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The Treasury
Langton Crescent
PARKES ACT 2600

BY EMAIL ONLY: WETREBATE@TREASURY.GOV.AU

WINE EQUALISATION TAX (WET) REBATE: TIGHTENED ELIGIBILITY CRITERIA (IMPLEMENTATION PAPER)

The City of Busselton is a local government with a geographic area of around 1,455km². It has a rapidly growing resident population of around 36,500 people who live in the two main urban centres of Busselton and Dunsborough with the balance residing in rural areas involved in agricultural sectors including dairy, beef, horticulture and viticulture. The urban centres and rural hinterlands also provide tourism accommodation and a labour force to support Western Australia's most visited destination 'The Margaret River Region'. Wine is a major component of the overall tourism experience and the viticulture industry overall, generates significant income and employment associated with the production of grapes, wine making, manufacturing equipment and exporting.

The municipality includes a large area of the Margaret River Wine Appellation Region, which is recognised internationally as a producer of premium and ultra-premium wines. The wine industry in and around the Busselton district dates from small initial plantings starting in the late 1960s and is currently characterised by small family-owned and operated businesses (commonly referred to as niche wineries), which have established specialised fine wine markets in Australia and overseas. Next year (2017) marks the 50th Anniversary of the establishment of the Margaret River Wine appellation region with the industry firmly established as a key component of the economic and physical landscape of the Busselton hinterland.

The City of Busselton has consulted with the local wine industry regarding the review of the eligibility criteria associated with the Government's WET Rebate Implementation Paper and declares its full support for the recommendations outlined in the Wines of Western Australia (WoWA) submission, which has itself conducted extensive consultation with the local wine industry around the Busselton district. Representatives of WoWA and the Margaret River Wine Industry Association (MRWA) have expressed serious concerns about the direct and indirect consequences that the proposed changes will have on regional economic growth and development of the viticulture and tourism industries.

Accordingly, the City of Busselton supports the position of WoWA to refocus the WET Rebate on restoring integrity to the system as follows:

- Eliminate the rebate for bulk and unbranded wine by limiting the rebate to packaged, branded wine which is for sale to domestic customers;
- 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 proposal that a producer must

own an interest in a winery does not recognise the many legitimate business models are used by smaller wine producers across the Margaret River Wine region;

- 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 proposed reduction in the cap for legitimate producers will likely damage commercial viability and affect regional investment in the Margaret River wine region; and,
- Restrict access to the rebate to small and medium sized wine producers as the rebate was never intended to support large scale producers.


WoWA advises that losses of up to \$210,000 are likely as a result of the WET Rebate proposed amendments, which is a significant revenue reduction for small producers and will have an adverse impact on employment and investment in the regional viticulture Industry. It is likely that affected producers will reduce expenditure in regional promotion, product development, innovation, business expansion, and employment of staff. Given the niche nature of the Margaret River Wine Region, most producers will be impacted by the proposed amendments which overall is a concern to the City of Busselton, having a significant detrimental economic impact across the district.

Additionally, the tightened eligibility criteria proposed by the Government, where a wine producer must own or lease a winery is also of concern. Around half of local wine producers in the Margaret River Wine region do not own or lease a winery but arrange for their wine to be made by contract winemakers. The wine produced is then sold through a cellar door and other local outlets, or by wholesale sale. In the case of these producers, the proposed eligibility criteria would mean that they could not access the WET Rebate at all, unless they invested in a winery. 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 in the Margaret River Wine region.

The City supports the recommendation in the WoWA submission that the producer needs to operate from business premises in the Region and maintain ownership of the grapes from the crusher through to the finished bottled and branded product.

Clustering of economic activity associated with viticulture and the food and wine industry is well established in both the City of Busselton and the Shire of Augusta Margaret River. The recent downturn in the resources sector in Western Australia has created an urgent need to ensure other industries are afforded Government support to grow and prosper. Viticulture and food/wine tourism experiences are highly prospective sectors of our regional economy and are forecast to grow as nearby Asian populations grow and a new middle class seeks travel opportunities to WA's south west. The City of Busselton is currently building a new international airport to support this growth and is also seeking to support export of niche products (including high quality wine) as part of our long term vision. It is imperative our small wine producers are not adversely affected by taxation policy amendments at this crucial time in the evolution of the local economy.

Yours sincerely,



Cr Grant Henley
Mayor

*Cc: Hon. Nola Marino MP, Member for Forrest
WA Senators
Ms Libby Mettam, Member for Vasse*