

# Chapter 1

## Introduction

### Establishment

1.1 On 11 October 2016, the Senate established the Select Committee on Red Tape (to be known as the Red Tape Committee) to inquire into and report on the effect of restrictions and prohibitions on business (red tape) on the economy and community, by 1 December 2017, with particular reference to:

- a. the effects on compliance costs (in hours and money), economic output, employment and government revenue, with particular attention to industries, such as mining, manufacturing, tourism and agriculture, and small business;
- b. any specific areas of red tape that are particularly burdensome, complex, redundant or duplicated across jurisdictions;
- c. the impact on health, safety and economic opportunity, particularly for the low-skilled and disadvantaged;
- d. the effectiveness of the Abbott, Turnbull and previous governments' efforts to reduce red tape;
- e. the adequacy of current institutional structures (such as Regulation Impact Statements, the Office of Best Practice Regulation and red tape repeal days) for achieving genuine and permanent reductions to red tape;
- f. alternative institutional arrangements to reduce red tape, including providing subsidies or tax concessions to businesses to achieve outcomes currently achieved through regulation;
- g. how different jurisdictions in Australia and internationally have attempted to reduce red tape; and
- h. any related matters.<sup>1</sup>

1.2 The Red Tape Committee (committee) decided to conduct its inquiry by focusing on specific areas, commencing with the effect of red tape on the sale, supply and taxation of alcohol (the inquiry).

### Conduct of the inquiry and acknowledgement

1.3 The committee advertised the inquiry on its website and wrote to a number of organisations, inviting submissions by 31 January 2017. In response, the committee received 25 submissions to the inquiry, which are listed in Appendix 1.

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1 *Journals of the Senate*, No. 9–11 October 2016, pp. 290–291.

1.4 The committee held a public hearing on 24 February 2017 in Sydney. The witnesses who appeared before the committee are listed in Appendix 2.

1.5 The committee thanks the individuals and organisations who made submissions and who gave evidence to assist the committee with its inquiry.

### **Scope of the report**

1.6 Chapter one of this report provides some background information to set the context for the inquiry. Chapter two then examines thematically some of the evidence presented to the committee. The committee intends to draw on this evidence in its final report.

### **Two systems for the taxation of alcohol**

1.7 Australia has two systems for the taxation of alcohol: the excise and excise equivalent customs system, and the wine equalisation tax (WET) system.

1.8 Excise duty is a form of volumetric taxation that is levied on alcohol manufactured or produced in Australia (excluding wine).<sup>2</sup> It is a commodity-based tax where liability for payment arises at the point of manufacture/production. There are different rates of excise duty, which are indexed biannually according to the Consumer Price Index.<sup>3</sup> Excisable alcohol goods include beer, spirits and brandy.<sup>4</sup>

1.9 Excise equivalent customs duty is also a commodity-based tax that applies to imported alcohol (except from countries exempted under free trade agreements) at a rate equivalent to the excise rate that would have applied had the imported alcohol been manufactured or produced domestically.<sup>5</sup>

1.10 In contrast, WET is an ad valorem or value-based tax that applies to domestic and imported wine. 'Wine' is defined as grape wine, grape wine products, fruit or vegetable wine, cider or perry, mead and sake. The rate of WET is 29 per cent of the wholesale sale price of wine.<sup>6</sup>

1.11 According to the Australian Taxation Office, alcohol excise and excise equivalent customs duty generated \$5.4 billion in revenue in 2015–16, and the WET generated \$883 million for the same financial year (totalling approximately \$6.2 billion).<sup>7</sup>

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2 Volumetric taxation is tax that is imposed at a fixed rate per unit of volume. For alcohol excise, this is dollars per litre of alcohol content.

3 Statutory excise rates for alcohol were last indexed on 1 February 2017: Australian Taxation Office, *Excise Rates for Alcohol*, <https://www.ato.gov.au/business/excise-and-excise-equivalent-goods/alcohol-excise/excise-rates-for-alcohol/> (accessed 28 March 2017).

4 Australian Taxation Office, *Submission 7*, p. 4.

5 Australian Taxation Office, *Submission 7*, p. 11.

6 Australian Taxation Office, *Submission 7*, p. 14.

7 Australian Taxation Office, *Submission 7*, p. 4.

## Sale and supply of alcohol

1.12 In each state and territory, legislation and associated regulations establish a licensing regime for the sale and supply of alcohol. These eight regimes provide for multiple licences/permits with varying conditions, fees, trading hours, et cetera.

**Table 1.1: A snapshot of Australia's liquor licensing regimes, availability of licence/permit, as at February 2017<sup>8</sup>**

	Legislation	Number of licence types	Regulatory body
WA	<i>Liquor Control Act 1988</i>	11 + 8 permits	Department of Racing, Gaming and Liquor
ACT	<i>Liquor Act 2010</i>	5 + 2 permits	Office of Regulatory Services
NSW	<i>Liquor Act 2007</i>	7	Liquor & Gaming NSW
NT	<i>Liquor Act</i>	3 + 1 permit	Department of Attorney-General and Justice
Qld	<i>Liquor Act 1992</i>	7 + 7 permits	Office of Liquor and Gaming Regulation
SA	<i>Liquor Licensing Act 1997</i>	11	Consumer and Business Services
Tasmania	<i>Liquor Licensing Act 1990</i>	5 + 4 permits	Liquor and Gaming Branch, Department of Treasury and Finance
Victoria	<i>Liquor Control Reform Act 1998</i>	14 + 2 permit	Victorian Commission for Gambling and Liquor Regulation

8 For more detailed comparisons, see: Institute of Public Affairs, *Submission 4*, Attachment 1, pp. 4–9 and 12–13; Coca-Cola Amatil, *Submission 6*, Attachment 1.

