



Mr Alistair Sands
Secretary,
Senate Economics Legislation Committee
PO Box 6100
Parliament House
Canberra ACT 2600

By email economics.sen@aph.gov.au

Dear Mr Secretary

**Customs Amendment (Fuel Tax Reform and Other Measures)
Bill 2006 and three related bills**

Thank you for your invitation to make a submission to the Senate Economics Legislation Committee who, are currently reviewing the above Bills. The Australian Associated Brewers (AAB) as the representative peak body for Australian beer manufacturers is pleased to provide a response to the Committee as it conducts its review of “alcohol taxation measures in terms of their likely consumer, social and economics effects on industry.

The AAB understands that the Bills comprising this package, namely the:

- Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006;
- Customs Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006;
- Excise Amendment (Fuel Tax Reform and Other Measures) Bill 2006; and
- Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006,

have their origins primarily in the fuel excise reforms emanating from the Government’s White Paper “Securing Australia’s Energy Future” which in short will implement Government policy in relation to taxing only that fuel which is used on-road by private consumers and large business vehicles. The Bills serve to introduce new excises on alternate fuels previously untaxed, and provide a new excise credit regime for off-road fuel use and business on-road use in motor vehicles under prescribed tonnages.

Further to the Government’s White Paper reforms, in 2005 the Commonwealth Treasury in the context of implementing the new fuel excise taxation system and introducing new

fuel products to the excise tariff, held a review¹ into the Schedule² of the *Excise Tariff Act 1921*, (the Review) with a view to simplifying the entire Schedule in terms of administration and clarity (as opposed to reviewing actual excise rates) for all excisable commodities namely petroleum, alcohol, and tobacco. This Review was specific in its terms of reference in that it would not revisit excise taxation policy, but would focus on simplify classification and reporting of excisable items within the Schedule. Where appropriate however, the Review would also seek to analyse other pieces of excise law connected with the Schedule, where that excise legislation could hinder the proposed simplification or clarification of the Schedule.

The AAB as representative of an industry which pays over \$1.7 billion in excise each year, made submissions to both the review and to the draft recommendation proposed at the completion of the review. The AAB is on record in the Review as stating that it was generally supportive of the Treasury proposals, provided that Treasury did not use the opportunity to review any other excise taxation policy areas such excise duty rates.

The output of Treasury's Review is the only component of these four Bills which apply to the manufacture and excise payment of beer. Upon review of the four Bills comprising the Fuel Tax Reform package, the AAB has found the provisions to be consistent with the proposed recommendations of Treasury, the same recommendations that the AAB supported in 2005.

In summary, these include, with a statement on industry impact, the following:

1. New tariff item numbers for the classification of beer (minimal administrative impact);
2. New controls to prevent revenue loss from the repackaging of bulk beer (containers exceeding 48 litres) into smaller containers after excise has been paid at the lower rate applicable to bulk beer. Such repacking to constitute "manufacture" and therefore require an excise manufacturer's license (no impact for AAB members);
3. Alignment of all excise commodity manufacturing licenses to a 3 year / 31 March expiry arrangement (no impact for AAB members);
4. New rules for manufacture of excisable beer with imported beer (n/a);
5. New rules for manufacture of excisable beer with excisable beer (awaiting draft of Regulations, but no impact anticipated);

¹ See details of the Review, including the Industry Discussion paper at Treasury's website at: <http://www.treasury.gov.au/contentitem.asp?NavId=037&ContentID=984>

² The Schedule to the Excise Tariff Act 1921 contains a listing of all excisable commodities and their excise rates. It is a critical piece of legislation as only those goods which can be classified within the Schedule become subject to the full excise regime.

6. Various consequential amendments (no impact on AAB members);

7. Various transitional arrangements (no impact on AAB members).

The AAB sees the package of Bills for beer to be simply a “technical” piece of law designed to implement a number of small amendments aimed at simplifying and modernizing the Schedule of the *Excise Tariff Act 1921* as it relates to beer classification. Those amendments proposed in the package of Bills will achieve this.

Therefore, the AAB submits that it would like to see the Bills passed without further amendment considered so that the industry can commence the process of making the administrative changes required for 1 July 2006 compliance.

If there are any further queries in relation to this submission, please do not hesitate to contact me in my office on (02) 6295 7199.

Yours sincerely



Sam Hudson
Executive Director

May 24th, 2006