

Wine equalisation tax

From 1 July 2000, the sales tax on wine and certain other alcoholic beverages was replaced with GST, wine equalisation tax and an increase in excise and customs duty on beer, spirits, liqueurs and other beverages containing alcohol. Wine equalisation tax was designed to maintain the price relativities between cask wine and full strength packaged beer purchased for consumption away from licensed premises.

The wine equalisation tax rate is 29% and applies to the following beverages:

- grape wine, including sparkling wine and fortified wine
- grape wine products such as marsala, vermouth, wine cocktails and creams
- other fruit wines and vegetable wines, including fortified fruit wines and vegetable wines
- cider or perry, and
- mead and sake, including fortified mead.

Exports of wine, however, are not subject to wine equalisation tax.

Wine manufacturers, wine wholesalers and wine importers usually have the liability for this tax and are required to collect and remit wine equalisation tax to the Tax Office or Customs.

In general, wine equalisation tax is included in the price for which retailers (including bottle shops, hotels, restaurants and cafes) purchase the wine. The retailer is not entitled to a GST credit for wine equalisation tax. Wine equalisation tax forms part of a retailer's cost base and is passed on in the retail price of the wine to the end consumer. However, if retailers make their own wholesale sales of wine (that is, to a reseller) they may have a wine equalisation tax liability.

Rebates and credits

The Australian Government and state governments operate separate rebate and subsidy schemes for winemakers. The states provide a 15% subsidy of the wholesale value of cellar door and mail order sales to unlicensed people.

To further assist small winemakers, the Australian Government supports the state schemes by providing a rebate for eligible cellar door, mail order and internet sales. The Australian Government provides:

- an additional 14% rebate on cellar door and mail order sales up to a wholesale value of \$300,000 a year, and
- a rebate reducing from 14% to 0% for sales with a wholesale value between \$300,000 and \$580,000 a year. Sales with a wholesale value above \$580,000 attract only the 15% state subsidy.

The combination of the state subsidy and Australian Government rebate means that cellar door and mail order sales up to a wholesale value of \$300,000 a year are effectively free of wine equalisation tax.

To qualify for the Australian Government rebate a business must:

- be the producer of the wine
- hold a producers licence, a vigneron's licence or an equivalent licence, and

- sell the wine from premises to which the licence relates.

The Australian Government rebate does not apply to:

- wine sold in the course of providing food in a winery restaurant, or
- wine sold by mail order or via the internet where a commission is payable to a third party.

Apart from rebates, entities liable for wine equalisation tax may be able to claim credits if they:

- overpaid wine equalisation tax
- paid wine equalisation twice
- did not quote their ABN when they purchased wine
- sold wine that was subject to wine equalisation tax, for a price that excluded the tax, to persons who quoted an ABN for the dealing
- exported wine that was subject to wine equalisation tax
- sold wine that was subject to wine equalisation tax, for a price that excluded the tax, to an eligible traveller in accordance with the prescribed rules for export sales
- wrote off bad debts that included wine equalisation tax they had paid.

There are other specialised wine equalisation tax credit grounds relating to imported wine, replacement of defective wine and ensuring there is no double taxation of containers.

Wine equalisation tax collections

Since the introduction of the wine equalisation tax in 2000–01, wine equalisation tax collections (including Customs collections) have increased by 28% – from \$523 million in 2000–01 to \$668.7 million in 2002–03 (table 12.4). Revenue collected from wine equalisation tax accounted for less than 1% of total Tax Office revenue from 2000–01 to 2002–03 (table 12.8).

During these past financial years, the most significant increase in wine equalisation tax collections occurred in 2001–02 when wine equalisation tax collections reached \$640.2 million – an increase of 22% from the previous financial year. However, this increase was mainly due to the addition of an activity statement payment during the 2001–02 financial year. In 2002–03 wine equalisation tax collections only increased by 4% compared to the 2001–02 collection.

Companies consistently accounted for the largest share of wine equalisation tax collections since 2000–01. On average, they have accounted for 95% of total wine equalisation tax collections each year (table 12.4).

Table 12.4: Wine equalisation tax collections, by entity, 2000–01 to 2002–03 financial years

Entity	2000–01 ¹		2001–02 ²		2002–03 ³	
	\$	%	\$	%	\$	%
Company	501,423,357	96.4	607,471,807	95.3	630,167,107	94.6
Trust	16,650,034	3.2	25,522,035	4.0	27,116,104	4.1
Partnership	5,424,320	1.0	8,199,469	1.3	11,523,518	1.7
Individual	823,168	0.2	1,643,978	0.3	2,254,668	0.3
Government ⁴	-4,092,481	-0.8	-5,299,840	-0.8	-5,257,537	-0.8
Tax Office collections	520,228,398	100.0	637,537,450	100.0	665,803,859	100.0
Customs collections ⁵	2,833,068		2,679,451		2,896,141	
Total	523,061,466		640,216,901		668,700,000	

1. Estimated collections as at 30 June 2001.
2. Estimated collections as at 30 June 2002.
3. Estimated collections as at 30 June 2003.
4. Negative figures indicate wine equalisation tax credits or refunds claimed.
5. Customs collects wine equalisation tax on taxable importations.

In 2002–03, 14% (\$90.7 million) of total Tax Office wine equalisation tax collections were from entities that sent less than \$1 million wine equalisation tax to the Tax Office; 17% (\$110.3 million) were from entities that sent \$1 million to less than \$5 million; and 70% (\$464.7 million) were from entities that sent \$5 million or more. Compared to the previous year, entities that sent \$100,000 to less than \$500,000 wine equalisation tax in 2002–03 showed the greatest increase in collections (table 12.5).

Table 12.5: Wine equalisation tax collections, by amount sent to the Tax Office, 2001–02 to 2002–03 financial years

Amount sent	Amount collected 2001–02 ¹		Amount collected 2002–03 ²	
	\$	%	\$	%
Less than \$99,999	16,969,173	2.7	20,316,762	3.1
\$100,000–\$499,999	36,307,142	5.7	44,846,458	6.7
\$500,000–\$999,999	22,080,078	3.5	25,576,474	3.8
\$1,000,000–\$4,999,999	103,291,899	16.2	110,346,133	16.6
\$5,000,000 or more	458,889,157	72.0	464,718,031	69.8
Tax Office collections	637,537,450	100.0	665,803,858	100.0
Customs collections ³	2,679,451		2,896,141	
Total	640,216,901		668,700,000	

1. Estimated collections as at 30 June 2002.
2. Estimated collections as at 30 June 2003.
3. Customs collects wine equalisation tax on taxable importations.