

## **Wine Equalisation Tax**

From 1 July 2000 the Government adopted a combination of approaches to the taxation of alcohol. The changes included GST being applied to all alcoholic beverages, changes to duty on beer, spirits and liquors to offset the removal of wholesale sales tax and the introduction of wine equalisation tax (WET).

Wine and other similar fermented beverages were previously subject to wholesale sales tax at 41 per cent. With the introduction of the GST, wholesale sales tax was abolished and, to offset the difference between the two taxes, these beverages became subject to a value-based tax called WET.

The WET rate is 29 per cent and is levied at the wholesale level. For the Australian domestic market, the WET liability is remitted to the Australian Taxation Office (ATO). For imports, the WET liability is remitted to the Australian Customs Service (Customs).

WET applies to grape wine, fruit and vegetable wine, cider, perry, mead, sake, and grape wine products such as marsala, vermouth, wine creams and cocktails.

More information about Wine Equalisation Tax is available from the Australian Tax Office. In particular, [WET Ruling 2002/2](#) covers a range of issues including:

- How the wine tax system operates, and
- Which alcoholic products are covered by the wine tax.

## **Luxury Car Tax**

A luxury car tax (LCT) was introduced on 1 July 2000 in addition to any GST payable on luxury cars. This replaced wholesale sales tax previously levied at 45% on luxury cars. The LCT rate is 25%.

The LCT threshold is the car depreciation limit for income tax purposes. For the 2002/2003 and 2003/2004 financial years the threshold is \$57,009.

Cars with a GST-inclusive value above the LCT threshold are subject to LCT. In general, the LCT value of a car includes the value of any parts, accessories or attachments supplied or imported at the same time as the car.

No input tax credit is available for LCT, regardless of whether the luxury car is used within the business or for private purposes.

Registered entities, including importers of luxury cars, are generally able to quote in the prescribed form. This involves quoting their ABN in relation to the supply or importation of a luxury car where they intend holding the car as trading stock (other than for hire or lease), carrying out research and development for the car manufacturer, or exporting the car where the export is GST-free. The quotation system is designed to prevent LCT becoming payable before the car is sold or imported at the retail level.

Private importers pay LCT on entry for home consumption. Information on LCT is available in [Australian Customs Notice 2001/58](#).