Budget 2016

JOBS & GROWTH

Improving the integrity of the wine equalisation tax rebate and growing exports

The Coalition Government will address integrity concerns with the wine equalisation tax (WET) rebate and better target support by reducing the WET rebate cap and tightening eligibility criteria. The Government will also provide more support for export and regional wine growers.

The issue

The WET rebate was originally intended to support small wine producers in rural and regional Australia. However, it has encouraged business structuring to maximise rebate claims. The wine industry has said the rebate has contributed to excessive wine grape production and low value wine and urgently needs reform.

Changes to the WET Rebate

As a first step, the Turnbull Government will introduce amendments to strengthen the associated producer rules in the WET legislation. The intent is to stop multiple claims for the WET rebate by complex structures of associated businesses.

From 1 July 2017, the WET rebate cap will be reduced from $500,000 to $350,000 and from 1 July 2018 to $290,000. Tightened eligibility criteria will apply from 1 July 2019. Around nine out of ten current claims are for less than $290,000.

A phased reduction of the cap will help affected winemakers transition to the new arrangements.

Under the tightened eligibility criteria, a wine producer must own an interest in a winery and sell packaged, branded wine domestically.

The requirement to own an interest in a winery ensures that the rebate can only be accessed by wine producers who have a stake in the wine industry. This approach addresses stakeholder concerns about 'virtual winemakers' accessing the rebate.

Restricting the rebate to packaged, branded wine would implement the recommendation from the wine industry's peak body, the Winemakers' Federation of Australia. It addresses the wine industry's concern that bulk and unbranded wine product contributes to structured arrangements that exploit the rebate.

The Government will undertake consultation to settle final details on the tightened eligibility criteria, including the definition of a winery.

The changes to the WET rebate will equally apply to producers of cider, perry, sake and mead. The changes will apply to New Zealand wine producers who claim the rebate under trade agreements.

Budget impact: Changes to the WET Rebate

The changes to the WET rebate are expected to raise $300m in revenue over the next four years.

Support for Export and Regional Wine Growers

The Government will also provide $50 million over four years to the Australian Grape and Wine Authority (AGWA) to promote Australian wine overseas and wine tourism within Australia to benefit regional wine producing communities. The funding will be provided from 1 July 2016.

This will open the way to make the most of new opportunities made available through recently concluded free trade agreements and build current wine exports which constitute around 60 per cent of wine produced in Australia.

Budget impact: Support for Export and Regional Wine Growers

The support for export and regional wine growers will cost $50m over the next four years.

How a small Australian wine producer would benefit from the WET rebate and AGWA funding

South Australian ABC Wines, a small wine producer, owns its winery. It produces a range of its own branded wines for both domestic sale and export. ABC Wines claimed $250,000 in WET rebates in 2014-15 and is expecting to claim a similar amount in future years. ABC Wines will not be affected by the proposed changes to the WET rebate, but will benefit indirectly from the WET rebate reforms to create a more sustainable industry. AGWA's expanded promotion activities may increase visitors to ABC's Cellar Door and boost its exports.