The 2017 Australian Wine Tax Rebate Exposure Draft Legislation

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ABSTRACT

This article critiques the Commonwealth's exposure draft 2017 legislation that reforms the Wine Equalisation Tax rebate having regard to the generally accepted four tax policy criteria. The article finds that whilst the measures improve tax integrity they add to complexity and only partially address the multifaceted wine tax issues that impinge on the competitiveness of the Australian wine industry. The overall wine tax policy is out alignment with less regulated and lower taxed foreign wine competitors.

Keywords: Wine Equalisation Tax, Rebate, Tax Policy

1. INTRODUCTION

The Wine Equalisation Tax (WET) commenced on 1 July 2000 and was designed to replace the former wholesale sales tax on wine. The WET and the accompanying WET rebate have been subject to significant criticism, Anderson (2010), Fogarty and Jakeman (2011); Barton and Pinto (2010); Kenny (2012); Treasury (Cth), 'Re: think' Tax discussion paper; Senate Rural and Regional Affairs and Transport References Committee Report Australian grape and wine industry (2016). In response to some of the many problems associated with the WET system, the government introduced exposure draft legislation in April 2017 to reform the WET rebate. This article examines these reforms and finds that they only partially address the multifaceted wine tax issues. The world wine market is fiercely competitive. New competition has arisen from New Zealand, Chile, Argentina and South Africa and traditional wine countries have become more competitive, Centauras Partners Report (2013). Tastes are changing with consumers now drinking more premium wines, Cembalao, Caraccciolo and Pomarici (2014). The Wine Equalisation Tax (WET) and the WET rebate policies impose significant burden on the Australian wine industry and are out alignment with less regulated and lower taxed foreign wine competitors.

The WET System

The WET imposes a wine tax on the taxable value of assessable dealings with wine in Australia, WETA 1999 s 5-5. The tax is applied to both Australian produced wine and imported wine. The primary types of assessable dealings are: wholesale sales; retail sales; application of wine for own use and certain importations. Some assessable dealings such as exports are exempt. WET is calculated at the rate of 29 per cent of the taxable value of assessable dealings with wine in Australia. The WET is calculated on the selling price of the wine excluding wine tax and GST. A rebate of WET applies for producers of rebatable wine that are registered or required to be registered for GST in Australia, *A New Tax System (Wine Equalisation Tax Act)* 1999 (WETA 1999) s 19-5(1).

Imported wine into Australia has increased in recent years with NZ exploiting the WET rebate and accounting for much of this growth (providing 64 per cent of wine imports in 2014) (Australian Bureau of Statistics 2014). WET is paid by the importer unless an ABN is quoted for wine undergoing further processing - distribution. A wine tariff of 5 per cent also applies to imports unless a free trade agreement provides an exemption, as it does with New Zealand.

The WET rebate was designed to allow a majority of wine producers would be able to fully offset their WET liability by accessing the WET rebate and help small wine producers in rural and regional Australia to reduce or offset entirely their WET liability. The maximum amount of rebate an Australian producer, or group of associated producers, could claim in a full financial year is A$500,000 from 1 July 2006, s 19-25-19-20. This is equivalent to about A$1.7 million wholesale value of eligible sales and applications to own use per annum. To claim a rebate an entity must also be liable to pay WET on the wine or would have been liable to pay WET on the wine had the purchaser of the wine not quoted for the sale of the wine. Producer is defined widely to include entities registered for GST that have manufactured wine; or provided their produce to a contract wine maker to make wine on their behalf or have subjected purchased wine to a process of wine manufacture.

The Treasury Re: think' Tax discussion paper (2015) noted the numerous entities that can access the rebate as follows: grape growers who undertake manufacture themselves (that is, crush grapes and ferment the juice); grape growers who have the grapes processed into wine on their behalf; winemakers who purchase grapes and manufacture the wine; blenders and entities undertaking other further manufacturing processes and contract winemakers (in some cases). Also 'virtual winemakers' who have no involvement in the winemaking process (they do not own or lease vineyards, have no plant or equipment or a cellar door) claim the rebate. These virtual producers acquire grapes and/or wine and contract out the manufacturing or blending process in order to claim the WET rebate; producers of branded wine where the producer owns the brand; producers of branded wine where the wholesaler or retailer owns the brand; producers of bulk and unbranded wine; and non-resident producers - producers that are based overseas but undertake winemaking in Australia, Treasury Re: think' Tax discussion paper (2015).

Whilst New Zealand does not impose a WET, the Australian WET producer rebate was extended to eligible New Zealand wine producers that have their wine exported to Australia from 1 July 2005, s19-5. The maximum amount of rebate a New Zealand producer, or group of associated producers, can claim in a full financial year is the same as Australian producers, s19-15. Other new wine and traditional wine countries cannot access the WET producer rebate. In order to obtain the rebate, a New Zealand winemaker must produce wine in New Zealand that is exported to Australia; and substantiate that WET was paid in Australia on the sale of the wine. Whilst the wine must be ultimately sold in Australia, a New Zealand producer does not have to sell the wine in Australia since a wholesaler or distributor can make the sale in Australia. In line with rising exports to Australia the New Zealand rebate has grown quickly from A$5 million in 2006-07 to A$25 million 2013-14. The Australian National Audit Office (ANAO) (2011) also noted the increase arose from an increased incidence of New Zealand grape growers accessing the New Zealand rebate by using contract winemakers' facilities to enable them to register as wine producers.

Unfortunately the ATO data does not distinguish between WET rebate and other refunds, and thus does not allow a proper analysis of who gets the rebate, Centaurus Partners (2013). This is a major problem for a rebate designed to assist small wine producers in rural and regional Australia.

2. LITERATURE REVIEW

The arguments for and against indirect wine taxation such as the WET are generally grounded on economic efficiency and the views are mixed. It is argued that higher taxes on wine are justified since they focus on the high external costs associated with alcohol consumption. External costs include direct costs of abusive drinkers' car accidents, property damage and violence, Smith (2005) and indirect costs of government funded hospitals and health services for alcohol abuse and other government expenditures such as police. Collins and Lapsley (2004) estimated that the tangible costs of alcohol in Australia, were high, being between 0.9 – 1.0 per cent of GDP. Crime, health cost and lost production amounted to AU$11 billion and further intangible costs associated with the loss of life and pain were estimated at AU$4.4 billion. The Foundation for Alcohol Research and Education submission (2015) estimates $9.3 billion per annum for tangible social costs from an individual's alcohol misuse and $14 billion in tangible costs in harm to others.

It is also argued that wine has an inelastic demand therefore, there are minimal distortions with taxes levied at a higher rate. Ramsey found that goods with inelastic demand should be taxed more heavily as such a tax minimises consumption distortions. Additionally, alcohol is seen as a compliment to leisure and thus should be taxed at a higher rate. A UK study by Crawford, Keen and Smith (2008) found utility is not weakly separable between consumption and leisure, and that changes in the relative price of goods do impact on labour. Therefore, complementary goods with leisure should be taxed at a relatively higher tax rate and that complementary goods with work should be taxed at a relatively lower tax rate. Further, it is argued that such taxes correct information failure. Young people may not be fully aware of the adverse health impacts of drinking alcohol, thus, it is argued that a supplementary tax or excise would raise the price of alcohol and thus reduce consumption, World Health Organisation (2007).

On the other hand, it is contended that wine should be taxed at the same rate as other goods to minimise economic distortions that impedes the competitiveness of an important industry, Architecture of Australia's Tax and Transfer (2008). Smith's (2005) literature review concluded that alcohol demand is insufficiently price-inelastic to warrant higher than average taxation on the basis of the Ramsey inverse elasticity rule. There may also be adverse unintended consequences associated with wine taxation.

Externalities costs maybe exaggerated. Crampton Burgess and Taylor (2011) disputes the Collins and Lapsley study. The authors estimated that in New Zealand the actual net external annual costs of abusive alcohol consumption was a 96.9% reduction from a Business and Economic Research Limited study of costs. Single and Easton (2001) found externality cost estimates can have a broad range of error. Further, the consumption of wine is generally not abusive. Renaud and De Lorgeril (1992) found that France's high consumption of fats but low incidence of heart disease may be explained by their high wine consumption. Externalities should be addressed by corrective taxation that targets alcohol abusers, Architecture of Australia's Tax and Transfer. Barton and Dale (2014) called for the WET to be abolished since it only marginally aids tax revenue collection, is inefficient and the complexity clearly fail the simplicity criteria. Kenny (2012) finds that the WET adds to complexity and fails to target the external costs associated with wine consumption.

Having regard to the WET rebate, numerous commentators note the serious equity problems with the rebate which has been subject to rorting, Treasury Wine equalisation tax rebate discussion paper (2015); Murray Valley Winegrowers (2015); Australia's Future Tax System (2009). Fogarty and Jakeman (2011) note the positive impact of the WET rebate on small wineries and regional tourism. Given the different views there is a need to ground the case for the WET and WET rebate having regard to the tax policy criteria.

As the Foundation for Alcohol Research and Education Submission to the Tax White Paper Taskforce found there have been numerous tax reviews criticising the WET and WET rebate and advocating volumetric tax as an alternative. The Treasury Re: think' Tax discussion paper (2015) Tax White Paper reform process, released the paper 'Better tax system better Australia' in March 2015. This paper briefly noted issues with wine taxes that offered favourable tax treatment, particularly for low-value wine and that influenced production and consumption decisions. Consequently, the Commonwealth Treasury Wine equalisation tax rebate discussion paper (2015) aimed to better inform discussion and analysis of the WET rebate.

The Auditor General Report (2011) noted problems with the administration of the WET rebate. Tax schemes operated to improperly gain the rebate with wholesalers and retailers minimising WET liability and maximising WET rebate, Commonwealth Treasury Wine equalisation tax rebate discussion paper (2015). Arrangements to maximise the rebate included: bulk wine sales by grape growers to enable eligibility to growers; blending and further manufacture and the creation of interposed entities; restructuring contracts to inflate rebates; virtual wine producers that acquire grapes or wine and contract out manufacture. Thus the WET rebate may be distorting production patterns of wine by: leading to oversupply of wine and wine grapes; preventing necessary industry adjustment; preventing market consolidation and trapping businesses in the industry.

Additionally, the wine industry has raised many issues about the WET rebate. The Treasury Re: think Tax discussion paper (2015) found a number of ways the WET rebate could be reformed to ensure the sustainability of the wine industry: abolishing the WET rebate; phase out the rebate with a grant to existing recipients; restrict eligibility for the WET rebate by excluding bulk, unpackaged and unbranded wine; tightening the definition of 'producer of wine'; demonstrating that WET has been paid on wine; reducing the maximum amount of the WET rebate; rebate less than the full amount of WET payable; replacing the WET rebate and the Brewery Refund with a rebate scheme for all independent alcohol producers; and removing the New Zealand rebate. In September 2015 numerous industry and other submissions were received in response to the WET rebate discussion paper and these were published online.

There was considerable consensus for reforming the WET rebate. Most submissions called for the removal of bulk, unbranded wine and foreign producers from eligibility for the rebate Accolade Wines (2015); Riverland Wine (2015); Wine Tasmania (2015); Murray Valley Winegrowers (2015); Pernod; Treasury (2015); and Wine Grape Growers Australia (2015). Others submissions sought that the WET rebate be abolished: Foundation for Alcohol Research and Education (2015); Cancer Council (2015); Pernod Ricard Winemakers (2015) and Treasury Wine Estates (2015). Pernod Ricard Winemakers (2015) and Treasury Wine Estates (2015) noted that the removal of the rebate would allow a lower revenue neutral volumetric tax to be levied at $1.40 per litre, rather than $2.20 per litre if the rebate remained. The New Zealand government Submission to the Tax White Paper Taskforce (2015) stated that equal treatment of New Zealand producers was required under the Australia New Zealand Closer Economic Relations Trade Agreement, thus the WET rebate should be kept.

The Commonwealth government established the WET Rebate Consultative Group to examine the submissions and provide advice to the Government on options for reform. With the change of Prime Minister and Treasurer in November 2015 this process was re-scheduled. In 2015-16 the Senate Rural and Regional Affairs and Transport References Committee examined certain matters on the Australian grape and wine industry, including the impact and application of the wine equalisation tax rebate on grape and wine industry supply chains. The Senate's Australian grape and wine industry report (2016) found that the WET rebate worked against the profitability of the wine industry and was subject to unlawful claims or rorting. The committee recommended that the WET rebate be phased out over five years, with the savings to assistance the industry and would include an annual grant to genuine cellar door operators to support their continued operation. Also, the committee urged the Government to undertake a comprehensive reform of wine taxation.

2.1. 2016 Commonwealth Budget

In the 2016 Budget the Commonwealth government announced that it would only focus on the WET rebate, seeking to improve its integrity by reducing the WET rebate cap and tightening eligibility criteria, Budget Paper No. 2 (2016**).** This will better target assistance and reduce distortions in the wine industry and save $250 million of tax revenue over the forward estimates period 2017-2020. To benefit regional wine producing communities the Australian Grape and Wine Authority will be provided with $50 million to promote wine tourism within Australia and Australian wine overseas. Reforms to the wine equalisation tax (WET) rebate were announced on 2 December 2016 (K O'Dwyer and A Ruston). Under the reforms from 1 July 2018: the WET rebate cap will be reduced from $500,000 to $350,000; eligible producers must own 85% of the grapes at the crusher used to make the wine and maintain ownership throughout the wine making process; the rebate is limited to branded packaged wine, in a container not exceeding 5 litres and branded with a registered trademark for domestic retail sale; and the rebate claims must be better linked to the WET being paid.

2.2. 2017 Exposure Draft Legislation

On 5 April 2017 the Government released exposure draft legislation proposing to amend the A New Tax System (Wine Equalisation Tax) Act 1999 to give effect to the above reforms and a new $100,000 Wine Tourism and Cellar Door grant to ensure that the Australian wine industry continues to deliver economic and social benefits in their regions. Wine producers were only given 23 days to take part in consultation on the rather complex exposure draft legislation. Subsequent submissions have criticised the proposed changes to the eligibility criteria. The requirements that eligible producers must own 85% of the grapes at the crusher used to make the wine and maintain ownership throughout the wine making process have been criticised. The appropriate eligibility requirement is for wine produced from grapes owned or controlled at the crusher, with 15% of other wine permitted to be blended in. Delaying the ownership test to immediately after crushing appears to create ambiguity and may lead to an opportunity for grape wine ownership manipulation (WFA 2017). Further, the draft legislation is that winemakers who have their grapes contract-processed by third parties may not be producers (WFA 2017). The current definition of producer "… an entity that *manufactures the wine, or supplies to another entity the grapes,… from which the wine is manufactured" is proposed to be replaced with a narrower definition "producer, of wine, means an entity that *manufactures the wine". This disadvantages a considerable number of bona-fide producers.

Additionally, under the changes at the conclusion of the wine-making process, 85 per cent of the wine, by volume, in its final form must have originated from the wine producer's source product. This will adversely impact on the whole fortified wine sector since many of the sweet fortified wines have more than 15% alcohol added, as well as other additives and processing aids, all these wines would be unable to claim a WET rebate (WFA 2017). The 85% test is very strict and an allowance is needed for adverse weather events. For example WFA 2017 suggests a 4 year averaging of the 85% grape ownership rule to take into account these events.

Also, under the proposals the wine must be packaged so that each container is branded with a trademark that is owned by the producer. Given it can take between 18-24 months to register a trademark, transitional provisions are required to allow for producers who currently haven't registered their trademarks to do so (WFA 2017).

To be eligible to claim a rebate it is proposed in sub-s 19-5(5)(b) that a producer is required, to own the trade mark that is applied to the packaging of their wine. Since some producers, for asset protection purposes hold trademarks in a different entity from their trading entity, and license or lease those assets to their trading entity, the trading entity will not be eligible to claim producer rebates. The proposals need to ensure that a trade mark that is owned by, or owned by an entity that is connected with the producer is allowed. This means that complex rules similar to the small business entity connected entity rules in Div 328 ITAA 1997 are also needed in the reforms.

Currently, before claiming a producer rebate, wine producers only need to consider whether a purchaser has correctly indicated in their quote that they do not intend to make a GST-free supply of the wine purchased. The proposed quoting rules, whilst improving integrity also introduce more complexity since wine producers will need to satisfy themselves that the purchaser does not intend to: on-sell the wine under quote (for example, on-selling the wine to another wholesaler or by export); or use the wine as an input in the manufacture of another product, before claiming a rebate.

The definition of a wine product that is eligible to be subject to the WET and rebate has narrowed. The wine content will increase from 70% to 85%. Under the proposed legislation, a wine that contains 85% grape wine will not taxed under the WET, but be taxed under the excise regime. Vermouth, ginger wine, marsala style products and cream liqueurs currently under the WET will move to the excise taxation.

The associated producer rule is to be restricted to prevent artificial restructuring just prior to the end of a financial year to avoid the application of the associated producers rule for that financial year. A producer will be taken to be an associated producer of another producer for a financial year if the associated producers test is met at any time during that financial year. This will improve integrity.

As the WFA 2017 notes, wines from the 2017 and earlier vintages are not excluded from, the new rules, making the proposed new grape ownership rule retrospective. In particular, this creates an issue for fortified wines that can be produced by blending very old wines. Such wines that are currently able to collect the WET rebate should not be excluded.

3. RESEARCH METHOD

A partial policy analysis is undertaken to critique the wine tax proposals in the 2017 exposure draft legislation. This analysis reviews the WET as well as the WET rebate since the rebate is part of the WET system. The review is undertaken from the perspective of four well accepted tax policy criteria: fiscal adequacy, economic efficiency, equity and simplicity. These criteria have been used by optimal tax theorists who seek to maximise social welfare, Alm (1996). An optimal tax balances these often conflicting tax policy objectives. Frey (2005) noted that optimal taxation theory indicates a preference for broadly based taxes that impose less distortions on the allocation of resources and provide better sources of tax revenue over a narrowly based taxes. Optimal taxes have become prominent in tax reform processes. For example, in Australia these four tax policy criteria were central to policy formulation in recent tax reform processes, the Review of Business Taxation (1999) and A Tax System Redesigned (2011).

3.1 Fiscal Adequacy

Fiscal adequacy appears to be one of the primary reasons cited for specific alcohol taxes. Fiscal adequacy refers to the ability of taxation law to finance Government expenditure. Fiscal adequacy is a fundamental requirement for a tax system given the Government's need for revenue to ensure good governance. For example, in respect of wine taxation, the Australian Government provided revenue raising as its rationale for significant increases in the wholesale sales tax on wine in 1993 and 1997. The WET, though, raises relatively small amounts of revenue, being 0.2 per cent of total tax revenue of Commonwealth government tax revenue Commonwealth Final Budget Outcome (2016). The WET rebate damages fiscal adequacy with a significant and growing cost to revenue. In its first year the WET rebate refunds amounted to $199 million in 2006-07 and has increased each year, with $311 million refunded in 2013-14(25 per cent of WET), Commonwealth Final Budget Outcome (2014). Given this highly favourable rebate the vast majority of small wine producers do not have to pay WET. Just twenty entities paid 89 per cent of the WET that totalled $826 million in 2013-14 out of 3,880 entities paying WET, and in 2013-14 1,967 entities claimed WET rebates and the number of entities claiming WET rebates has increased since its introduction, Commonwealth Final Budget Outcome (2014). In 2015-16 the WET only totalled $826 million Commonwealth Final Budget Outcome (2016).

3.2 Economic Efficiency

To efficiently allocate resources and permit industry to compete effectively the indirect tax system should be competitive. To minimise efficiency costs the indirect tax base should be broad, including all goods and services taxed at one low rate, Commonwealth Treasury Architecture of Australia's Tax and Transfer (2008). This will cause fewer changes in the consumption and production decisions by the impact of tax on the prices of goods and services. Thus, additional indirect taxes such as the WET and the associated WET rebate impede efficiency. Whilst, others argue that wine taxes are justified to address significant externality costs, Collins and Lapsley (2008). The WET though is based on a wholesale value (rather than the consumption of alcohol) and thus clearly fails to target the external costs associated with wine consumption. Overall, the case for a WET economic grounds appears very weak.

In particular the WET rebate subsidises inefficient producers and thus hinders the industry from restructuring to clear the oversupply problems, Pernod Ricard (2015). It encourages an oversupply of low value wine that is damaging the export market and damages the profitability of the industry, Pernod Ricard (2015) and Treasury Wine (2015). It also provides a competitive advantage to the New Zealand wine industry that can access the rebate. New Zealand wine producers are not subject to the same tax compliance checks as Australian businesses but are able to claim the rebate, and do not lodge an Australian income tax return or Business Activity Statement (BAS) statement. The rebate was designed to help small producers but as Foundation for Alcohol Research and Education (2015) points out it has not worked very effectively since 24 wine companies account for 90% of the wine production.

Reducing the WET rebate and tightening eligibility will improve economic efficiency since this will reduce the extent of the distortion. Whilst Fogarty and Jakeman (2011) find this will have a negative affect on small wineries and regional tourism this will be offset by the proposed industry assistance.

3.3 Equity

The WET is regressive, although, equity is not appear to be of prime importance given the presence of Australia's progressive income tax rates and social security benefits. As noted above, though, there are serious equity problems with the WET rebate which has been subject to rorting. Tightening eligibility for the rebate to prevent such tax avoidance will improve equity.

3.4 Simplicity

Barton and Dale note the high complexity of the WET and WET rebate which is evident from the legislation and from the number of Australian Taxation Office (ATO) publications. There are 3 ATO Rulings; 8 Fact Sheets; 2 Forms; 3 How to complete your business activity statements; 8 New Zealand WET rebate papers. Many of these publications are highly technical and lengthy. The Wine Equalisation Tax Ruling WET Ruling 2004/1, 'The operation of the wine equalisation tax system' runs to some 146 paragraphs. WET provides a complex second regime for alcohol taxation that sits uneasily with the excise system that applies to beer and spirits. The WET compliance costs are very regressive for the thousands of small wine producers that need to claim the WET rebate. Reducing the WET rebate will not aid simplicity, although tightening eligibility would appear to reduce the number of rebate applications and taxpayers' involved and thus may marginally improve simplicity.

4. FINDINGS/CONCLUSIONS

The 2017 exposure draft reforms and industry assistance are a step in the right direction but do not go far enough and highlight the problems and complexity inherent in the WET system. The proposed reforms to make eligible producers to own at least 85% of the grapes used to make the wine throughout the winemaking process; limit the rebate to wine branded with a registered trademark; small packaging; and to the better connect rebate claims to the wine tax being paid will help reduce tax avoidance that has plagued the Australian wine industry. This improvement to integrity will come at the cost of greater complexity. The changes will require a national training for producers and accountants to ensure they understand and comply with the new rules. The reforms also require changes to avoid the unintentional consequences adversely impacting on the sector noted above

Reducing the value of the impact of the WET rebate though will have a slightly negative economic impact to some wine regions, by decreasing the consumer surpluses generated by additional wine consumption choices and affecting the value of tourism. Providing the proposed assistance will help the industry to adjust to this reform.

Further, this analysis also highlights the lack of a policy justification for the WET. The WET system only marginally aids tax revenue collection. The WET creates economic distortions that damage the competitiveness of the wine industry. The main competitor wine producing countries Italy and France do not have to face such substantial taxes, nor does New Zealand. The WET is regressive, although, equity is not appear to be of prime importance given the presence of progressive income tax rates and social security benefits. The WET clearly fails the simplicity criteria. In particular, the WET should be repealed since it encourages the production of non-premium wine when the world is moving to the consumption of premium varieties.

A better policy response would repeal the WET rebate and the WET. Whilst the WET rebate meets its policy intent by allowing a majority of wine producers to fully offset their WET liability by accessing the WET rebate and thus help small wine producers in rural and regional Australia this comes at a high price. The WET rebate damages fiscal adequacy, creates economic distortions, adds to complexity and the WET rebate rorting is inequitable. To the extent that industry assistance is found necessary to transition out of the WET system, a direct grant could replace the rebate. If an additional tax is to be placed on wine, it should be levied in the form of a higher GST rate so as to minimise the adverse impact on the wine industry.

Limitations of this study are acknowledged, since policy settings are also the result of other factors such as political, social, cultural and historical, which are beyond the scope of this paper.

5. THEORETICAL AND PRACTITIONER IMPLICATIONS

The compliance costs associated with the proposed reforms are very regressive for such a competitive industry dominated by small businesses. Training will be needed for both practitioners and the wine industry. Also, providing the proposed assistance will help the industry to adjust to this reform.

Overall, the policy problems with the proposed reforms, highlight the inherent problems with the WET system. The WET rebate along with the WET should be repealed. To the extent that industry assistance is found necessary to transition out of the WET system, a direct grant could replace the rebate. If the Commonwealth continues the high taxing regime on wine, then as a minimum, the tax should be levied in the form of a higher GST rate on wine in order to minimise the damage to the industry.

6. LIMITATIONS

Limitations of this study are acknowledged, since policy settings are also the result of other factors such as political, social, cultural and historical, which are beyond the scope of this paper.

7. CONCLUSION/FINDINGS

The 2017 exposure draft reforms will provide some gain to equity and efficiency. Reducing the value of the WET rebate, though, will have slightly offset the economic gains with some wine regions. Decreasing the consumer surpluses generated by additional wine consumption choices and thus affect the value of tourism.

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