TREASURY
WINE ESTATES

21 September 2011

Media Release

Tax Reform for a Sustainable Australian Wine Industry

Australia's leading premium wine business, Treasury Wine Estates (TWE), has thrown its support behind substantial wine tax reform in the lead up to the federal government's Tax Forum in October 2011.

In a submission released today, TWE advocates the abolition or fundamental reform of the Wine Equalisation Tax (WET) rebate and the taxation of wine on a volumetric and revenue neutral basis, with a phased introduction to allow industry time to adapt.

Abolish or reform WET rebate

TWE urges the government to either abolish the WET rebate, or fundamentally recast it as a true cellar door (retail based) rebate available only to genuine wine producers.

The current WET rebate system is effectively preventing consolidation and sustaining uneconomic production, at a time when the industry urgently needs to retire excess supply and rebuild value in the Australian wine category. Further, a significant percentage of WET rebate beneficiaries are neither Australian nor genuine winemakers – calling into question the value of a $200m+ per year investment of Australian taxpayer funds. TWE supports investing a percentage of the savings from WET reform to assist industry restructuring and grow demand, as part of a balanced approach to industry sustainability.

Volumetric, revenue neutral wine tax

TWE supports taxation of wine on a volumetric, revenue neutral basis. A simple three-tiered tax structure, based on alcohol content by volume, would create a direct relationship between applicable tax and alcohol content without introducing undue complexity into tax arrangements.

TWE firmly opposes the imposition of a flat volumetric tax across all alcohol categories. This approach would be out of step with international practice, and would not reflect the different cost and benefit profiles attributed to various alcohol products and categories.

Treasury Wine Estates CEO, David Dearie said:

"Tax has a fundamental influence on both the structure and sustainability of the Australian wine industry. In the context of our industry's current challenges, ambitious reforms are urgently required if we are to achieve our vision of an Australian wine industry that is economically, socially and environmentally sustainable.

"In particular, the WET rebate must be abolished or fundamentally reformed. It is untenable to have a tax mechanism that inhibits restructuring and works against the long term best interests of our industry, whilst also costing Australian taxpayers more than $200m a year.

"Significant wine tax reform won't be easy to implement and we understand the considerable impact it will have on some sections of the industry, and therefore advocate the need for appropriate support and transition arrangements. It will, however, be critical if we are to fundamentally address our industry's challenges and protect the sustainability of Australia's wine sector over the long term" said Mr Dearie.

About Treasury Wine Estates

Treasury Wine Estates (TWE) is one of the world's leading premium wine businesses, headquartered in Melbourne and encompassing some of Australia's best loved and iconic wine brands including Penfolds, Lindeman's, Wolf Blass, Rosemount, Wynns Coonawarra Estate, Seppelt, Coldstream Hills and Devil's Lair. With over 11,000 hectares of vineyards, sales totalling over 33 million cases of wine annually, and revenues of approximately $1.8 billion, TWE is Australia's largest premium wine business. We employ over 4,000 winemakers, viticulturists, sales, distribution and support staff in Australia and eleven other countries.

With our leading presence in the market and the Australian wine community comes a responsibility to contribute to its sustainability. This includes advocating product tax arrangements that are consistent with our vision for an industry that is socially, economically and environmentally sustainable, with a reputation for quality and delighting wine consumers around the world.

ENDS

For further information please contact:
Rebecca Smith
Corporate Communications Manager
+61 3 8626 2314
+61 (0)421 380 796