Dear David

Chartered Accountants Australia and New Zealand (CAANZ) appreciates the opportunity to provide our informal submission on the exposure draft (ED) legislation and explanatory material regarding reforms to the wine equalisation tax (WET) rebate. The ED proposes to amend the A New Tax System (Wine Equalisation Tax) Act 1999.

Our brief comments are as follows:

* We are generally supportive of the decision to tighten the rules surrounding eligibility for the producer rebate and to stop the leakage of revenue where wine on which a producer rebate has been claimed is subsequently purchased and exported free of WET or subject to a WET credit, or purchased for use as a raw material in the manufacture of different wine.
* The proposed repeal of general credit grounds CR2, CR3, CR5, CR6, CR10, CR11 and CR13, and the introduction of what is in effect a new assessable dealing at sec 5-50, should only be considered necessary where the wine has been or will be the subject of a producer rebate.
* Therefore, these credit grounds should be reinstated and their application limited to situations where no producer rebate has been claimed.  The application of sec 5-50 should be similarly limited.
* Identifying when wine has been, or will be, the subject of a producer rebate should not be difficult where the producer is the supplier and the purchaser needs to know the status of the wine supplied.  For example, the legislation could require the producer to notify all purchasers, as a matter of course, that:

(i)              it is the producer of the wine; and

(ii)            it has claimed or intends to claim a producer rebate on the wine, or alternatively that no rebate has been or will be claimed.

* Identifying when wine has been the subject of a producer rebate is a more difficult task once the producer has sold the wine to a distributor or retailer.  However, if producers are required to notify their immediate customers as a matter of course that they are the producer and they have (or have not) claimed a rebate, there would at least be an evidence trail which could be accessed by downstream purchasers who intend to export the wine or use it in the manufacture of different wine and by the Commissioner in conducting integrity reviews.
* The retention of credit grounds is necessary to prevent taxpayers from being treated unfairly.  If examples 1.3, 1.4 and 1.6 from the EM to the ED legislation are considered against the background where the producer did not claim a producer rebate, one can see the unfairness of requiring the purchaser to pay further WET (Yvonne in example 1.3 and Nick in example 1.4), or denying the purchaser a WET credit under CR10 for wine on which no producer rebate has been claimed (Aaron in example 1.6). Put simply, wine for export should be WET-free and there is no justification for taxing exports by denying credits when no producer rebate has been claimed.

We trust that these comments are of assistance to you in finalising the ED legislation and explanatory material.

If you have any questions, please feel free to contact me directly to discuss.

Kind regards

Donna

**Donna Bagnall**  
Senior Tax Adviser

**Chartered Accountants Australia and New Zealand**

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