Dissenting report of the Australian Greens

1.1 The Australian Greens would like to acknowledge the committee's work on this inquiry into the grape and wine industry. The report provides a useful summary of many of the issues with the current supply chain structure and we support a number of its recommendations.

1.2 The Greens believe that the Government should transition from the current WET to a volumetric tax calculated on the alcohol content of wine products rather than their value. It is our view that small wine producers should continue to receive a form of sales rebate to acknowledge their important contribution to regional economies.

1.3 As a value-based tax, the WET encourages the production of high volume and low quality wine. As is noted in the report, a procession of government reviews have recommended the abolition of the WET in its current form because of the perverse incentives it creates.[1] Accordingly, we do not support the Recommendation 1—which in our view is the principle recommendation of the report—as the retention of the WET is implicit in it. This is not to say that we support retaining the current WET rebate which, as is detailed in the report, is being rorted in many cases,[2] including in subsidising the production of bulk and unbranded wine.[3]

Recommendation 1

1.4 We recommend that the Government immediately phase out WET rebates for producers of bulk and unbranded wine.

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1 Including Australia's future tax system review, Report to the Treasurer, December 2009, p. 442, http://taxreview.treasury.gov.au/content/downloads/final_report_part_2/AFTS_Final_Report_Part_2_Vol_2_Consolidated.pdf; Australian National Preventative Health Agency, *Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol*, May 2013, p. 74. http://health.gov.au/internet/anpha/publishing.nsf/Content/minimum-price-final-report.

2 See, for example, Treasury Wine Estates, *Submission 35*, p. 13; WFA, *Submission 41*, p. 40; Wines of Western Australia, *Submission 21*, p. 5; Mr Warren Randall, Proprietor and Managing Director, Seppeltsfield Wine, Barossa Valley, South Australia, *Committee Hansard*, 24 September 2015, p. 16; Mr Brian Simpson, Chief Executive Officer, Riverina Wine Grape Marketing Board, *Committee Hansard*, 24 September 2015, p. 53; Professor Geoffrey Lewis, Committee Member, Clare Region Winegrape Growers Association, *Committee Hansard*, 24 September 2015, p. 66; Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 25.

3 See, for example, WFA, *Submission 41*, Appendix D, p. 10; Accolade Wines, *Submission 26*, p. 15; Ms Virginia Tropeano, *Submission 9*, p. 4.

1.5 The shift to a volumetric based tax is supported by many in the wine industry, including Treasury Wine Estates and Pernod Ricard Winemakers who are positively disposed towards a volumetric tax.[4] A volumetric tax would help transition the industry towards quality and higher value price points. The fact that no comprehensive Treasury modelling has been done—or made public, at least—on a volumetric based tax on is deficient and unfortunate.

1.6 To counter the impact of a shift to a volumetric tax, the Greens strongly believe that small wine producers should continue to be eligible for a wholesale or cellar door rebate. Small producers should be no worse off under any new tax arrangements. The committee was presented with ample evidence that a form of rebate is essential to the viability of many small wine producers.[5] These local producers are large employers and are fundamental to the economy in many regional communities. Again, the Treasury has either not undertaken or not released any modelling of the impact of the withdrawal of the existing rebate scheme on small wine producers, or the establishment of an alternative rebate scheme.

Recommendation 2

1.7 We recommend that the Treasury model the sectoral impacts of various volumetric-based taxes on wine, considering producer size, type and locational data. This analysis should be used as the basis for any compensation or readjustment scheme necessary during a transition to a volumetric tax on wine.

Recommendation 3

1.8 We recommend that the Government work with wine industry stakeholders to design and determine eligibility for a rebate scheme for small wine producers to accompany the introduction of a volumetric tax on wine.

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4 Mr Roger Sharp, Director, Group Corporate Affairs, Treasury Wine Estates, *Committee Hansard*, 27 October 2015, p 34, 39; Pernod Ricard Winemakers, *Submission 28*, p. 3.

5 See, for example, Mr Leo Pech, *Submission 13*, p. 9; WFA, *Submission 41*, Appendix G, 11 September 2015, p. 58; Mr Michael Stone, Executive Officer, Murray Valley Winegrowers, *Committee Hansard*, 24 September 2015, p. 31; Mr John Griffiths, President, Swan Valley & Regional Winemakers Association, *Committee Hansard*, 27 October 2015, p. 46; Wine Tasmania. *Submission 11*, pp 12–13; Accolade Wines, *Submission 26*, pp 3, 11–12 and 15, Mr Ken Helm AM, *Submission 25*, p. 1; Mr Redmond Sweeny, President, Wines of Western Australia, *Committee Hansard*, 27 October 2015, p. 11; Ms Sheralee Davies, Chief Executive Officer, Wine Industry Tasmania Ltd, *Committee Hansard*, 25 September 2015, p. 22.

Recommendation 4

1.9 We recommend that the Government introduce a volumetric tax on wine and set a timetable to phase it in.

Senator Peter Whish-Wilson
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