

1993

THE PARLIAMENT OF THE COMMONWEALTH OF  
AUSTRALIA

HOUSE OF REPRESENTATIVES

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SALES TAX (CUSTOMS) (WINE - DEFICIT REDUCTION) BILL 1993  
SALES TAX (EXCISE) (WINE - DEFICIT REDUCTION) BILL 1993  
SALES TAX (GENERAL) (WINE - DEFICIT REDUCTION) BILL 1993

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EXPLANATORY MEMORANDUM

(Circulated by the authority of the Treasurer  
the Hon John Dawkins, M.P.)





## General Outline and Financial Impact

The following Bills will modify the application of the *Sales Tax (Exemptions and Classifications) Act 1992* to effect a phasing in of increases in the rates of sales tax applicable to wine, cider and other similar beverages:

Sales Tax (Customs) (Wine - Deficit Reduction) Bill 1993

Sales Tax (Excise) (Wine - Deficit Reduction) Bill 1993

Sales Tax (General) (Wine - Deficit Reduction) Bill 1993.

## Summary of proposed amendments

**Purpose of amendments:** The abovementioned Bills will make the following changes:

### Alcoholic wines

Increase the rate of sales tax on alcoholic wines (more than 1.15% by volume of alcohol) from 20% to 31% for a designated period, at which time the rate is to be reduced to 22%. That period will start on 18 August 1993 and will end on 31 October 1993, or the day before any earlier date which may be announced in a statement laid before the House of Representatives. Phase in an increase in the rates from 22% to 26% in stages corresponding to the beginning of the financial years, over the period 1 November 1993, or an announced earlier date, to 1 July 1995.

### Low alcohol wines

Increase the rate of sales tax on low alcohol wines (not more than 1.15% by volume of alcohol) from 10% to 21% for a designated period, at which time the rate is to be reduced to 12%. That period will start on 18 August 1993 and will end on 31 October 1993, or the day before any earlier date which may be announced in a statement laid before the House of Representatives. Phase in an increase in the rates from 12% to 16% in stages corresponding to the beginning of the financial years, over the period 1 November 1993, or an announced earlier date.

**Date of effect:** 18 August 1993

**Proposal announced:** 13 October 1993

<b>Financial gain:</b>	93-94	94-95	95-96
	\$17m	\$30m	\$40m

## **Background to the legislation**

### ***Low alcohol wine, cider etc.***

Under the existing law, the following low alcohol beverages (containing not more than 1.15% by volume of alcohol) are taxed at the concessional rate of 10%:

- Australian-made wine and cider, and beverages similar to wine and cider (such as wine coolers); and
- mead, perry, sake and other similar fermented beverages;

**Note:** The expression "other similar fermented beverages" includes fruit wines and beverages fermented from plants such as vegetables, flowers and herbs marketed as vegetable wine etc.

Imported low alcohol wine and cider, however, is taxed at the general rate of 20%.

The 10% concessional rate does not apply to:

- beer, spirits, liqueurs or spirituous liquors; or
- beverages that contain beer, spirits (other than spirits for fortifying wine or other beverages), liqueurs or spirituous liquors.

### ***Alcoholic wine, cider etc.***

Under the existing law, the following alcoholic beverages (containing more than 1.15% by volume of alcohol) are taxed at the general rate of 20%:

- wine, cider and beverages similar to wine and cider (such as wine coolers); and
- mead, perry, sake and other similar fermented beverages;

### Explanation of proposed amendments

The following table summarises the details of the proposed phasing in of the sales tax rate changes:

Period	Rate of tax Alcoholic Wines	Rate of tax Low Alcohol Wines
18/8/1993 to 31/10/1993 (or day before an announced earlier date)	31%	21%
1/11/1993 (or announced earlier date) to 30/6/1994	22%	12%
1/7/1994 to 30/6/1995	24%	14%
1/7/1995 onwards	26%	16%

**Note:** References to commencement and cessation dates include all dealings made on that day.

With alcoholic wines, sales tax will be levied at the 31% rate from 18 August 1993, the original proposed date of effect for the budget changes, until 31 October 1993, or the day before any earlier date, which may be announced in a statement laid before the House of Representatives. Dealings on and from 1 November 1993, or in the event of an announced earlier date, that date, being subject to the phasing in period.

Sales Tax on low alcohol wines etc. will be levied at the 21% rate from 18 August 1993 until 31 October 1993, or the day before any earlier date, which may be announced in a statement laid before the House of Representatives. Dealings on and from 1 November 1993, or in the event of an announced earlier date, that date, being subject to the phasing in period.

Each of the Sales Tax (Wine - Deficit Reduction) Bills 1993 modifies the effect of the *Sales Tax (Exemptions and Classifications) Act 1992*, in so far as that Act deals with sales tax imposed by the corresponding Sales Tax Imposition Act.

These modifications take into account the other modifications of the *Sales Tax (Exemptions and Classifications) Act 1992* proposed by the Sales Tax (Deficit Reduction) Bills 1993.

The actual text of the *Sales Tax (Exemptions and Classifications) Act 1992* is not amended by these Bills. The following describes the effect of the amendments proposed by the Sales Tax (Wine - Deficit Reduction) Bills 1993 on the *Sales Tax (Exemptions and Classifications) Act 1992*.

#### **Amendments applying to alcoholic wines**

Schedule 5 of the *Sales Tax (Exemptions and Classifications) Act 1992* will be amended to include alcoholic wines etc. This will result in tax being charged at the rate of 31% from 18 August 1993 *[item 2 in schedule 1 to clause 5 of each of the Bills]*.

From 1 November 1993, or the abovementioned announced earlier date, a Seventh Schedule will be introduced into the *Sales Tax (Exemptions and Classifications) Act 1992*, to provide the gradual increase in rates of tax on alcoholic wines etc. *[item 4 in schedule 2 to clause 6 of each of the Bills]*.

The initial rate under this schedule will be 22%, which will rise to 24% on 1 July 1994 and 26% on 1 July 1995, for dealings on or after those dates *[item 4 in schedule 2 to clause 6; item 1 in schedule 3 to clause 7; and item 1 in schedule 4 to clause 8 of each of the Bills]*.

#### **Amendments applying to low alcohol wines**

Schedule 2 of the *Sales Tax (Exemptions and Classifications) Act 1992* will be amended to delete low alcohol wines etc. This will result in tax being charged at the rate of 21% from 18 August 1993 *[item 1 in schedule 1 to clause 5 of each of the Bills]*.

From 1 November 1993, or the abovementioned announced earlier date, an Eighth Schedule will be introduced into the *Sales Tax (Exemptions and Classifications) Act 1992*, to provide the gradual increase in rates of tax on low alcohol wines etc. *[item 4 in schedule 2 to clause 6 of each of the Bills]*.

The initial rate under this schedule will be 12%, which will rise to 14% on 1 July 1994 and 16% on 1 July 1995 for dealings on or after those dates *[item 4 in schedule 2 to clause 6; item 2 in schedule 3 to clause 7; and item 2 in schedule 4 to clause 8 of each of the Bills]*.

