



## **WET Rebate Reform – WoWA response to WET Rebate: Tightened Eligibility Implementation Paper**

The WET Rebate Implementation Paper released by the Federal Government on 2 September confirms the Government's failure to recognise the importance of the wine industry to rural and regional communities and the significant damage that will be caused to small wine producers and their communities by the proposed changes to the WET Rebate.

In the 2016 Budget, the Government announced two major changes to the WET Rebate system that will hurt small wine producers and their communities. It plans to:

- Reduce the WET Rebate cap from \$500,000 to \$290,000 over two years; and
- Change the eligibility criteria so that only producers that own an interest on a winery can claim the rebate.

Both changes fail to recognise the valid reasons why the WET Rebate was introduced in 1999, and demonstrate a fundamental lack of understanding of how the wine industry operates and the importance of maintaining the support to small wine producers and their communities that the rebate provides. The first element is a clear revenue grab, while the second will disqualify over half the small producers in Western Australia from claiming the rebate at all.

The Western Australian wine industry supports reforming and refocusing the WET Rebate system to eliminate the market distortion that is currently occurring through the application of the rebate to bulk and unbranded wines, and by tightening eligibility for the rebate. Wine Equalisation Tax (WET), as a value based tax, places smaller fine wine producers at an enormous disadvantage relative to larger lower cost producers as it results in substantially higher tax being paid on high value fine wines relative to lower value wines. The WET Rebate was introduced to support smaller wine producers in regional and rural Australia with domestic sales, and to effectively exempt those wine producers from WET.

Wines of Western Australia (WoWA) has consulted extensively with wine producers in Western Australia and has released its position paper which outlines four simple proposals to restore the intent and integrity of the WET Rebate system. The Western Australian wine industry is made up of the type of businesses that the WET Rebate was intended to support – smaller regionally based producers who are the owners of the brands under which their production is sold. These businesses form an integral part of the regional economies in which they are based, generating significant employment and economic activity and supporting the local tourism industries.

WoWA's proposals to refocus and restore integrity to the WET Rebate system are:

- Eliminate the rebate for bulk and unbranded wine by limiting the rebate to packaged, branded wine which is for sale to domestic customers – this element is supported by both the Government and the wine industry;

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- Expand the existing eligibility criteria to provide that a producer must operate from a place of business in a wine region and maintain ownership and control of the grapes from which wine is made from the crusher to the finished bottled and branded product – the Government’s proposal that a producer must own an interest in a winery does not recognise the many legitimate business models used by smaller wine producers;
- Maintain the overall rebate of \$500,000 but refocus it so that the full amount is only available on cellar door or direct sales, and introduce a limit within the cap on the rebate available for wholesale sales at \$350,000, transitioned in over four years – the Government’s proposed reduction in the cap for legitimate producers will damage their viability and their ability to invest in their businesses; and
- Restrict access to the rebate to small and medium sized wine producers - the rebate was never intended to support large scale producers.

WoWA is consulting with representatives of fine wine regions in other states and has already received support for its proposals from a number of regional associations.

WoWA calls on the Government to include the WET Rebate cap in the consultation process and to focus its reform of the WET Rebate system on restoring the original intent of the rebate rather than adding complexity to the WET Rebate system or reducing the amount of rebate available to genuine small and medium wine producers. WoWA urges the Government to focus on integrity measures that do not prejudice the sustainability of regional wine communities, and to initiate as soon as possible meaningful discussion on reforming the basis of taxation of wine to a simpler and fairer system based on the volume of wine rather than the value of wine.

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### **About Wines of WA**

Wines of Western Australia provides support to wine producers and Regional Wine Associations in the development of their region.

The mandate of Wines of Western Australia is to ensure government and its relevant agencies understand the position of WA’s nine - premium wine growing regions on key issues affecting their interests and to leverage the collective voices to achieve enhanced success for the stakeholders.

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