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MEDIA RELEASE

Tax changes would devastate wine industry

Winemakers have warned the Federal Government that tax changes would devastate their industry.

In its submission to the Henry Review into Australia's taxation system, the Winemakers' Federation of Australia says the industry cannot afford further destabilisation as it undergoes a major restructuring while dealing with the toughest economic conditions in two decades.

"Winemakers are not asking for a better deal, simply for the status quo to be maintained," WFA's General Manager, Policy & Government Relations, Andrew Wilshire, said today.

"There is very real concern that unnecessary changes will drive small winemakers out of business without producing any real financial or social benefit. Wineries already pay their way; Australia has among the highest taxes in the wine-producing world.

"More importantly, the industry directly employs 30,000 Australians and as many again indirectly. Many of these jobs are in rural areas, where wine production is the lifeblood of many towns and a major contributor to tourism and regional development.

"We have made this point strongly in our submission and directly to the Government in the lead up to next week's Budget."

Mr Wilshire said suggestions that wine should be taxed in the same way as beer and spirits ignored the reality that wine was "a very different product" in terms of the way it was produced, purchased and consumed. The current Wine Equalisation Tax (WET) was well established, well understood, reflective of winery operations and provided significant revenue to the Government.

"The industry contributed \$651 million in WET in 2006-07, even after the WET rebate was taken into account – and that is on top of all the standard business taxes," he said.

"The WET rebate was introduced to help small wineries stay viable and remains vital to the industry."

Mr Wilshire said WFA's economic modelling showed that replacing WET with a volumetric tax at the same rate as applied to packaged beer, coupled with the loss of the WET rebate, would raise an extra \$630 million in tax at the cost of 5300 jobs, mainly in regional areas. "What the Government would gain in tax it would lose in GDP in areas that can least afford it," he said.

In its submission, WFA says the wine industry supports the Government's determination to address problems of alcohol abuse in Australia but believes appropriately targeted solutions are required, rather than penalising responsible consumers. This is particularly the case for wine, which is not associated with youth binge drinking – the main target of the current debate.

"Wine, in both bottles and casks, is most commonly drunk in moderation and with food by older adults, many of whom would be unfairly penalised by unnecessary price rises," Mr Wilshire said. "Some may choose to abuse it, but that is about more than just cost.

"Our plea to the Government is simple; keep a tax system that we understand while we concentrate on keeping our industry viable. Meanwhile we can work together on a way to promote consumption of all alcohol in moderation."

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