

7 October 2016

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Mr David Pullen
Indirect Tax and Not-for-profit Unit
Individuals and Indirect Tax Division
The Treasury
Langton Crescent
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Dear Mr Pullen

Wine Equalisation Tax Rebate Implementation Consultation

On behalf of the New Zealand Government, we welcome the opportunity to provide a submission in response to the Australian Government's implementation paper on tightened eligibility criteria for the wine equalisation tax (WET) rebate.

New Zealand has a genuine commercial interest in Australia's approach to taxing wine. Australia is New Zealand's third largest wine export market, after the United States and the United Kingdom. In the year to June 2016, New Zealand's wine exports to Australia were valued at NZD362 million. This represents approximately 45 percent of total imported wine into Australia over that period.

Over the same period, 70 percent of all imported wine into New Zealand came from Australia. This demonstrates that New Zealand is also an important market for Australia's wine industry, which clearly derives commercial benefits from the effective working of the closer economic relationship.

In New Zealand's May 2015 submission on the *Re:Think* tax review discussion paper, we set out New Zealand's expectation that "the core obligation of equal treatment for New Zealand producers will be preserved in any changes to the WET rebate". Furthermore in New Zealand's September 2015 submission on the Australian Treasury's WET rebate discussion paper, we reaffirmed our expectation that, in any reform of the WET rebate, Australia will preserve equal treatment for New Zealand wine producers, consistent with Australia's obligations under the Australia New Zealand Closer Economic Relations Trade Agreement (CER).

Equal treatment is a fundamental underpinning of CER.

New Zealand has given careful consideration to the implementation paper and consulted with the New Zealand wine industry. As Australia gives further consideration to the WET

rebate reform decisions announced in May 2016, it is New Zealand's continued expectation that any measures adopted remain consistent with Australia's equal treatment obligations under CER. New Zealand would view measures as being inconsistent with those obligations should like New Zealand product be treated differently than Australian product for tax purposes, however those measures are implemented.

We would welcome further consultation with Australia on the final implementation mechanisms.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Chris Seed', with a large, stylized initial 'C' and 'S'.

Chris Seed
High Commissioner