



Wine equalisation tax gap

How we estimate and reduce the wine equalisation tax (WET) gap for 2022–23.

Published 3 November 2025

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Overview of the wine equalisation tax gap

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Wine equalisation tax (WET) is paid on wine and selected products such as cider, perry, mead and sake consumed in Australia. It applies either:

- at the last wholesale sale to a retailer
- to direct sales from wine producers to consumers.

The WET system includes a producer rebate scheme. This entitles producers of wine and selected products to a rebate of 29% of taxable value of domestic sales, with the maximum rebate amount capped at \$350,000 per financial year. This makes the first \$1.2 million of domestic wholesale sales exempt from WET.

Some legislative changes took effect from 1 July 2018, including:

- the producer rebate cap was reduced from \$500,000 to \$350,000 for transactions in wine
- the circumstances when claiming a WET credit were reduced
- additional reporting when buying wine under quote.

This gap forms a part of our overall tax performance program. Find out more about the concept of tax gaps and the latest gaps available.

Last estimate and trends for the wine equalisation tax gap

Compare the 2022–23 wine equalisation tax (WET) gap with trends from previous years.

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For 2022–23, we estimate a net wine equalisation tax (WET) gap of 4.3% or \$50.6 million. This means we estimate we will collect close to 96% of the total theoretical WET.

The WET net gap and gross gap estimates have trended down over the 6-year period. The latter suggests voluntary compliance has improved over time.

For 2022–23, the gross gap is 5.0% or \$58.1 million. From a tax collection perspective, this means that 95% of the tax we expect to collect will be collected voluntarily. COVID had a minimal impact on the WET expected to be collected and the overall population subject to WET. The loss of sales in public venues was offset by increased online and retail sales of wine, resulting in no discernible change in overall WET reported.

The legislative changes in 2018–19 have significantly reduced WET refundable and increased net WET reported for the year. At the same time, voluntary payments increased. This has contributed to smaller gross tax gaps for 2018–19 onwards.

Table 1 summarises the results from 2017–18 to 2022–23.


Table 1: WET amounts, 2017–18 to 2022–23

Element	2017–18	2018–19	2019–20	2020–21	2021–22
Population	4,011	3,816	3,790	3,818	3,900

(count)					
Gross gap (\$m)	56.7	55.6	55.7	60	6
Amendments (\$m)	2.9	4.2	5.5	10.2	
Net gap (\$m)	53.8	51.3	50.2	49.8	5
Expected collections (\$m)	910	1,012	1,020	1,087	1,
Theoretical liability (\$m)	964	1,063	1,070	1,137	1,
Gross gap (%)	5.9%	5.2%	5.2%	5.3%	5.
Net gap (%)	5.6%	4.8%	4.7%	4.4%	4.

Figure 1: Gross and net WET gap percentages from 2017–18 to 2022–23

 The gross and net gap in percentage terms, as outlined in Table 1.

For previously published tax gap figures, see [Australian Tax Gaps - Data.gov.au](https://data.gov.au) 

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ATO action to reduce the wine equalisation tax gap

How we support our clients to meet their wine equalisation tax (WET) obligations.

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Incorrect reporting and payment of wine equalisation tax (WET) is due to:

- simple mistakes or omissions such as calculation errors
- lack of awareness of WET obligations due to complexity of the system
- deliberate non-compliance, including
 - claiming WET producer rebate when not entitled
 - claiming WET producer rebate on exported wine
 - incorrect quoting and inadequate quotation documentation
 - overvaluing wine for claiming the WET producer rebate
 - not accounting for WET on wine for own use
 - misclassification of goods to take advantage of lower tax rate.

Our goal is to improve compliance and have the correct amount of WET reported. Our compliance strategies focus on:

- providing education, support and guidance that helps registrants report the correct amount of WET payable and refundable
- ensuring wine products are classified correctly
- cross-checking our data and WET payable to identify inconsistencies that may indicate non-compliance
- identification and acting on WET registrations used to claim false refunds
- focussing on incorrect claiming of WET credits on wine exports.

During the 2025–26 financial year our compliance strategies will focus on:

- providing education, support, and guidance for WET registrants via our new to WET client contact program, the WET technical help email inbox and ATO online resources
- ensuring wine, and other products subject to WET, are classified correctly both for domestic production and when imported into

Australia via selected ATO compliance activity, collaboration with Australian Border Force (ABF) and specific WET technical advice

- utilising data insights and data matching to identify and address overclaimed WET producer rebates and under reporting of WET payable obligations via targeted ATO compliance activity
- collaboration and communication with key businesses and industry associations via our Client Manager program and annual Alcohol Stakeholder Group meetings.

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Methodology for estimating the wine equalisation tax gap

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Method to estimate the WET gap

To estimate the wine equalisation tax (WET) gap, we use both logistic and poisson pseudo maximum likelihood (PPML) regressions in a bottom-up, multi-stage regression model.

We estimate the net gap which is the difference between the payable and refundable amounts. For a whole of program view, we include all entities in the WET system.

Step 1: Calculate a risk score

We consult with the WET compliance area to identify logic and variables for risk selection in ATO compliance activity.

We then calculate a risk score for all WET entities in the population. The score is a key explanatory variable used in subsequent regressions.

Step 2: Apply logistic regression for selection probability

Apart from the risk score calculated in Step 1, we identify other characteristics of WET entities to help us predict the probability of them being selected for compliance activity.

We then estimate the probability of selection using a logistic regression. This step determines the sample weights for correcting selection bias in the operational audit data.

Step 3: Apply a weighted logistic regression

We analyse the business activity statement (BAS) data of WET entities that were subject to amendment activities, as well as those which were not.

We apply a logistic regression to estimate the probability of a WET entity being found non-compliant as a result of a compliance activity. To adjust for selection bias in the operational audit data, we apply the sample weights calculated in Step 2 to the observations.

Step 4: Apply a poisson pseudo maximum likelihood regression

We analyse the BAS and case data of WET entities which had an interaction with the ATO to identify characteristics that would contribute to the prediction of amended tax size. We apply a poisson pseudo maximum likelihood (PPML) regression to estimate the amended tax size for each entity found to be non-compliant. Due to the non-normal distribution of amended tax returns, arising from a large share returning a null result, a PPML regression better fits the data and incorporates the null results of taxpayers who are audited yet compliant.

The result is again weighted to adjust for selection bias. The PPML regression is then applied to each entity in the population to estimate the potential size of amended tax.

The key difference between Steps 3 and 4 is that Step 3 calculates the likelihood of an entity having a tax gap, while Step 4 calculates the size

of each entity's potential amended tax.

Step 5: Apply the combined results

We combine the regression results from Steps 3 and 4 to estimate unreported tax. We estimate total unreported tax by taking the average of the results from 10,000 simulations. This amount includes amendment results.

Step 6: Apply a non-detection uplift factor

We uplift the estimates before this step to account for non-compliance that is not detected. This ensures the final estimate is not understated.

We also add in the value of non-pursuable debt. This is debt the Commissioner of Taxation has assessed as:

- not legally recoverable
- uneconomical to pursue
- unable to be pursued due to another Act.

Step 7: Consolidate the tax gap estimates

We calculate the gross gap by adding the unreported amounts from Step 5 to the non-detection uplift and non-pursuable debt from Step 6.

We calculate the net gap by subtracting the total amendment amount from the gross gap. Then we add the net gap to the expected collections to estimate the total theoretical liability.

Summary of the estimation process

Table 2 shows a summary of each step of the estimation process and the results for each year.

Table 2: Applying the methodology – WET gap

Step	Description	2016– 17	2017– 18	2018– 19	2019– 20
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1 to 5	Estimate unreported tax (\$m)	32.7	31.8	31.9	35.2
6.1	Apply estimate for non-detection (\$m)	9.8	9.6	9.6	10.6
6.2	Add non-pursuable debt (\$m)	14.2	14.2	14.2	14.2
7.1	Gross gap (\$m)	56.7	55.6	55.7	60
7.2	Amendments (\$m)	2.9	4.2	5.5	10.2
7.3	Net gap (\$m)	53.8	51.3	50.2	49.8
7.4	Expected collections (\$m)	910	1,012	1,020	1,087
7.5	Total theoretical liability (\$m)	964	1,063	1,070	1,137
7.6	Gross gap (%)	5.9%	5.2%	5.2%	5.2%
7.7	Net gap (%)	5.6%	4.8%	4.7%	4.4%

Find out more about our overall research methodology, data sources and analysis for **creating our tax gap estimates**.

Limitations

These limitations are associated with the WET gap estimation:

- There can be a considerable delay after a financial year ends and the completion of our compliance activities relating to that year.

This means gap estimates may be subject to revisions for several years.

- The extent of non-detection is not directly observable and extremely challenging to measure. We use a figure based on expert opinion and operational data.
- The calculation of the shadow economy's impact on WET revenue is difficult to measure. For this estimate, we allocate a small amount within the non-detection estimate. This is in keeping with expert opinion that shadow economy activity is infrequent and irregular with a negligible impact on the WET gap.
- The lower coverage levels of compliance activity have resulted in us adopting a pooled regression approach. We draw all data across 2016–17 to 2022–23 together to estimate the coefficients for all years. This implicitly assumes the relationships between variables do not change much over that period. While deriving standalone regression results for each income year would be ideal, it is not feasible due to limited data across the WET population.

Updates and revisions to previous estimates


Each year we refresh our estimates in line with the annual report. Changes from previously published estimates occur for many reasons, including:

- different methodologies used
- improvements in methodology
- revisions to data
- additional information becoming available.

For the WET gap, revisions to prior year data reflects the inclusion of the 2022-23 data and exclusion of 2015-16 from our estimation.

Figure 2 shows the gross and net gaps from our current model compared to our previous estimates.

Figure 2: Current and previous WET tax gap estimates, 2010–11 to 2022–23

 Figure 2: Current and previous WET tax gap estimates, 2010–11 to 2022–23

Note: Gap estimates published in 2017–18 and earlier are WET payable gaps only for 2010–11 to 2013–14.

The data used in Figure 2 is presented in Table 3 below.

Table 3: Current and previous net wine equalisation tax gap estimates (percentage), 2017–18 to 2022–23

Program year	2017–18	2018–19	2019–20	2020–21	2021–22
2025	5.6	4.8	4.7	4.4	4.5
2024	4.7	4.0	3.8	3.3	3.3
2023	3.9	3.2	3.1	2.8	n/a
2022	3.4	3.1	3.0	n/a	n/a
2021	3.2	2.9	n/a	n/a	n/a
2020	3.1	n/a	n/a	n/a	n/a

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Reliability of the wine equalisation tax gap estimate


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We sought feedback and advice from external experts on the appropriateness and robustness of our new estimation method based on a multi-stage regression approach. Poisson pseudo maximum

likelihood (PPML) regression better fits the data and enables us to use a richer dataset, improving the reliability of the estimates. They have supported our revised reliability rating of **high** with a score of 21.

Figure 3: Reliability rating scale from very low to very high – WET gap

The reliability rating of high for the current WET gap estimate. The WET gap estimate itself is rated at 21. The rating scale includes very low (1-10), low (11-15), medium (16-20), high (21-25), very high (26-30).

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