NSW Wine Industry acknowledges the changes to WET tax but shares some concerns

The President of the NSW Wine Industry Association (NSWWIA), Mr Tom Ward acknowledges some good intent with the recently announced changes to the rules relating to the Wine Equalisation Tax (WET). However, he goes on to share strong concerns with certain aspects of the changes, especially in the reduction of the cap for WET rebate from the current $500k down to $290k over the next 2 years.

Mr Ward was cautiously pleased with the decision by the federal government to provide $50m over 4 years to the Industry via Wine Australia (AGWA). Some of these moneys will be used for promoting wine tourism in Australia. NSW wine tourism is a strong and growing part of the State’s economy and the NSW Wine Industry association welcomes initiatives that will help grow this area. The NSW Wine Industry Association looks forward to working with all relevant parties to ensure that part of this money will assist the growth of wine tourism in NSW.

The NSWWIA also supports the Winemakers Federation of Australia’s position on the removal of WET eligibility on bulk and unbranded wine.

The NSW Wine Industry Association does not, however, support the reduction of the WET Cap from $500k to $290k over 2 years. Mr Ward says that this reduction will have particular impact on many mid-sized operations in NSW and will directly impact their business and threaten employment in the regions.

Mr Ward went on to say that “This group has already been hit by the withdrawal by the NSW Government of $3.5 million in funding for the Cellar Door Subsidy Scheme from 30 June 2012. Taking a further $210,000 from each of the larger wineries will further erode profitability and discourage investment in tourism assets in regions”.

A further complication is the announced eligibility clause which states that to qualify for the WET rebate that you need to have a physical winery or a substantial lease of a winery. This is squarely at odds with the NSW producer licence eligibility which allows wine to be sold at cellar door which is either substantially made at the winery or is 85% made up from grapes grown on the vineyard where the cellar door is located. Again, this was to encourage investment in cellar doors in regions.

The NSWWIA welcomes the consultation process over the various definitions over the next months and years.

The NSW Wine Industry Association will continue to work with the various State and (where appropriate) Federal government departments as well as the key related wine industry bodies to ensure that the long term growth of the wine industry in NSW is assured.

Editors Notes:

The Wine Equalisation Tax rebate scheme came into effect with the introduction of the GST in 2000. In order to obtain the support of the Australian Democrats for the GST reform package, the
Government undertook to ensure arrangements were established which provided a tax exemptions for cellar door and mail order sales up to a wholesale value of $300,000 (amended shortly thereafter to $500,000).

To be eligible to claim the WET, the producer was required to hold a licence issued under a State law to make retail sales of wine from a particular premise as a wine producer or a vigneron. The WET rebate was inserted to primarily provide assistance to small and medium-sized winemakers and to promote tourism in regional areas through increased incentives to open cellar doors.

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