions of Part XX of the Excise Regulations. The effect of this will be that manufacturers of 'other excisable beverages' will be required to be licenced and to manufacture their products in accordance with the manufacturing, labelling and packaging requirements set out in the Excise Regulations.

The Regulations also amend the licensing and manufacturing provisions to reflect current drafting practice in respect of grammar and gender specific references.

Details of the amendments are in the Attachment.

The Regulations commence on 1 July 2000.

Attachment

Excise Amendment Regulations 2000 (No. 1)

Regulation 1 sets out the name of the Regulations.

Regulation 2 specifies that the Regulations will commence on 1 July 2000.

Regulation 3 provides for the *Excise Regulations 1925* to be amended as set out in Schedule 1.

Schedule 1 Amendments

Definition of other excisable beverage

Item 1 defines the term **other excisable beverage** and specifies that the term has the same meaning as in the *Excise Tariff Act 1921*. The full definition will be inserted into the *Excise Tariff Act 1921* by a Tariff Proposal to be tabled in Parliament prior to the commencement of the Regulations. Other excisable beverages will be any beverage containing more than 1.15% alcohol by volume, being goods described in Item 1 or 2 of The Schedule to the *Excise Tariff Act 1921*, but will not include beer, brandy, fruit brandy, whisky, rum, or wine as defined in Subdivision 31-A of the *A New Tax System (Wine Equalisation Tax) Act 1999*.

New heading for Part XX

Item 2 replaced the existing heading with a new heading "Part XX Liqueurs or other excisable beverages".

The use of imported spirit in the manufacture of other excisable beverages

Item 3 inserted a new item 10 in Schedule 2 of the Regulations to prescribe the conditions under which imported spirits can be used to manufacture other excisable beverages wholly under the excise regime.

Section 24 of the *Excise Act 1901* provides for imported spirits to be used in the manufacture of locally produced excisable beverages, subject to prescribed conditions set out in Schedule 2 of the Regulations. Some ready-to-drink designer drinks (which will fall under the definition of other excisable beverage) are produced by blending duty paid imported spirit and locally produced alcohol. As other excisable beverages will be liable to excise on their final alcoholic content, the effect of the amendment made by Item 3 is to remove the double taxation of the imported spirit.

Item 4 amended all of the licensing and manufacturing provisions to extend the requirements of those provisions to the manufacture of other excisable beverages. These amendments replaced the term "beverages containing distilled alcohol" with the term "other excisable beverages" occurring in regulations 224, 225, 227, 228, 229, 232, 234A, 234B, 234C and 234D.

Item 4 also amended paragraph 244(1)(h) by replacing the term "beverages containing distilled alcohol" with the term "other excisable beverages" to extend the packaging and labelling provisions to other excisable beverages.

Item 4 made a further amendment to Schedule 2 of the Excise Regulations to prescribe additional circumstances in which other excisable beverages can be blended with imported alcoholic products.

Additional amendments

Current drafting practice is to take the opportunity to amend grammar and gender specific language when making other amendments to regulations. These amendments were made by Items 5 and 6.

Item 5 amended the licensing and manufacturing regulations to include conjunctions at the end of paragraphs in accordance with current drafting practices.

Item 6 amended the licensing and manufacturing regulations to remove some gender specific language in accordance with current drafting practices.