



MARGARET RIVER WINE

## **Margaret River Wine Association Inc**

**Wine Equalisation Tax Rebate: Tightened Eligibility Criteria  
Implementation Paper (2<sup>nd</sup> September 2016) Submission**

*October 2016*

# MRWA Submission: Wine Equalisation Tax Rebate – Tightened Eligibility Criteria Implementation Paper

## Introduction

This document is the formal position of the Margaret River Wine Association Inc (MRWA) with regard to the Federal Government's request for submissions to its Wine Equalisation Tax Rebate – Tightened Eligibility Criteria Implementation Paper.

The MRWA was formed in 1976 and was incorporated in 1982 with a clear primary charter on behalf of its members as well as the greater region for:

**'... the custody and the responsibility to protect, develop and maintain the Margaret River fine wine brand and all that it encompasses.'**

We are the peak wine industry body for the Region and actively represent the interests of over 200 Margaret River wine industry businesses including wine makers, grape growers and commercial members as wine production and increasingly wine tourism are the major economic drivers for both the Region and the greater South West of Western Australia.

Destination visitation is national and international and the Margaret River wine region and surrounds is the most visited tourist area outside of the Perth metropolitan area in Western Australia.

## WET Rebate Policy Position

The MRWA's policy position on both the WET and the WET rebate were circulated to all members individually by the Association's Board in late 2013 and again in 2016 having received wide endorsement remain unchanged.

They are focused on maintaining and tightening the interpretation of existing provisions to bring them back in line with the original intent being:

**'... recognition of the substantial financial hardship being faced by small rural and regional wineries and aimed to support their viability and consequent capacity to generate employment wealth in local communities.'**

In that regard the MRWA provided its full support to the state body, Wines of Western Australia (WofWA), when it tabled its collective submission on behalf of the State's regional wine bodies in August 2016 which in turn can be summarised as retention of the existing value based system with reform initiatives designed to better target the rebate back to regional wine producers and communities throughout Australia.

Business, in whatever industry, needs certainty and from certainty comes confidence.

In line with the amendments tabled by WofWA they provide certainty and with their implementation business confidence is maintained.

Furthermore there is no standard wine business model.

Due to circumstance and in particular decisions made on previous Federal government policy settings a one size fits all template will not succeed.

Therefore, if the Federal government persists with its current framework many small to medium sized wine businesses in Australia and especially those in Margaret River will be negatively impacted with consequences up to and including:

- forced rationalisation;
- market contraction;
- reduction in the diversity of offering and product differentiation; and
- limit domestic and export market growth.

Accordingly the MRWA, with the subsequent WofWA September 2016 modifications to the collective August submission arising from the wine industry consultation process, again provides its full and unqualified support to the position advocated being as follows:

#### **Eligible Product (Rebatable Wine)**

Packaged, branded wine which is fit for retail sale in containers not exceeding 5 litres under a registered trademark beneficially owned by the taxable entity.

Common law trademarks beneficially owned by the taxable entity would also be acceptable by exception and this definition should apply from 1<sup>st</sup> July 2017.

#### **Eligible Producer**

Maintain the current definition of producer (being an entity that manufactures the wine or supplies to another entity the grapes, other fruit, vegetable or honey from which the wine is manufactured), but add an additional requirement that 85% of the rebatable wine of the producer must have been owned as grapes at the crusher.

The entity claiming the WET rebate must also be the entity that is liable for the tax.

No separate assets test would apply and this definition should apply from 1<sup>st</sup> July 2017 with appropriate transitional arrangements for wine in existence as at 1<sup>st</sup> January 2017 and wine produced from the upcoming 2017 vintage.

#### **Overall WET Rebate Cap: Maintain at \$500,000 including “Cellar Door Top Up”**

Maintain the overall rebate cap of \$500,000 but refocus it so that the full amount is only available on cellar door and direct to consumer sales, and introduce a limit within the cap on the rebate available for wholesale sales at \$350,000.

This refocused cap should apply from 1<sup>st</sup> July 2019, to enable the impact of the changes to the rebatable wine and eligible producer definitions to be assessed and to provide a reasonable period for eligible producers affected by the wholesale cap reduction to adjust their respective businesses.

## **Target the WET Rebate to Small and Medium Producers**

The Government should be encouraged to consider restricting access to the WET Rebate to small and medium wine producers.

The WET Rebate was never intended to support significant scale of operation businesses in the Australian wine industry.

Should further information be required please contact:

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