



Wine equalisation tax (WET) – producer rebate for New Zealand wine producers

Legislation passed in the Australian Parliament extends the Commonwealth producer rebate scheme to New Zealand wine producers

This fact sheet explains how the producer rebate provisions in Division 19 of the *A New Tax System (Wine Equalisation Tax) Act 1999* relate to New Zealand wine producers. It includes details about what you will need to do if it affects your business.

WHAT IS THE WINE EQUALISATION TAX (WET)?

The WET is a value based tax paid on certain dealings with wine. These dealings include wholesale sales and untaxed wine sold by retail. For wholesale sales, WET is paid on the selling price (excluding WET and goods and services tax) of the wine at the last wholesale sale. For untaxed wine sold by retail, WET is charged on a notional wholesale selling price. The rate of the WET is 29% of the wholesale value.

WHO PAYS WET?

Australian wine manufacturers, wine wholesalers and wine importers will usually have a WET liability and be required to collect and remit the WET to either the Australian Taxation Office or Australian Customs.

WHAT IS THE PRODUCER REBATE?

The producer rebate is for wine produced in New Zealand and which is subject to a dealing in Australia on which WET is paid. The producer rebate scheme entitles you to a rebate of 29% of your selling price of the wine net of any expenses unrelated to the production of the wine in New Zealand.

WHO IS ELIGIBLE FOR THE REBATE?

Only producers of wine made in New Zealand and who are approved as a New Zealand participant are eligible for the rebate. A producer is defined as an entity that manufactures

the wine, or supplies another entity with the grapes, other fruit, vegetables or honey from which the wine is manufactured (contract winemaking).

APPROVAL AS A NEW ZEALAND PARTICIPANT

Before you can claim the rebate you must be approved as a New Zealand participant. To qualify as a New Zealand participant you must produce wine in New Zealand which is, or is likely to be exported to Australia. When you have completed and submitted the application form and received approval, you are eligible to claim for the producer rebate.

WHEN DOES THE REBATE SCHEME START?

The producer rebate scheme starts on 1 July 2005. It applies from that date to dealings with the wine in Australia on which WET is paid by you or another entity. You are entitled to make your first rebate claim after 30 June 2006.

WHAT IS COVERED BY THE REBATE?

All beverages subject to WET are eligible for the rebate. These products are:

- grape wine
- grape wine products
- fruit or vegetable wine
- mead
- cider
- perry, and
- sake.

In this fact sheet all of the above products are referred to as 'wine'.

WHAT IS NOT COVERED BY THE REBATE?

Beverages that are not eligible for the rebate include:

- products with 1.15% or less alcohol by volume
- beer
- spirits
- liqueurs
- designer drinks, and
- ready-to-drink products.

WHICH DEALINGS WITH WINE QUALIFY FOR THE PRODUCER REBATE?

A dealing with wine on which the producer of the wine in New Zealand, or some other entity, pays WET qualifies for the rebate.

WHICH DEALINGS WITH WINE DO NOT QUALIFY FOR THE PRODUCER REBATE?

A dealing with wine produced in New Zealand, exported to Australia on which WET has been paid does not qualify for the rebate if, at the time of the rebate claim, you knew or should have known that the wine had been or was to be exported from Australia.

The producer rebate is also not available where the rebate has previously been paid on that wine.

HOW DO I CLAIM THE PRODUCER REBATE?

Once registered as an eligible participant you can claim the rebate by completing and submitting a refund application. Your application must include documentation to support your claim including evidence to substantiate that WET has been paid on your wine and claims must total \$200 or more to be processed.

Where you sell wine to an Australian importer the supporting documentation must include:

- your New Zealand sales invoices
- New Zealand customs export entries to evidence export of wine from New Zealand
- Australian customs import entries as evidence of importation of wine to Australia
- Australian tax invoices (to substantiate that WET has been charged or included in an assessable dealing with wine that is not a customs entry)
- wholesalers' statements in lieu of an Australian tax invoice
- Australian customs import entries (to substantiate a local entry with wine if taxed at the customs barrier in lieu of Australian tax invoices or wholesalers' statements), and
- worksheet showing how the rebate claim has been calculated.

Where you sell wine to a person in New Zealand who sells wine to an Australian importer the supporting documentation must include:

- your New Zealand sales invoices
- New Zealand sales invoices for sales of wine to the Australian importer
- New Zealand customs export entries to evidence export of wine from New Zealand
- Australian customs import entries as evidence of importation of wine to Australia
- Australian tax invoices (to substantiate that WET has been charged or included in an assessable dealing with wine that is not a customs entry)
- wholesalers' statements in lieu of an Australian tax invoice
- Australian customs import entries (to substantiate a local entry with wine if taxed at the customs barrier in lieu of Australian tax invoices or wholesalers' statements), and
- worksheet showing how the rebate claim has been calculated.

Where you import the wine into Australia and sell the wine in Australia the supporting documentation must include:

- New Zealand customs export entries to evidence export of wine from New Zealand
- Australian customs import entries as evidence of importation of wine to Australia
- your Australian tax invoices (to substantiate that WET has been charged or included in an assessable dealing with wine that is not a customs entry)
- Australian customs import entries (to substantiate a local entry with wine if taxed at the customs barrier in lieu of your Australian tax invoices), and
- worksheet showing how the rebate claim has been calculated.

If you are claiming rebates on wine sold by an Australian distributor, other than the importer, on the basis that the distributor has paid WET on the wine (the wine not having been subject to WET prior to the sale by the distributor), you will need to supply the following additional documentation:

- the distributor’s purchase invoice of the wine
- the distributor’s Australian tax invoices (to substantiate that WET has been charged or included in an assessable dealing with the wine by the distributor), and
- wholesaler’s statement from the distributor in lieu of the Australian tax invoices.

CALCULATING THE PRODUCER REBATE

The producer rebate applying to wine produced in New Zealand is calculated as 29% of the selling price of the wine received by you net of any expenses unrelated to the production of the wine in New Zealand.

Specific expenses unrelated to the production of the wine include expenses that would not be incurred if the wine had been produced in Australia such as transportation, freight, insurance, agents’ fees and other costs associated with the importation of the wine into Australia. Australian or New Zealand taxes are also excluded.

Selling prices and expenses used to calculate the rebates that are expressed in a currency other than Australian dollars must be converted to Australian currency.

EXAMPLE: Calculation of approved selling price and rebate

Kiwi Wines Pty Ltd is a wine producer that manufactures wine in New Zealand. A shipment of the wine is sold to an Australian importer. Kiwi Wines charges the importer NZ\$6,500 (excluding any taxes) for the wine. The charge includes expenses of \$100 for freight and insurance to transport the wine to the shipping dock. The importer meets the shipping costs to Australia. The importer makes a wholesale sale of the wine and pays WET on the sale.

Assume the exchange rate that applies is A\$1 = NZ\$1.06.

Approved selling price is calculated as follows:

Invoiced price	NZ\$6,500
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Less freight and insurance to the shipping dock (expenses unrelated to the production of the wine in New Zealand)	NZ\$100
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Subtotal	NZ\$6,400
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Conversion to Australian currency (A\$1=NZ\$1.06)

$$\text{NZ\$6,400} \times \frac{1}{1.06} = \text{A\$6,037}$$

Rebate is calculated as:

Approved selling price	A\$6,037
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Rebate at 29%	A\$1,750
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➤ For more information on how to convert the approved selling price into Australian currency, refer to the fact sheet *Wine equalisation tax – foreign currency conversions for New Zealand wine producers*

WHEN CAN I CLAIM THE PRODUCER REBATE?

A rebate claim may be made after the end of the financial year (30 June) in which the dealing with wine on which WET has been paid occurs.

WHAT IS THE MAXIMUM PRODUCER REBATE I CAN CLAIM?

The maximum rebate for the Australian 2005–06 financial year (1 July–30 June) is \$290,000 and \$500,000 for each financial year from 1 July 2006.

If you are an associated producer of one or more other producers (they may be Australian producers and/or New Zealand producers), the maximum rebate you are entitled to as a group for the financial year 2005–06 is \$290,000 and \$500,000 for each financial year from 1 July 2006.

The legislation contains provisions which determine whether producers are considered to be associated. If you are unsure whether you are considered to be an associated producer, please contact us (see below).

IS THE PRODUCER REBATE ASSESSABLE INCOME FOR NEW ZEALAND INCOME TAX PURPOSES?

The producer rebate is considered to be ordinary income for New Zealand income tax purposes.

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If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser.

The information in this publication is current at July 2006.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at www.ato.gov.au or contact us.

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