**SUBMISSION TO TREASURY BY KATE HILL WINES - PROPOSED CHANGES TO THE WINE EQUALISATION TAX**

As a small producer of premium Tasmanian wine - and as an employer in regional Australia- I am concerned about the proposed changes to the current Wine Equalisation Tax (WET) and its rebate arrangements. The WET was introduced with a rebate threshold to assist small, regional wine producers compete in the national marketplace. In its current form, the WET rebate has managed to achieve this -with some limitations- with the threshold at its current level. The tax is, nevertheless, complicated and confusing and for many producers it adds significantly to the time and cost of their administrative load.

The Government proposes to make changes to eligibility for the WET rebate as well as changes to the WET threshold. Additional changes to this already complicated tax will lead to more confusion for small producers and generate an even greater administrative demand. We believe, therefore, that without a thorough and fully modelled review, any changes at all to the WET and its rebate will erode the support it has provided for small, regional producers and will act as a further disincentive to them to produce small volumes of high quality wine.

If the purpose of the Government’s intent to make changes to the WET is purely to raise revenue, then why not simply make New Zealand ineligible for the rebate; or reintroduce a universal sales tax? If the intent however is to preserve the provision of assistance to smaller regional producers, then greater analysis must be given to the second order effects that poorly-conceived changes may bring. At its heart, this is a matter of preserving the quality, diversity and reputation of Australia’s wine industry. If the government pays too much attention to the concerns of Australia’s four largest (and in some cases foreign-owned) producers, then it seriously risks disenfranchising and disadvantaging the larger body of employers upon whom the industry’s reputation and employment base has been built.

Making bandaid changes to an already complicated and confusing tax is counterproductive. Abandoning the WET and introducing a simple volumetric-based tax would be far easier for producers to administer. It would also have the advantage of creating a more level playing field for both premium small producers and large producers of cheaper, bulk wine.

In the Tasmanian context, the majority of wine producers are predominantly small scale and they produce a premium product. Most will be hurt in some way by the proposed changes to the current WET. A volumetric tax would provide incentive for these producers to expand in the domestic marketplace. In its current form, the WET encourages small, premium producers to remain small. This disincentive to grow beyond small could be eliminated with a volumetric tax; it would permit greater investment, diversity of product, economic growth and, particularly in Tasmania’s already economically and socially deprived rural areas, employment growth.

Until a more thorough and comprehensive review can arrive at a broader and more equitable tax, we strongly urge the government to leave the WET as it stands. In a period of fiscal restraint and revenue constrainy, surely a focus on domestic economic and jobs growth is called for? Small, regional wine producers employ far more staff per litre of production than the larger producers whom the current WET rewards for producing large volumes of lower quality, bulk wine. By the same token, we would urge the removal of New Zealand’s eligibility for the rebate. New Zealand producers already benefit from the duty free export of their wine to Australia, so why should we reward them to do it as well as generating more jobs overseas? Alternatively, the introduction of a simpler and universally applicable volumetric-based tax would be far easier to administer and would create a more level playing field for producers across Australia. It would foster more investment and diversity of product. It would also permit further growth and jobs, most importantly in rural Tasmania where the need is acute.

Sincerely,

Kate Hill

Owner/Director

Kate Hill Wines