
EXCISE TARIFF AMENDMENT (2018 MEASURES NO. #) BILL 2018
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EXPOSURE DRAFT EXPLANATORY MATERIALS

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Glossary

The following abbreviations and acronyms are used throughout this explanatory memorandum.

<i>Abbreviation</i>	<i>Definition</i>
Exposure draft Bills	Excise Tariff Amendment (2018 Measures No.#) Bill 2018 and Excise Amendment (2018 Measures No.#) Bill 2018
Excise Act	<i>Excise Act 1901</i>
Excise Tariff Act	<i>Excise Tariff Act 1921</i>

Chapter 1

Extending support for craft brewers

Outline of chapter

1.1 The exposure draft Bills amend the Excise Tariff Act and the Excise Act to extend concessional rates of excise to brewers that supply draught beer in kegs or other containers that have a capacity of 8 litres or more that are designed for dispensing from commercial premises. Kegs for dispensing from commercial premises typically are designed for use with a pressurised gas delivery system or pump delivery system.

1.2 Similar amendments will be made to the excise-equivalent customs duty law that applies to beer that is imported into Australia. Targeted consultation on the amendments to the Customs Tariff Act will be conducted separately and the amendments will apply in relation to goods entered for home consumption on or after 1 July 2019.

Context of amendments

Excise Tariff Act

1.3 Excise duty applies to beer that is manufactured in Australia. Duty on the beer is payable at the time of entry for home consumption. Lower excise duty rates currently apply to draught beer entered for home consumption in containers (typically kegs) with a capacity of greater than 48 litres. This concessional duty typically only applies to draught beer dispensed for sale from commercial premises given the size of kegs required to qualify for the concession.

Summary of new law

1.4 The amendments made by the exposure draft Bills extend the concessional excise duty rates currently applying to draught beer in kegs and other containers exceeding 48 litres to smaller containers of 8 litres or more if these containers are designed for dispensing from commercial premises.

1.5 The concessional treatment only applies if the containers satisfy the size requirements and are designed to be connected to a pressurised gas delivery system, pump delivery system or other system prescribed by regulations. This ensures that the containers are of a type commonly used

for dispensing draught beer from commercial premises and are not designed for sale of these containers directly to consumers.

Detailed explanation of new law

Excise Tariff Act

1.6 The exposure draft Bills extend the concessional excise duty rates to draught beer entered for home consumption in individual containers (typically kegs) that have a capacity of 8 litres or greater. Currently, draught beer sold in individual containers exceeding 48 litres is taxed at lower rates compared with beer sold in individual containers of 48 litres or less. *[Schedule 1 to the Excise Tariff Amendment (2018 Measures No. #) Bill 2018, items 2, 4 and 6, Tariff subitems 1.2, 1.6 and 1.11 in the Schedule to the Excise Tariff Act]*

1.7 The measure extends the concession to smaller keg sizes to support craft brewers as they typically produce draught beer in smaller containers.

1.8 The concessional rates of duty apply to containers in which the beer is packaged if:

- they are designed to be connected to a pressurised gas delivery system, pump delivery system or other system prescribed by regulations; and
- they have a capacity of between 8 litres and 48 litres (inclusive).

1.9 The requirement that the containers must be designed to connect to a pressurised gas or pump delivery system is an integrity rule to ensure the concessional duty rates do not apply to containers targeted primarily for sale to consumers for personal consumption. The integrity rule is required because the concession is not directed at consumers, who might otherwise seek to acquire these smaller containers for personal consumption. The integrity rule seeks to target support for craft brewers under this measure for draught beer they produce in containers that are purpose built for dispensing the beer at commercial licensed premises. *[Schedule 1 to the Excise Tariff Amendment (2018 Measures No. #) Bill 2018, items 2, 4 and 6, subparagraph(b)(ii) of Tariff subitems 1.2, 1.6 and 1.11 in the Schedule to the Excise Tariff Act]*

1.10 Under the amendments, the existing tariff subitems in the Excise Tariff Act will apply to container sizes of 8 litres or more rather than container sizes exceeding 48 litres. However, containers within this size range must be designed to connect to a pressurised gas delivery system, pump delivery system, or other system prescribed by the regulations. The amendments allow the regulations to prescribe other

delivery systems. This would enable draught beer in other containers to qualify for concessional treatment to ensure the law contains sufficient flexibility to deal with other delivery systems that may be developed in the future for use at commercial licensed premises. *[Schedule 1 to the Excise Tariff Amendment (2018 Measures No. #) Bill 2018, items 2, 4 and 6, Tariff subitems 1.2, 1.6 and 1.11 in the Schedule to the Excise Tariff Act]*

1.11 The amendments do not affect draught beer sold in individual containers exceeding 48 litres and accordingly the existing rate of duty continues to apply to draught beer that is entered for home consumption in any individual containers exceeding 48 litres. *[Schedule 1 to the Excise Tariff Amendment (2018 Measures No. #) Bill 2018, items 2, 4 and 6, Tariff subitems 1.2, 1.6 and 1.11 in the Schedule to the Excise Tariff Act]*

1.12 Concessional draught beer excise rates do *not* apply to beer:

- packaged in individual containers with a capacity of less than 8 litres; or
- packaged in individual containers with a capacity of 8 litres or greater but not exceeding 48 litres where the containers are *not* designed to connect to a pressurised gas delivery system, pump delivery system or other system prescribed by the regulations.

[Schedule #, items 1, 3 and 5 of Schedule 1 to the Excise Tariff Amendment (2018 Measures No. #) Bill 2018, Tariff subitems 1.1, 1.5 and 1.10 in the Schedule to the Excise Tariff Act]

1.13 This gives effect to the intention that the concessional duty rates should *not* apply to beer packaged in containers if the containers are primarily designed to be acquired directly by consumers for personal consumption. Where such kegs are marketed directly to consumers for sale this would suggest that the lower duty rate may not apply.

Consequential amendments

1.14 Schedule # also makes consequential amendments to section 77FC of the Excise Act. Currently, any beer that is entered for home consumption in individual containers exceeding 48 litres (and is ordinarily eligible for the lower duty rates) which is subsequently repackaged into containers with a smaller capacity, is treated as being subject to further manufacturing and therefore subject to duty at the applicable non-concessional rates.

1.15 Consequential amendments ensure that a similar integrity restriction applies to the repackaging of beer that is:

- entered for home consumption in containers of 8 litres or greater that is eligible for the concessional duty rates; and

-
- repackaged in containers to which concessional duty rates do not apply.

[Schedule 1 to the Excise Amendment (2018 Measures No #) Bill 2018, items 2 and 3, paragraph 77FC(b) and section 77FC (note) of the Excise Act]

1.16 The consequential amendments ensure that this integrity rule applies in relation to beer entered for home consumption rather than delivered for home consumption. *[Schedule 1 to the Excise Amendment (2018 Measures No. #) Bill 2018, item 1, paragraph 77FC(a) of the Excise Act]*

Application and transitional provisions

1.17 The amendments to the Excise Act and Excise Tariff Act apply in relation to goods entered for home consumption on or after 1 July 2019. The amendments to the Excise Tariff Act apply to goods entered for home consumption on or after 1 July 2019 despite subsection 5(2) of the Excise Tariff Act. *[item 7 of the Excise Tariff Amendment (2018 Measures No. #) Bill 2018 and item 4 of the Excise Amendment (2018 Measures No.#) Bill 2018]*