Winemakers' Federation of Australia

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FARE gets it wrong on wine tax reform

The Foundation for Alcohol Research and Education (FARE) has today made public comments on wine tax that are strongly disputed by the Winemakers' Federation of Australia.

"FARE makes the claim that wine taxes are low in Australia compared to other countries which is incorrect," Federation Chief Executive Paul Evans said.

"Research clearly shows that Australia is already one of the most heavily taxed wine exporting nations, with the domestic tax rate on Australian wine a critical issue even though we are a significant exporter," Mr Evans said.

"The numbers have been crunched by Professor Kym Anderson, from the University of Adelaide's Wine Economics Research Centre and an international leader in agricultural economics.

"Professor Anderson compared various excise taxes applied to wholesale prices for wines and other alcohol products and, by nominating wholesale price points in common currency and averaged alcohol contents, has enabled a country-by-country comparison. For example, an Australian bottle of wine that sells at $12 retail attracts a 29% ad valorem tax plus GST and is taxed at around 22 cents per standard drink. That 22 cents in Australia compares with zero in Argentina, 3 cents in South Africa, 5 cents in the US and 6 cents in Canada – and just 1 cent in France and zero in other Old World wine-exporting countries.

"Professor Anderson's analysis importantly helped debunk proposals to increase wine taxes.

"Not only is Australian wine heavily taxed already when compared to our competitors, our tax rates need to reflect that alcohol industries are not the same.

"Secondly, FARE makes the claim that 'industry players' are calling for the abolition of the Wine Equalisation Tax. This is also incorrect.

"The WFA believes that wine should be taxed within the existing WET legislative framework and for any future changes to wine tax arrangements to be made within this framework and not shifted to an excise-based approach as is the case for beer and spirits.

"FARE then goes on to laud the results of modelling on changing wine tax arrangements to match those at or around those rates applied to beer and spirits.

"The reasons why wine is taxed differently and preferentially to other alcohol types is clear. Our industries in terms of socio-economic input into regional Australia, employment footprint, contribution to export earnings, profitability and access to capital are all vastly different to the brewing and spirits industries and it is only fair that alcohol tax arrangements reflect that," said Mr Evans.

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