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MEDIA RELEASE

Winemakers caution against tax changes in Budget Submission

Winemakers have again cautioned the Federal Government that unnecessary tax changes could devastate their industry.

In its formal Pre-Budget Submission lodged today, the Winemakers' Federation of Australia calls on the Treasurer to retain the Wine Equalisation Tax (WET) as "the most appropriate system for taxing wine".

"Suggestions that all alcohol should be taxed in the same way ignore the reality that wine is different from other forms of alcohol in the way it is produced, marketed and consumed," WFA's chief executive, Stephen Strachan, said. "An ad valorem tax is the fairest way to tax wine and the WET was developed and introduced to reflect the realities of the wine industry. That situation has not changed.

"What has changed, however, is that the wine sector is dealing with its toughest conditions in more than two decades. Imposition of tax change at this time would be a double whammy as it would amplify the slow and painful restructuring the sector is undertaking."

Mr Strachan said Australia had among the highest wine taxes in the world and under the WET scheme the sector had contributed a net \$707 million in alcohol-specific tax in 2008-09.

WFA had argued strongly to the Henry Tax Review that any gain in additional tax revenue from moving to a volumetric tax would be far less than the negative impact on wineries – particularly on smaller wineries that helped support regional economies

"Our modelling shows that a volumetric tax at the same rate as applies to packaged beer would see 95% of wine increase in prices, sales volumes fall by 34%, 29,000 hectares of vineyard become redundant and more than 12,000 jobs lost," Mr Strachan said. "We have also argued strongly that increasing tax on wine would provide negligible health benefits because wine is not the problem in public health issues, particularly youth binge drinking."

WFA's submission calls for the WET Rebate to be retained but seeks the introduction, as a priority, of legislative changes in relation to the definitions of wine "producer" and "manufacturing" to address some market distortions created by the current system. "The ATO has highlighted these anomalies and we strongly support action being taken," Mr Strachan said.

The submission also seeks Government support for industry-driven activities around the Wine Restructuring Action Agenda and the roll out of the EntWine Australia environmental certification scheme, as well as an ongoing commitment to initiatives related to trade, R&D and social responsibility.

The full submission can be downloaded at www.wfa.org.au

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