

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates 3-5 June 2008

**Question: bet 39**

**Topic: Ready-to-Drink Beverages - Production**

**Hansard Page: E64**

**Senator Coonan asked:**

**Senator COONAN**—I think it is important and I am going to ask you this: what gives the government confidence that manufacturers will not simply start producing substitute RTDs made of wine or beer with much higher alcohol content?

**Senator Conroy**—I am not quite sure this is the relevant portfolio for that, but I am happy to take that on notice and seek an answer for you.

**Answer:**

It has been a longstanding policy to tax beer and wine differently from spirits.

Under this approach the definition of beer and wine for tax purposes is tightly defined. It is therefore difficult under the existing tax provisions to directly substitute beer and wine products for spirits-based products such as RTDs.

With the exception of brandy, if an alcoholic beverage does not conform to the definition of beer or wine it is generally taxed at a rate equivalent to the RTD excise rate unless it receives a special concession (for example where it is used for an industrial, manufacturing, scientific, medical, veterinary or educational purpose).

Wine is defined as grape wine; grape wine products; fruit or vegetable wine; cider or perry; mead; or sake. However, wine does not include beverages with an alcohol volume content of 1.15 per cent or less or more than 22 per cent. Grape wine is a beverage produced from the complete or partial fermentation of fresh grapes or products derived solely from fresh grapes.

A grape wine product is a beverage that contains at least 70 per cent grape wine per litre and has not had added to it, at any time, any ethyl alcohol from any other source, except grape spirit; or alcohol used in preparing vegetable extracts (including spices, herbs and grasses); and contains at least 8 per cent by volume of ethyl alcohol, but not more than 22 per cent by volume of ethyl alcohol.

Beer is a brewed beverage which is the product of yeast fermentation of malted or unmalted cereals containing hops or other bitters, and has not had added to it, at any time, alcohol from any other source, and has an alcohol volume content of more than 1.15 per cent.