Finlaysons Tax Reform Workshop
21 July 2019

17th Australian Wine Industry Technical Conference

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Workshop : Reform of Wine Taxation

Adelaide, July 21, 2019

Presented by

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AUSTRALIAN Grape & Wine

Outlook Conference July 2019

Political Context for Tax Reform

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Chief Executive
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Australian Grape & Wine

- Australia's National Association of Grape & Wine Producers.
- Australian Grape and Wine Incorporated is a declared winemaker's and wine-grape grower's organisation under Section 5A and 5B of the *Wine Australia Act 2013.*

Objectives for this presentation

- Tax position
- Why talk about tax?
- Drivers of tax change
- Risks
- Conclusions

Australian Grape & Wine position on wine industry taxation

- Australian Grape & Wine position on wine industry taxation is for:
  - No overall increase in the total tax revenue from the wine sector.
  - Certainty in the tax system to reduce sovereign risk and create a stable business environment.
  - The retention of WET rebate as a targeted measure to support wine businesses and regional communities over the longer term.
  - No use of tax or artificial minimum pricing measures as a lever for health reform, as non-price measures better target hazardous consumption.
  - Maintenance of the differential tax rates for wine, beer and spirits (i.e., no 'equivalency') to reflect the significant differences between wine and other forms of alcohol.
  - Wine to be taxed within the existing WET legislative framework and not an excise-based approach as is the case for beer and spirits

Introduction

- The Australian wine sector is a major contributor to Australia's economic growth and prosperity. It provides significant benefits to rural and regional Australia and provides a key impetus to regional development.
- The wine sector is also a major contributor to Australia's tax revenue, through the Wine Equalisation Tax (WET), company tax and other taxes.

Why are we talking about tax?

- The tax system for alcohol is under continued attack from the anti-alcohol lobby.
- West Australia and Tasmanian industries (and others) continue to advocate for a volumetric tax regime.
- The introduction of Minimum Unit Pricing in the Northern Territory has resulted in support from State jurisdictions.
- We need to understand the implications of tax options to respond to government regulatory proposals in the medium term.

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Taxation: the current political context

- Neither the Coalition or the Labor Party support a change to the tax system at the moment.
- Tax is seen as a revenue opportunity by governments.
- Department of Treasury has long advocated for a single tax system for administrative simplicity and to maximise revenue.
- Numerous reviews and some changes since the introduction of the WET tax.
- Most reviews advocate removal of WET, removal of the rebate and introduction of excise.

Numerous government reviews have recommended a change to the tax system

Henry Review, 2009

"A common volumetric tax on alcohol would better address social harm through closer targeting of social costs. A rate based on evidence of net social costs would help balance the benefits from alcohol consumption with its social costs. ***Moreover, by removing the distinction between different manufacturing processes, the compliance and administration cost of the existing excise system would be reduced.***

Senate inquiry into the Australian grape and wine industry was established in March 2015

- The Committee heard evidence from a large number of sources that the WET rebate is working against the profitability of the Australian wine industry and agreed that reform is urgently required.
- The Committee recommended 'that the Government phase out the current [WET] rebate over five years, allocating the savings to a structural adjustment assistance program for the industry including an annual grant to genuine cellar door operators to support their continued operation'

WET rebate measures were announced in the 2016–17 Budget and subsequently modified due to advocacy

- They reduced the WET rebate cap from $500,000 to $350,000 on 1 July 2017.
- Altered eligibility to the WET rebate to reduce access to bulk and unbranded wine and reduce rorting
- Provided $50 million, over four years, to the Australian Grape Wine Authority (AGWA) to promote tourism within Australia, and Australian wine overseas.
- Introduced a wine tourism and cellar door grant of up to $100k for producers who 'maxed' out their rebate.

The public health lobby

"The current system allowed alcohol to be cheaper than bottled water, with some wine products being sold and promoted at $2 or less. **This is a special concern at a time when young people are drinking at ever earlier ages, pre-loading and drinking just to get drunk. Children and young people are influenced by price – simple alcohol tax reform would help change the binge-drinking culture."**

2015

- The Australia Institute report found that while Australia has around 3,800 wine producers, 3,500 of them pay almost nothing under the WET and many, in fact, receive a net benefit through the associated WET rebate.
- Just 23 wine producers paid nearly 90 per cent of the $800 million raised by the WET. The report also shows that if wine were taxed in the same way as beer, an extra $1.4 billion in tax revenue would be raised.

Many different options have been modelled

- Taxing wine at the same rate as full strength bottled beer, as recommended by the Henry Review, would see a litre of wine containing 12.7 per cent alcohol attract an excise of $5.44.
- A second approach would see wine taxed at a rate midway between beer and spirits, with a litre of wine attracting excise of $7.31.
- A third model would impose a tax of $2-3 per litre of wine, bringing Australia's taxation of wine into line with the OECD average.

Tax is divisive

- Whenever a change to the tax system is mooted, there are winners and losers.
- No one likes to pay tax, although with the WET Rebate, many small producers only pay GST.
- 2,000 of Australia's 2,468 wine companies currently claim the rebate.

Government appetite for tax change

- There is currently little appetite for tax change as the reforms of 2016-17 are bedded down.
- Labor was more likely to pursue tax changes if they were elected.
- However, the Public Health lobby and the budgetary situation put pressure on this position.

Risks

- The Department of Treasury would like to eliminate the WET Rebate. They argue it:
- Prevents industry adjustment by allowing unviable / inefficient wine producers to continue to operate, resulting in an oversupply of wine grapes and wine;
- Doesn’t incentivise businesses to exit the industry due to their reliance on income and cash flow, where an efficient market would require them to; and
- Preventing market consolidation / economies of scale due to fragmented arrangements which are structured to maximise the WET rebate.

Risks of changes to tax

- Consumer response: complex cross price elasticities of demand.
- Increase in imports at lower price points.
- Per capita alcohol consumption – will it remain the same or lower overall
- Retailers: pass on tax savings to consumers or make the suppliers absorb it?

Risks of changes to tax

- Industry response
  - Home brands/ imports
  - New product development (lower ABV)
  - Grow wine product and other product categories e.g. cider
- Regional socio-economic impact (employment / livelihood)
- Investment/ banking response
- Parliamentary response
  - Would require a phase-in period and industry assistance package.

Sovereign risk

- Once you approach government on tax you open up the debate.
- When the WET was introduced, government proposed a rate of 31.5% with no rebate.
- This was fought successfully by, the then-WFA to reduce the rate and introduce the rebate.
- However, 24.5% was a true equalisation tax rate.

Industry led

Its not about WET vs Volumetric

- *those debates will continue within the industry*

Its about preserving the differentiated rate and defending against proposals from outside the industry.

Any wine tax reform agenda should be developed by the wine industry for the wine industry (with the support of Government).

So why are we talking tax?

- Industry needs to understand the implications of any proposed tax changes before they are imposed.
- This does not mean strident advocacy, but reasoned conversation and research.
- However, we can all agree that we don’t want an excise tax.
- We can all agree that we need to maintain a separate tax system to recognise the special nature of the wine sector and its regional and economic benefit.

Key policy parameters

1. Industry profitability, structure, production risks and the economic footprint of wine, spirits and beer are very different.
   - ***Tax regimes should reflect differences.***

2. Tax Policy should not be driven by social policy objectives.
   - ***Pricing is an ineffective driver of consumption behavior, especially for 'at risk' consumers, and will not impact rates of harm and misuse and only penalise the majority of responsible drinkers.***

Tax is not a solution to alcohol related harms

- Tax should not be used to drive social policy objectives:
  - At-risk consumers are not price sensitive
  - Increases in tax only serve to punish the majority who drink responsibly
- Targeted measures are a more appropriate tool for addressing alcohol related harms

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Overview

1. Current state of play: WET: “100 foot” helicopter overview
2. Henry Report (2009)
3. Issues with WET system
4. Overseas approaches
5. Possible alternative models
   - Excise
   - Volumetric inside WET system
   - Volume based tax inside WET (VBT)

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Overview

5. Possible alternative models (cont'd)
   - Hybrid of WET and Volume Tax
   - "Leave as is"
   - Increase GST
   - Opt into excise
6. "Open mike"

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1. WET “100k foot” helicopter overview

- For a tax that is simply [**29% x Wholesale Value**], WET is not that simple!
- Multiple changes to WET + WET rebate since 2000, many of which were to fix existing problems with earlier versions of legislation
- Significant complications because WET obligation goes “*hand in glove*” with WET rebate

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1.1 WET “100k foot” helicopter overview

- Pre-1970: volumetric excise taxes on beer & spirits but, as in Europe, not wine
- Small volumetric excise tax imposed on wine in Aug 1970 but removed Dec 1972
- 10% *ad valorem* tax imposed Aug 1984
- Raised to 20% (1986), 26% (1995), 41% (2000), then split into 29% WET + 10% GST

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1.2 WET “100k foot” helicopter overview

Pre- 2000	2000	2004	2006	2012	2018	2018
Wine subject to 41% Wholesale Sales Tax (***WST***)	WST abolished GST & WET introduced to maintain tax revenue & ensure prices remain stable 14% WET rebate on cellar door & mail order sales	Cellar door scheme replaced by WET producer rebate Rebate for sales up to $290k p.a.	(2005) WET rebate scheme extended to NZ (2006) WET rebate increased to $500k p.a.	ATO raises concerns re: ‘*virtual producers*’ & increase in blending Amendments from Dec 2012 to target blending	From 01/01/18, must satisfy requirements re: - ownership of 85% of source product - packaging - WET payment	From 01/07/18, WET rebate reduced to $350k p.a.

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1.3 WET “100k foot” helicopter overview

- WET rebate = 29% of
  - wholesale price (for wholesale sales) or
  - notional wholesale selling price (for retail sales)
- Post-01/01/18
  - must satisfy requirements re: (i) 85% ownership of source product, (ii) packaging & labelling, and (iii) payment of WET
  - max. rebate (post 01/07/18) = $350k p.a. per group of “*associated producers*”

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1.4 Origins of WET

- Before GST (pre-01 July 2000), wine subject to 41% Wholesale Sales Tax (**WST**)
- WST abolished when GST introduced in 2000
- WET imposed on last wholesale sale of wine to:
  - ensure wine prices remained stable; and
  - maintain revenue collected from wine sales

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1.5 Origins of WET producer rebate

- To get GST legislation thro' Senate in 1999, Gov't offered 14% WET rebate on cellar door & mail order sales up to $300k p.a.
- Rebate applied in conjunction with 15% State cellar door subsidy
- If held State Liquor Licence, cellar door & mail order sales up to $300k were WET-free

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1.6 2004 changes

- 01 Oct 2004: to increase access, cellar door scheme replaced by WET producer rebate
- Rebate = 29% of wholesale value of wine sold
  - allowed producers to claim $290k p.a. rebate, regardless of whether made cellar door sales (i.e. 29% x $1m of sales)
  - no requirement to hold State Liquor Licence
  - rebate extended to cider, perry & sake

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1.7 2004 changes

- Original purpose of WET rebate
  - assist small & medium winemakers
  - maintain diversity in wine styles
  - generate employment in regional communities, primarily by way of tourism through increased cellar doors
- This intention confirmed by Explanatory Memo to recent (2017) changes to rebate

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1.8 2005 & 2006 changes

- 01 July 2005: WET rebate scheme extended to NZ producers who export wine to Australia
  - to comply with Australia's obligations under *Australia & NZ Closer Economic Relations Trade Agreement*
- 01 July 2006: WET rebate increased to $500k p.a. (29% of $1.724m of sales)

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1.9 2010 & 2011 WET Determinations

- *WET Determination* WETD 2010/1 & 2011/1
  - Using “marketeer” to access concessional “*half retail price*” method when calculating WET
  - “*Double dipping*” WET rebate by exploiting definition of **producer* under pre-“*earlier producer*” rebate rules (2012)
- ATO threatened to apply Div 165 (GST/WET general anti-avoidance provisions)

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1.10 Diagrams (or “how to disarm a nuclear bomb”)

Figure: Use of uncommercial indirect marketing arrangements to reduce wine equalisation tax (WET)

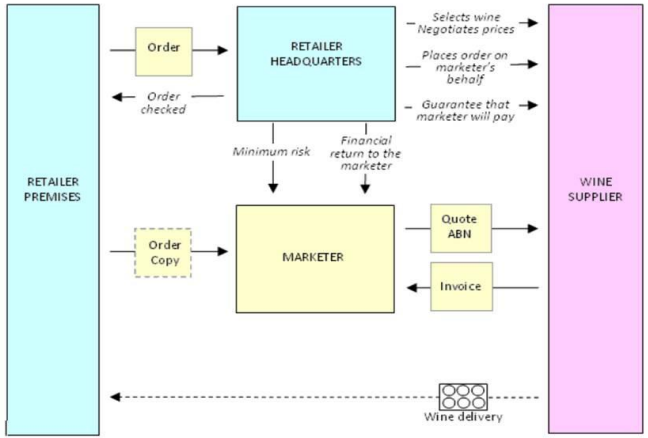
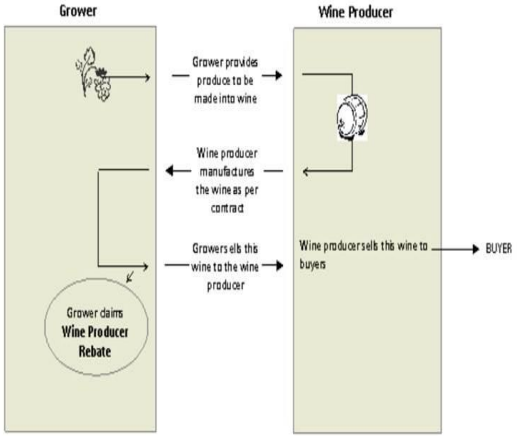


Figure: Uncommercial contract manufacture arrangements to claim the wine equalisation tax (WET) producer rebate



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1.11 Dec 2012: "*Earlier producer*" rules

- Following 2005-06 expansions, WET rebate claims increased dramatically
- From $134m in 05/06 to $340m (est.) in 14/15
- 365 extra claimants from 07/08 to peak in 11/12
- Given industry was in downturn, concern that legal structures being used to access additional rebates
- From 10/12/12, in response to "*multiple producer*" schemes, rebate <u>reduced</u> by sum of earlier rebates

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1.12 2013 & 2014 Tax Alerts & Rulings

- Inadequacy of blending rules possibly reason for *Taxation Alert* TA 2013/2 (finalized as *WET Ruling* WETR 2014/1)
- Identifies:
  - Arrangement 1: Additional Manufacturer
  - Arrangement 2: Blending Chains

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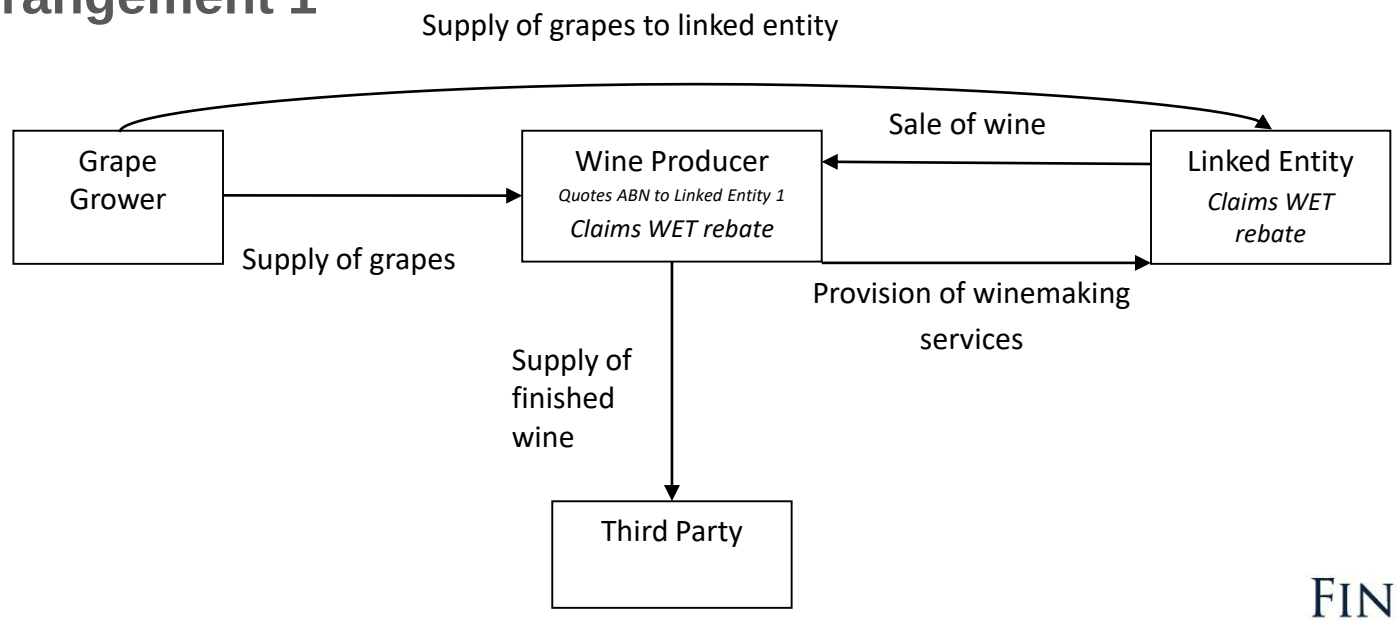
1.13 2013/2014 TAs & WETRs

Arrangement 1



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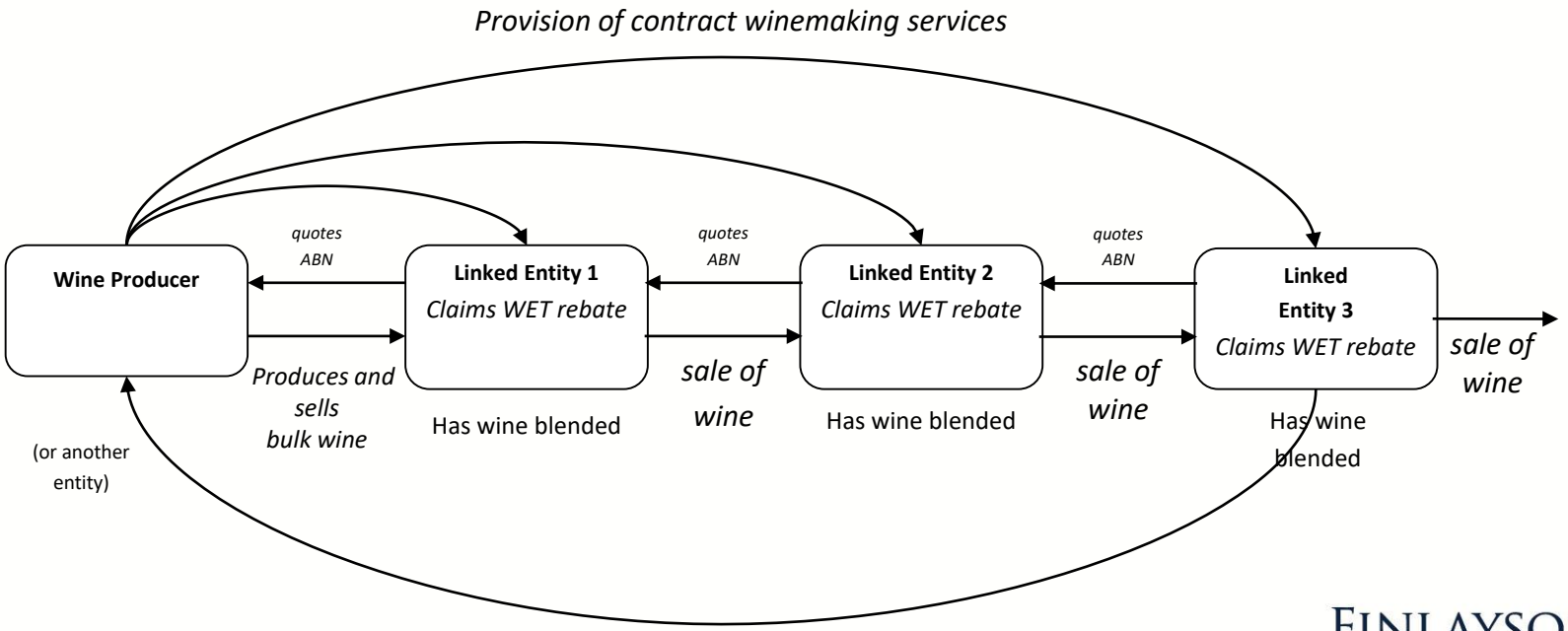
1.14 2013/2014 TAs & WETRs



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1.15 2018 eligibility criteria

- From 1 July 2018 (or 01/01/18 if >50% of source product crushed on or after that date), to qualify for WET rebates on assessable dealings in wine, **producer* must satisfy:
  - 85% ownership of source product requirement
  - Packaging requirement
  - WET payment requirement
- WET rebate “cap” reduced from $500k to $350k p.a. of assessable dealings in 2018/19 & later years

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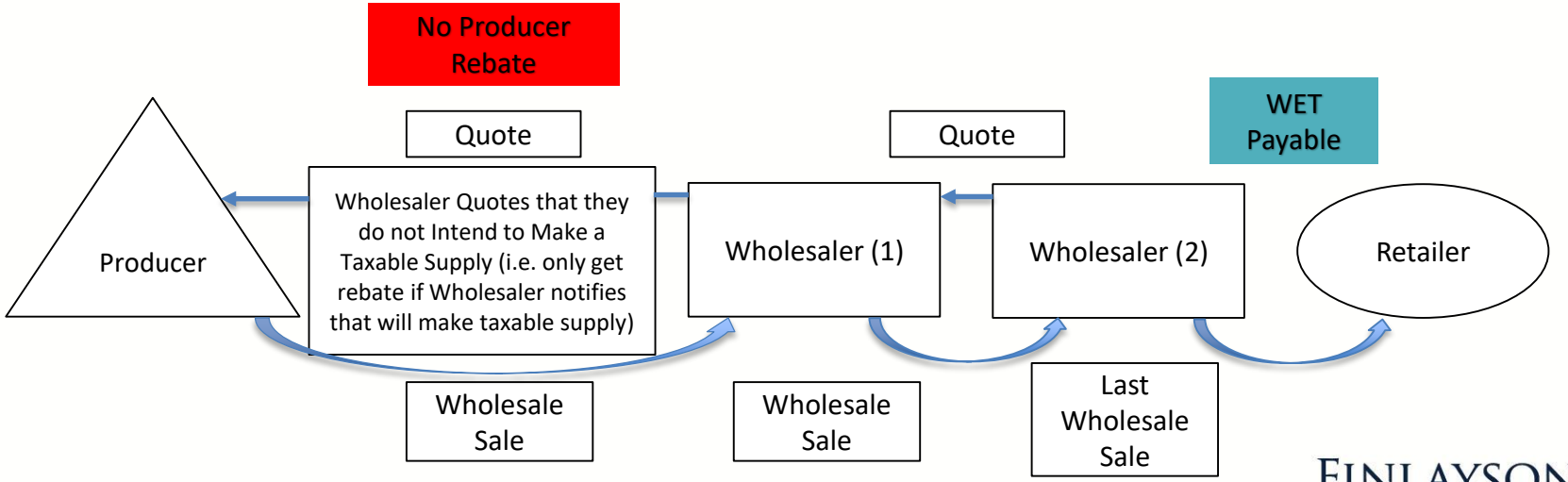
1.16 Post – 1/1/18 multiple wholesales sales



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1.17 Observations

- Last 19 years have witnessed large number of changes & ATO action, especially to prevent "*improper claiming*" of WET rebate
- There will be more changes in the future and it won't get any simpler!
- Unless there is fundamental reform

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2. Henry Review

- Before start developing new wine taxation models, need to consider **Henry Report** (2009) = Australia's most recent, significant, review of alcohol taxation
- Recommended that alcohol should be taxed on volumetric basis (i.e. amount of alcohol contained in given beverage)
- Some attendees may disagree with recommendation; but in any future Government review, Henry will likely be starting point

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2.1 Henry Review

- Reasons underlying Henry's recommendation therefore need to be examined closely
- Unless take issues raised by Henry into account when designing new wine tax, could expend great deal of effort, without getting any real traction with Government!

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2.2 Henry Review

- Key points:
  - Tax on alcohol shouldn’t be directed at revenue raising
  - Instead should be directed at addressing “*spillover costs*” imposed on community by alcohol abuse
  - Taxes to reduce social harm can be costly when not all units of consumption give rise to same spill over cost

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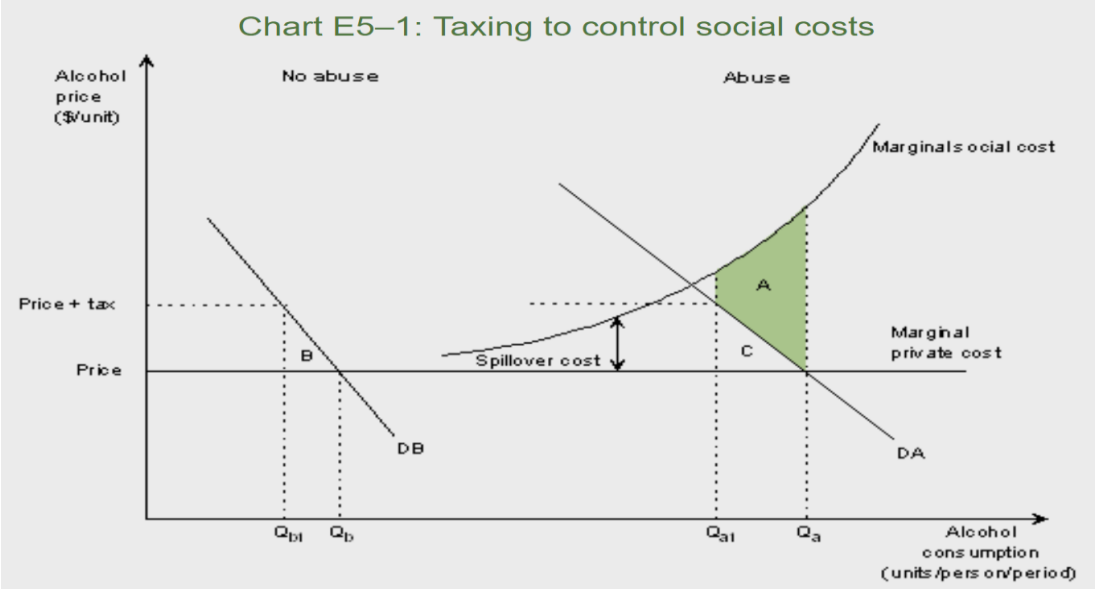
2.3 Henry Review



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2.4 Henry Review

- Reduce spill over costs by reducing alcohol consumption; but WET system, being *ad valorem*, doesn't address this
  - Wines with same alcohol content are subject to different levels of taxation
  - Encourages people to consume higher volumes of cheap wine because the cheaper the wine, the less it is taxed
  - e.g. 2-litre wine cask ($10.99) has WET of $1.59; equivalent volume of alcohol in beer = $7.48 excise, and spirits has $16.45

2.5 Henry Review

Recommendations:

- All alcoholic beverages should be taxed on volumetric basis
- Which, over time, should converge to single rate
- Rate of alcohol tax should be based on evidence of net marginal spill over cost of alcohol

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2.6 Henry Review

Transition

- Imposing “common alcohol tax” will create significant price changes for which producers & consumers will require time to adjust
- Therefore need long-term transition path
- But some immediate changes—like volumetric tax on wine—urgently required to raise tax paid on cheap wine (introducing “floor price”)

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2.7 Henry Review

Observations on producer rebate

- Assistance provided by WET rebate is poorly targeted
- Issue as to desirability of rebate given:
  - open to abuse
  - supports uneconomic wineries
  - benefits producers outside rural & regional Australia (e.g. NZ)
- Such assistance should be provided through direct Government funding, rather than tax system

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3. Issues Identified with WET System

- Premium wines taxed more heavily than cheaper wines
- Different tax system from that imposed on other forms of alcohol
- Tax calculated on a different basis – *ad valorem* not volumetric

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3.1 Issues Identified with WET System

- WET rebate exceeds any tax incentives provided to manufacturers of other forms of alcohol: e.g. $100k excise refund
- Rebate has been exploited through use of legal structuring and schemes
- Creates a “tax on a tax”: GST imposed on WET

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4. Overseas Approaches

- Australia's taxes on wine are the highest among the significant wine-exporting countries, ignoring VAT
- Only NZ imposes a higher tax on non-premium wine
- Some major wine producing countries impose zero taxation on wine (Italy, Spain & Argentina)

[Source: University of Adelaide, Wine Economics Research Centre: (i) Wine Policy Brief No. 13, Kym Anderson, May 2015; and (ii) Excise Taxes on Wines, Beers and Spirits: An Updated International Comparison, Kym Anderson, September 2014.]

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4.1 Overseas Approaches

- Where they do impose tax on wine, it is usually volumetric rather than *ad valorem*
- Australia also taxes wine relative to beer and spirits more than most major wine-producing countries
- However, most major wine-producing countries (except US) have much higher VAT than Aus. GST (14% - 22%)
- Albeit, VAT is <u>not</u> a specific tax on wine

[Source: University of Adelaide, Wine Economics Research Centre: (i) Wine Policy Brief No. 13, Kym Anderson, May 2015; and (ii) Excise Taxes on Wines, Beers and Spirits: An Updated International Comparison, Kym Anderson, September 2014.]

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4.2 Overseas Approaches

Ad valorem tax equivalent of excise taxes on wines, 1 July 2014

Country	Non-Premium Wine $2.50 per litre	Commercial Premium Wine $7.50 per litre	Super Premium Wine $20 per litre	VAT
Australia	29%	29%	29%	10%
Argentina	0.0%	0.0%	0.0%	21%
Chile	15%	15%	15%	19%
France	2.3%	0.8%	0.3%	20%
Germany	0.0%	0.0%	0.0%	19%
Italy	0.0%	0.0%	0.0%	22%
NZ	104.8%	34.9%	13.1%	15%
South Africa	11.4%	3.8%	1.4%	14%
Spain	0.0%	0.0%	0.0%	21%
US	19.9%	6.6%	2.5%	0.0%

[Source: University of Adelaide, Wine Economics Research Centre, Excise Taxes on Wines, Beers and Spirits: An Updated International Comparison, Kym Anderson, September 2014.]

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5. Possible Models

- Excise
- Volumetric Tax inside WET system
- Volume Based Tax inside WET (***VBT***)
- Hybrid of WET and Volume Based Tax
- “Leave as is”
- Tax only, or predominantly, under GST regime

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5.1 Excise System (1)

- Henry Report's recommendation
- Would require wine producers to obtain from ATO:
  - manufacturers licence
  - licence to manufacture at their premises; if they manufacture themselves
  - storage licence; if they store wine at their premises
- Will also likely require a series of movement permissions to cover movement of wine between licensed "bonded" areas

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5.1 Excise System (2)

- Excise payable when wine leaves bonded area for consumption in Australia
- Periodic Settlement Permissions can delay payment by up to 30 days
- Likely ATO will require upfront bond before issuing licences
- Strong penalties apply for those who do not adhere to Excise laws
- Can include paying 5 times excise payable or imprisonment

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5.1 Excise System (3)

Possible Advantages

- Minimise perceived biases for certain products under current system: Henry Report
- Better addresses social harm, as would tax alcohol content not value
- Treating all alcohol on same basis could reduce regulation
- Particularly if uniform rate of tax is adopted

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5.1 Excise System (4)

Possible Disadvantages

- Cash flow issues:
  - producers may be compelled to pay tax otherwise would not pay under the current quoting system
  - only offset $100k through excise refund, rather than $350k Producer Rebate
- Licensing and record keeping likely too costly for many smaller to medium producers
- Tax rate variable as subject to indexation, which may impact forecasting
- Uniform tax rate may create bias against types of beverages which have negligible social harm: like premium wines

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5.2 Volumetric Tax (1)

- Replaces current WET tax but remains outside the Excise system
- Possibly incorporated into WET as an amendment to current WET system
- Tax wine based on volume of alcohol in beverage, rather than on its value
- Tax calculated by multiplying actual volume of wine by alcoholic strength and then applying set rate to that amount

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5.2 Volumetric Tax (2)

Possible Advantages

- Reduces comparatively high rate of tax on premium wines to provide better parity on tax paid between different wines
- Accords with Henry Report to address social harm
- Should avoid cash flow implications, and licensing and record keeping costs, of Excise system
- More aligned to how wine is taxed internationally
- Simplicity

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5.2 Volumetric Tax (3)

Possible Disadvantages

- Depending on rate set, may have significant adverse impact on regions that produce non-premium wines (bad for casks)
- If rate is set too high, domestic sales of Australian wines may still be taxed higher compared to other major-wine producing countries
- Producer rebate may be repealed
- Some smaller to medium producers may therefore be worse off even if the rate of tax per unit decreases

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5.3 VBT (1)

- Within WET system, replace current *ad valorem* tax with a VBT
- Tax calculated on volume of wine using a price/litre formula
- Appropriate rate to be determined through consultation, having regard to regional and health issues
- Retains Producer Rebate: but is this possible?

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5.3 VBT: Retaining Producer Rebate (1)

- Henry Report suggested rebate should be repealed
- Shifting to volumetric or VBT may provide opportunity to revisit
- However, just gone through extensive consultation on this issue
- Senate Inquiry Report, WET Rebate Consultative Group Report & 2016 Federal Budget
- Root & branch legislative reform of Producer Rebate in 2017

5.3 VBT: Retaining Producer Rebate (2)

- Integrity issues raised in Henry Report now addressed by 2017 reforms
- If removed, would adversely affect profitability of many winemakers
- That would in turn reduce employment in regional Australia
- Wine industry employs highest number of people in alcohol industry

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5.3 VBT: Retaining Producer Rebate (3)

- Likely reduce investment in wine tourism in regional Australia
- Most wine business are vertically integrated (agriculture and manufacture) and therefore often require more capital relative to businesses involved in manufacturing other forms of alcohol
- Wine businesses cannot just ‘turn on the tap’ and start production
- This needs to be balanced against keeping any uneconomic businesses viable and the competing needs of Government’s purse

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5.3 VBT (2)

Possible Advantages

- Reduces comparatively high rate of tax on premium wines to provide better parity on tax paid between different wines
- Remain in WET system, which is already used & understood by winemakers
- Possibly keep Producer Rebate
- Resulting in many smaller to medium winemakers remaining viable, thereby keeping diversity in the industry

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5.3 VBT (3)

Possible Disadvantages

- If rate set on basis of volume of wine, rather than volume of alcohol in wine, may not be as effective as volumetric tax to reduce social harms
- For example, tax on 750ml bottle of wine same if abv is 12% or 22%
- Depending on rate set, may have significant adverse impact on regions that produce non-premium wines

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5.4 Hybrid of WET and Volumetric (1)

- Keep WET system in place, tax wine:
  - with reduced rate
  - plus levy per litre of wine
- E.g. WET could be reduced to 20%, with levy of $1 per litre
- On a 4 litre cask of wine, with a wholesale value of $4.80:
  - tax under current WET System: $1.39
  - tax under Hybrid System: $4.96

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5.4 Hybrid of WET and Volumetric (2)

Possible Advantages

- May not have as large of an increase in tax for non-premium wines (if that is an advantage)
- Remain in WET system
- Possibly keep Producer Rebate

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5.4 Hybrid of WET and Volumetric (3)

Possible Disadvantages

- If Levy is not based on volume of alcohol in wine, may not be as effective as a volumetric tax to reduce social harms
- Dealing with three taxes on one parcel of wine – Levy, WET & GST – may give rise to accounting and reporting complexities: lacks simplicity
- If GST is charged on levy, it will create another tax on a tax
- Having two taxes may in time allow Government to more readily increase overall tax: only need to increase one of WET or Levy

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5.5 “Leave as is” (1)

Possible Advantages

- Businesses can carry on with system they understand & have been working with
- Minimal interruption
- Better chance of keeping Producer Rebate

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5.5 “Leave as is” (2)

Possible Disadvantages

- Does not deal with lack of parity from premium wines being taxed more heavily than cheaper wines
- Does not address otherwise high rates of tax imposed on domestic sales of Australian wine relative to other major-wine producing countries
- Does not address social harm concerns

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5.6 Increase GST (1)

- From the outset, probably politically impossible!
- WET system could be repealed
- Some of the lost revenue could be recouped through increasing GST to 15% to 20% range in line with other developed countries
- Consideration could then be given to whether wine is also subject to specific volumetric tax
- Or not taxed at all, as is the case in some other major-wine producing countries

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5.6 Increase GST (2)

Possible Advantages

- Much simpler system, as wine potentially only taxed under 1 regime: GST
- Accords with practice adopted in number of other major-wine producing countries
- May lower tax on wine
- Could create cash flow advantages for wineries who currently pay WET

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5.6 Increase GST (3)

Possible Disadvantages

- May not deal with parity issue of premium wines being taxed more heavily than non-premium wines
- Adverse implications may ensue for SME winemakers if some volumetric tax is imposed and Producer Rebate not replaced with some form of refund or grant
- Currently no political appetite to implement

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5.7 Opt in

- Pivotal issue: difficult to implement tax regime for both premium & non-premium products without one side being disadvantaged
- Might be fairer if different products are taxed under separate systems
- Could be achieved, as for consolidated groups in income tax, by allowing winery to “opt in” to be taxed under volumetric system instead of WET
- Once opt in, all products irrevocably subject to volumetric tax
- Any loss of revenue may be recoverable through reductions to Producer Rebate

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6. Open Mike

- So what are your thoughts on:
  - Excise
  - Volumetric inside WET System
  - Volume based tax inside WET (VBT)
  - Hybrid of WET and Volume Tax
  - “Leave as is”
  - Increase GST
  - Opt into excise

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7. Conclusion

- Tax reform in wine sector is an ongoing process, possibly without ability to reach an achievable end!
- Since introduction of WET in 2000, system has undergone various incarnations
- Each incarnation = result of long consultative process; and any future reform will also be lengthy
- Therefore best advice to wine industry is to "*get on the front foot*"

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Finlaysons Tax Reform Workshop
21 July 2019

17th Australian Wine Industry Technical Conference

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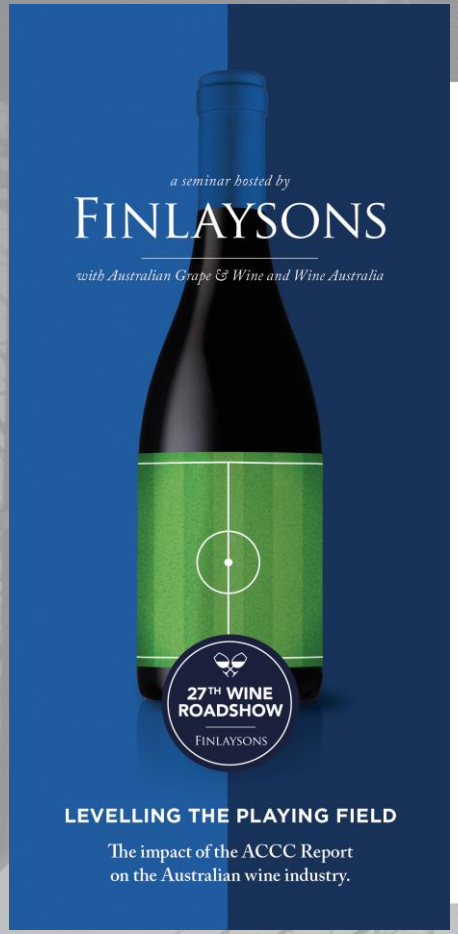

Finlaysons Wine Roadshow 27

Margaret River - 14 October
Venue: Leeuwin Estate

Barossa Valley - 17 October
Venue: 1847 Wines

Launceston - 21 October
Venue: The Sebel

Mornington Peninsula - 22 October
Venue: Montalto

Rutherglen - 23 October
Venue: Tuileries

Riverina - 24 October
Venue: Quest Griffith

Hunter Valley - 25 October
Venue: Estate Tuscany

Riverland - 6 November
Venue: Renmark Hotel

Coonawarra - 25 November
Venue: Chardonnay Lodge

McLaren Vale - 27 November
Venue: McLaren Vale Motel & Apartments Function Centre

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