

Chapter 1

Introduction

Background

1.1 On 11 May 2006, the following suite of bills was introduced into the House of Representatives:

- Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006
- Customs Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006
- Excise Laws Amendment (Fuel Tax Reform and Other Measures) Bill 2006
- Excise Tariff Amendment (Fuel Tax Reform Other Measures) Bill 2006.

Reference of the bills

1.2 Upon their introduction into the House of Representatives, the bills were referred to the Senate Economics Legislation Committee for inquiry and report by 9 June 2006. The reference limited the Committee's inquiry to reviewing the alcohol taxation measures contained in the bills with respect to their likely consumer, social and economic effects and their effect on industry. The Committee tabled an interim report on the bills out of session on 9 June 2006.

Purpose of the bills

1.3 As the Committee's inquiry was limited to the alcohol measures contained in the bills, this report does not go into the other measures or wider purpose of the bills.¹ Suffice it to say, the bills largely simplify and streamline existing regulations governing a range of excisable goods.

1.4 With regard to alcohol products, the bills propose the following:

- A streamlined provision will enable rules to be determined for measuring the volume, weight or alcoholic strength of an excisable good.
- To protect the revenue, bottling of duty-paid bulk beer is considered to be excise manufacture to prevent lower excise liability applying.
- Streamlining the concessional spirits scheme to reduce the administrative burden on users and protect the revenue where concessional spirits are unable to be satisfactorily accounted for.

1 For the purpose of each bill, see the explanatory memorandum for each. See also the Parliamentary Library's bill digests, numbers 139 and 140 for the customs bills (both 22 May 2006) and numbers 143 and 144 for the excise bills (both 24 May 2006).

- Redefining mead, grape wine and wine to conform with their definitions in the *A New Tax System (Wine Equalisation Tax) Act 1999*.
- Maintaining brandy at a lower excise duty rate than that applied to other excisable spirit beverages, and defining brandy as a spirit that has been distilled from grape wine and smells like, and possesses the other characteristics of, brandy (as distinct from so-called fruit brandies, which do not attract the lower excise duty).
- Upon approval, spirits may be used to fortify Australian wine or Australian grape must and will attract a free rate of duty, subject to any conditions imposed in the grant of approval.
- Continuing maturation provisions that brandy, whisky or rum must have 'been matured by storage in wood for a period of not less than two years'.
- Incorporating the provisions from the repealed Spirits Act that make it an offence to misuse the terms 'old' or 'very old' for any spirit unless it has been aged in wood for periods of at least five and ten years respectively.

The inquiry

1.5 Although the inquiry was directed to the alcohol related measures contained in the bills, much of the evidence addressed the wider issue of alcohol tax policy reform. The measures contained in the bills were seen as largely technical and uncontroversial refinements and accepted as improvements to the regulatory framework governing the alcohol industry and its various sectors. Consequently, the Committee's inquiry and report is largely a discussion of proposals for reforming elements of alcohol taxation policy.

Submissions

1.6 The committee advertised its inquiry in *The Australian* on 16 and 24 May 2006. In addition, the committee contacted a number of individuals and organisations in writing alerting them to the inquiry and inviting them to make a submission. A list of submissions received appears at Appendix 1. A list of other evidence received appears at Appendix 2.

Hearing and evidence

1.7 The committee held a public hearing at Parliament House, Canberra on 5 and 6 June 2006. Witnesses who appeared before the committee at the hearing are listed at Appendix 3. Copies of the Hansard transcript from the hearing are tabled for the information of the Senate. It can be accessed on the internet at <http://aph.gov.au/hansard>.

Acknowledgements

1.8 The committee wishes to thank all those who assisted with its inquiry.