

# Senate Economics Legislation Committee

## Inquiry into the provisions of the Excise Tariff Amendment Bill (No. 1) 2002 and the Customs Tariff Amendment Bill (No. 2) 2002

Submission No. 3

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Attachments? No Attachments



# Helm Wines

Premium Canberra District Wines

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Submission to Senate Economics References Committee (Excise Tariff Amendment Bill (No. 1) 2002)

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## WINE TAXATION

### Background

The Canberra District winery Helm Wines like most throughout Australia are suffering from the 29% Wine Equalisation Taxation (WET) which is levied on the wholesale price of the wine. ( ad valorem). At the time of its implementation two years ago, the Howard Government recognised that Regional wineries should be exempt from the WET on **Cellar Door /Mail Order** sales and only pay GST, so they could maintain profitability in their businesses. However, wholesale sales eg to Liquor stores or Restaurants the wineries collect and pay the 29% WET plus 10% GST a total of 42% taxation.

The system was further complicated by the wineries being required to collect the Tax, then complying with a rebate ( subsidy) system which involves each State rebating 15% of the WET without any threshold and the Commonwealth rebating 14% (subject to certain thresholds). The WET is payable on wine for own use ( tasting and promotional stock) but the GST excludes this stock. Records must be kept so an audit can trace these wine movements. The Commonwealth 14% component is claimed on the BAS (monthly or three monthly) and the 15% State subsidy is claimed from each State Liquor Licensing Authority each month or three months.

Wineries are suffering from a down turn in cellar door sales and those who wish to sell wholesale ( liquor shops, restaurants etc) cannot compete, due to the WET. This is because the wineries were set up for regional sales (without WET) with expensive speciality wines, targeted at cellar door tourist customers and are not competitive in the wholesale market which sells mostly cask wine and under \$10 bottle wine. So the WET discriminates against premium wines produced by regional wineries and gives a large tax advantage to cask and cheaper wines.

The Wine Federation of Australia and other groups have been lobbying unsuccessfully since the introduction of GST, for a 600,000 litre exemption for all sales ( cellar & wholesale) to replace the current complicated, time consuming compliance system. This proposal has to date proved unacceptable to the Government

The time is now critical for the wine taxation system to be changed with falling cellar door sales due to declining regional Tourism, contracting domestic sales, the effects of the drought and increase in number of regional wineries. The Government acknowledges the enormous benefits wineries bring to regional employment, development and tourism so it is now critical that the tax system is changed to a fair, simplified system before this important part of the Australian economy is lost.

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