

## WET - Buying under quote

November 2018

**With the recent Wine Equalisation Tax (WET) reform, the wine industry needs to revisit old concepts to ensure it remains compliant. One of these key concepts is that of "quoting".**

In general, WET is payable on the final wholesale sale of wine. Buying under quote facilitates this intention. A producer must remit WET on taxable dealings of wine unless the sale is GST-free or if the buyer provides a valid ABN quotation at or before the time of sale. For regular sales between the same parties, a periodic quote can be provided which is valid for up to a year. The most typical example of wine that will be sold under quote is by producers to distributors or wholesalers.

The following table analyses the cashflow of a producer selling with a valid quotation compared to a sale without a quotation.

	Sold With Valid Quotation	Sold Without Valid Quotation
<b>Wine</b>	\$1,000	\$1,000
<b>WET (29%)</b>	\$0	\$290
<b>GST (10%)</b>	\$100	\$129
<b>Total</b>	\$1,100	\$1,419

As can be seen by the above, selling without quote results in a greater value transaction taking place for the same value of wine, thus impacting the cash flow of the purchasing wholesaler. For that reason, buying under quote is common practice for wholesalers and distributors.

To be entitled to quote, the quoting party must be registered for GST and:

1. Intend to sell the wine by wholesale or indirect marketing; or
2. Must mainly be a wholesaler and intend to sell the wine in Australia; or
3. Intend to use the wine in manufacture or other treatment or processing; or
4. Intend to supply the wine GST-free (such as by export)

The impact of an effective quote is to exempt WET from applying to the transaction.

For wine producers, it is important to note that under the new WET rules, the WET rebate for the producer will only be able to be claimed if the quote indicates that the purchaser intends to have a taxable dealing of the wine (i.e – the purchaser intends to later make a wholesale sale on which WET will be charged). This requires quoting forms to be updated to now also disclose if the purchaser intends to sell the wine under quote or use the wine as an input in the manufacture of a further wine.

Both producers and wholesalers of wine should revisit the quoting forms that are being used, particularly periodic quotes, to ensure they remain compliant with the new rules.

### Talk to Us

As this is quite a complex area, please speak to your Nexia Advisor if you have any questions and to ensure you retain your WET Rebate eligibility.

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