



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



**HOUSE OF REPRESENTATIVES**

**ADJOURNMENT**

**Wine Equalisation Tax**

**SPEECH**

**Wednesday, 11 August 1999**

BY AUTHORITY OF THE HOUSE OF REPRESENTATIVES

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## SPEECH

**Date** Wednesday, 11 August 1999  
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**Questioner**  
**Speaker** Cox, David, MP

**Source** House  
**Proof** No  
**Responder**  
**Question No.**

**Mr COX** (Kingston) (7.48 pm)—The Prime Minister is letting the Treasurer walk all over Senator Lees and the deal she made before passing the GST. The government's commitment to the provision of an adequate exemption from the wine equalisation tax for cellar door and mail order sales has been substantially diluted. The precise terms of Mr Howard's agreement with Senator Lees was:

### Wine Equalisation Tax (WET)

Historically rebates for cellar door sales have been a State responsibility. The Government and the Australian Democrats agree on the importance of maintaining cellar door arrangements. The Government undertakes to ensure that the States keep arrangements which provide a tax exemption for cellar door and mail order sales up to \$300,000.

The Government will also examine a number of definitional issues arising from the WET bill, which you have advised, and the scope for concessional treatment of low alcohol wine and intends that these be dealt with in a Bill to be introduced in the Spring sittings. As a consequence of these commitments the Government and the Australian Democrats are agreed that the WET legislation will be passed by 30 June 1999.

Unfortunately for the wine industry, the WET legislation was passed in an unamended form by that date.

The Labor Party moved an amendment to provide for a full 29 per cent exemption from the wine equalisation tax for the first \$300,000 of cellar door and mail order sales—the same exemption agreed between Mr Howard and Senator Lees. It meant the states would not be unfairly required to pay for an exemption from a federal tax when the states will not receive any of the revenue—an obvious point of vulnerability to the states maintaining an adequate cellar door exemption in the long term. The industry wants an exemption so it can avoid the paperwork and cash flow burden, paying a tax and claiming a rebate. Labor's amendment would have avoided these problems but was lost on the votes of the Australian Democrats.

A senior member of the Treasurer's staff informed me that the Treasurer's interpretation of the Howard-Lees agreement was a 15 per cent rebate, not a full 29 per cent WET exemption. When I told him that was contrary to the industry's understanding, he said, 'We'll have to disabuse them of that.' When I pointed out that the \$300,000 ceiling for the rebate was far lower than the ceilings currently applied by the states, he explained that this was an opportunity for them to save money.

On 22 July I put out a press release calling on the Treasurer to clarify the situation. His office told the media that I was confused and that the agreement had always been for only a 15 per cent rebate. The next day I put out a second press release calling on Senator Lees to clarify what she had agreed with the Prime Minister. I pointed out that one possibility was that the Treasurer's office or Treasury had drafted the wording for the Prime Minister's letter which left open their own interpretation of the agreement.

Senator Lees responded saying she thought there may have been a bureaucratic stuff-up and confirmed that the agreement was for a full 29 per cent exemption. However, the same day, the Minister for Foreign Affairs had attended a meeting of winemakers in McLaren Vale and had informed them the government's policy was for a 15 per cent rebate. Two cabinet ministers—the Treasurer and the Minister for Foreign Affairs—putting a definitive position in contradiction to what Senator Lees says was her deal with the Prime Minister on the GST package is more than a bureaucratic stuff-up.

On 25 July I put out a third press release calling on the Prime Minister to pull his Treasurer into line or admit that he had walked away from this aspect of his deal with Senator Lees. The *Financial Review* reported the next day that a spokesman for the Prime Minister had said Mr Howard 'agreed that the spirit of the (WET) agreement has to be met' and that Senator Lees was seeking a meeting with the Prime Minister to ensure that her agreement over the new 29 per cent wine equalisation tax is met.

Weeks have passed, and there has been no meeting between the Prime Minister and Senator Lees on the issue and no clarification from the Prime Minister that the word 'exemption' in his letter to Senator Lees means an exemption. If the Prime Minister takes no action, it is certain that the Treasurer's view will prevail. For many small wineries, the difference between a 15 per cent rebate and a 29 per cent exemption is going to significantly affect the viability of their cellar door operations. They are expensive to run, and it needs to be recognised that a large amount of tax has to be paid on wine consumed at cellar door tastings. Free tastings have been the basis of the wine tourism industry.

The Treasurer has not been working away diligently behind the scenes to resolve the problems he has created. To demonstrate this, I only need quote the Liberal Treasurer of South Australia answering a question from the Hon. Paul Hollaway on 29 July regarding reports of the conflicting views of Mr Costello and Senator Lees and the state government's obligations under the Howard-Lees agreement. The Hon. R.I. Lucas:

I saw the report in the *Advertiser*, and I know nothing more than the honourable member does in relation to the accuracy or otherwise of that press report. I have not been provided with any detail from the Commonwealth Government or the national Australian Democrats as to the state of their current discussions. I have asked Treasury officers to try to get further information from the Commonwealth Treasury. At this stage we have not been able to obtain any detail as to the state of the agreement and its interpretation between the Commonwealth Government and the Australian Democrats.

And:

In relation to our obligations, my understanding is that we have no obligations until we agree to something. At this stage we do not have a firm proposal or details of a proposal with which we can agree, and until we have that we are not in a position to agree or to have any obligations in relation to this issue.

(Time expired)