

1994

**THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA**

**HOUSE OF REPRESENTATIVES**

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**SALES TAX (WORLD TRADE ORGANIZATION  
AMENDMENTS) BILL 1994**

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**EXPLANATORY MEMORANDUM**

(Circulated by the authority of the Treasurer  
the Hon Ralph Willis, M.P.)

## General outline and financial impact

This Bill is one of a package of Bills relating to the World Trade Organization Agreement. It contains changes to the sales tax laws concerning fruit and vegetable juice products, which Australia is required to put in place before entering into the Agreement. [Clause 3]

**Purpose of amendments:** To extend the concessional rate of sales tax presently applying to certain Australian, New Zealand and Papua New Guinean fruit and vegetable juice products to similar goods made from fruits or vegetables grown in other countries.

**Date of effect:** Either 1 January 1995, or the date the World Trade Organization Agreement comes into effect for Australia, whichever is the later. [Clauses 5]

**Proposal announced:** Not previously announced.

**Financial impact:** For a full year, the cost to revenue will be \$3 million.

**Compliance cost impact:** Negligible

## Background to the legislation

Goods which are covered by Schedule 2 to the *Sales Tax (Exemptions and Classifications) Act 1992* (the E and C Act) are taxable at a concessional rate, currently 11%.

Under the existing law, Items 13 and 14 of Schedule 2 cover certain categories of juice products. Broadly speaking, the following goods qualify for the concessional sales tax rate of 11%, providing that they are made from fruit or vegetables grown in Australia, New Zealand or Papua New Guinea:

- concentrates for making non-alcoholic drinks, if they consist of at least 25% by volume of fruit juice;
- cordials for making non-alcoholic drinks, and food flavourings, if they consist of at least 25% by volume of:
  - fruit juices;
  - a mixture of water and concentrates of fruit juices, if the strength of the mixture is at least equivalent to the natural strength of the juices; or
  - a combination of the above mentioned fruit juices and mixture;

- non-alcoholic non-carbonated drinks, if they consist of at least 25% by volume of fruit or vegetable juice; and
- non-alcoholic carbonated beverages, if they consist wholly of fruit or vegetable juices.

Juice products which are made from fruit or vegetables grown in countries other than Australia, New Zealand or Papua New Guinea, or which do not contain at least 25% by volume of fruit or vegetable juice, are taxable at the general rate (currently 21%).

## Explanation of the proposed amendments

Items 13 and 14 of Schedule 2 of the E and C Act will be repealed. A new Item 13 will be inserted into Schedule 2, which will apply to the same range of fruit and vegetable juice products that are described above, but without the requirement that they be made from fruit and vegetables grown in Australia, New Zealand or Papua New Guinea. The requirements as to the percentage of juices in the products which qualify for concessional treatment will not be changed. *[Clause 4]*

As a result, the rate of tax on the relevant juice products made from fruit and vegetables grown in any country will be the concessional Schedule 2 rate (currently 11%). The concessional rate for fruit and vegetable juice products made from Australian, New Zealand or Papua New Guinean fruit or vegetables will not change. Juice products consisting of less than the specified volume of fruit or vegetable juices will continue to be taxable at the general rate.

The Act will commence on the day that it receives the Royal Assent. The amendment will have effect from either 1 January 1995, or the day that the World Trade Organization Agreement enters into force for Australia, whichever is later. The day that the Agreement enters into force will be the day declared by Proclamation by the Governor-General under paragraph 2(5)(b) of the *Copyright (World Trade Organization Amendments) Act 1994*. *[Clauses 2 and 5]*

There will also be a minor technical amendment to Item 13. The reference to "concentrates" in the existing subitem 13(2) will be replaced with a reference to "cordials" in the new subitem 13(2). This reflects the intention of the Item and does not change its scope.



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