Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 700 - 704

Topic: Wine Equalisation Tax

Hansard Page: Written

Senator Di Natale asked:

With regards to the Wine Equalisation Tax. Recent research has suggested that the current wine tax arrangements, which favour the production of cheaper varieties and the use of the cheapest grapes, are contributing to the wine glut and inhibiting industry restructuring. Two leading Australia wine companies, Treasury Wine Estate and Premium Wine Brands, have now indicated they are supportive of applying volumetric taxation to wine.

700. In light of this, are the government or Treasury reconsidering this delay in reforming the alcohol taxation system?

701. Does the government or Department have any plans in place to review alcohol taxation reform in the near future?

702. The Government has been informed since 2008 that the Wine Equalisation Tax rebate (WET rebate) is being exploited. What steps have been taken to address the exploitation of the WET rebate?

703. The Australian National Audit Office's (ANAO) 2010 review of the administration of the Wine Equalisation Tax made a number of recommendations as to how to improve the administration of the WET rebate including tightening the definition of "wine producer".

Have any actions been taken to address the ANAO's recommendations?

704. Are any reviews or plans in place regarding initiating a government-funded structural adjustment program for the wine industry?

Answer:

700. On 2 May 2010, the Government announced *Stronger, Fairer, Simpler: A Tax Plan for our Future* which contained a package of tax reforms in response to the *Australia's Future Tax System Review*. As part of this announcement, the Deputy Prime Minister stated that the Government would not change alcohol tax in the middle of a wine glut and while an industry restructure is underway.

The Government reaffirmed this commitment in the Tax Forum discussion paper released on 28 July 2011 in the lead-up to the Tax Forum, which was held on 4 and 5 October 2011.

701. Please see answer to question 700.

702. The Australian Taxation Office (ATO) and the Australian Customs and Border Protection Service (Customs and Border Protection) hold joint responsibility for the administration of the wine equalisation tax (WET).

The ATO undertakes regular monitoring and compliance activities of the WET. This includes a focus on both the correct payment of WET and the correct claiming of the wine producer rebate.

In 2010-11, ATO compliance activities resulted in total adjustments of approximately $24.4 million. As part of the ATO Compliance Program 2011-12, the ATO plans to conduct compliance activities in relation to taxpayers' wine equalisation tax obligations. This will include the reporting of wine exports and entities who may be engaged in aggressive tax planning arrangements.

In 2010, the Australian National Audit Office (ANAO) conducted a review of the administration of the WET. In its report, it noted that "[t]he Tax Office has generally administered the wine tax effectively, having implemented sound governance arrangements and administrative practices focussed on gaining assurance of compliance by the larger taxpayers, and has responded reasonably to changes in taxpayer behaviours that have heightened compliance risks regarding the producer rebate."

703. The ANAO report included three recommendations relating to the ATO administration of the WET and the WET producer rebate. They were:

1. To improve the effectiveness of wine tax compliance activities in light of the heightened risk environment, the ANAO recommends that the Tax Office reviews:

   (a) pre-refund integrity checking of wine tax amounts reported on entities' Business Activity Statements; and

   (b) the annual active compliance program for the wine tax, including coverage of risks associated with international trade in wine.

2. To resolve unintended outcomes regarding access to the wine tax producer rebate, the ANAO recommends that the Tax Office advises Treasury on options to clarify the definition of a wine producer for the purposes of the producer rebate in the *A New Tax System (Wine Equalisation Tax) Act 1999*.

3. To provide greater assurance about compliance with requirements for receiving the New Zealand wine producer rebate, the ANAO recommends that the Tax Office assesses compliance risks associated with documentation provided by relevant Australian entities to New Zealand wine producers claiming the rebate.

The ATO agreed to all three recommendations. In relation to each recommendation the following is provided:

1. (a) The ATO has undertaken a review of pre-refund integrity checking of wine tax amounts reported on the Business Activity Statement and are implementing a number of changes which will strengthen their controls over wine tax amounts reported in entities' Business Activity Statements.

1. (b) The ATO has undertaken an examination on those who export wine. There were 35 reviews commenced in late 2010-11. From these there will be 8 audit cases identified to be undertaken.

   The ATO intends to undertake data matching activities later this financial year to identify those that imported wine to check their compliance with the legislation.

2. The ATO monitors the integrity of the wine producer rebate and has continued to provide Treasury with information regarding wine tax issues including issues with the producer rebate. There have been meetings held between the ATO and Treasury to discuss the operation of the wine equalisation tax and the producer rebate.

3. The ATO compliance activities include reviewing the documentation provided by relevant Australian entities to New Zealand wine producers claiming the wine producer rebate from a sample of cases.

704. There are no reviews or plans in place regarding a government-funded structural adjustment program for the wine industry.