



Alcohol Stakeholder Group

Access information from meetings of the Alcohol Stakeholder Group.

Alcohol Stakeholder Group key messages 25 July 2023



Key messages from the Alcohol Stakeholder Group meeting held 25 July 2023.

Alcohol Stakeholder Group key messages 2 November 2022



Summary of the key topics discussed at the Alcohol Stakeholder Group meeting 2 November 2022.

Alcohol Stakeholder Group key messages 19 August 2021



Summary of key topics discussed at the Alcohol Stakeholder Group meeting 19 August 2021.

Alcohol Stakeholder Group key messages 11 November 2020



Summary of key topics discussed at the Alcohol Stakeholder Group meeting 11 November 2020.

28444

Alcohol Stakeholder Group key messages 25 July 2023

Key messages from the Alcohol Stakeholder Group meeting held 25 July 2023.

30 August 2023

Welcome and introductions

Tony Poulakis opened the meeting with an Acknowledgment of Country, welcomed members and called for conflicts of interest, noting that Alcohol Stakeholder Group (ASG) discussions were not of a confidential basis, with minutes of meetings published on the ATO website. No conflicts of interest were declared.

The ASG 2 November 2022 meeting key messages have been published on ato.gov.au

There is one action item from the November 2022 meeting which is finalised with advice provided out of session on 17 November 2022.

Reflections of 2022–23 and Compliance Focus Areas for 2023–24

Michael Hughes noted that the current Wine Equalisation Tax (WET) program risk is considered low, with the system generally operating as intended. The current WET tax gap is 3%, or \$30 million, which suggested a high level of compliance. An updated WET tax gap will be published in the ATO Annual report due October 2023. During 2021–22, overall revenue collections were \$1.1 billion, which was made up of \$1.4 billion in collections and \$379 million returned in rebates and refunds. The New Zealand rebate scheme paid approximately \$13 million, which had been trending down over recent years. WET collections have been growing since 2019 however the client population has been stable over the past decade at 3,600 clients.

While there has been significant churn in the industry, this included new producers taking over existing facilities.

Compliance focus areas for 2023-24 will reflect a similar approach to 2022-23. There have been instances of fraudulent behaviour by non-genuine clients on all labels of the BAS, including the WET labels, which was being addressed by the ATO in tightening up pre-issue checking to maintain system integrity. The New-to-WET program will continue. This targeted client program assists clients to confirm they should be registered for WET and that new clients are setting up appropriate systems and processes to meet their obligations. Further targeted compliance will relate to identifying trends that seem unusual as well as where credits or producer rebates exceeded the \$350,000 threshold. Work will be undertaken to ensure that legislative changes made in 2018 are effective and being applied correctly and to check current structures/other changes occurring in the industry.

In relation to alcohol excise, the legitimate industry was working well. The alcohol excise tax gap is currently 9.2%, or \$629 million, which is considered out of tolerance, however this was mostly attributed to a particular element of the industry not complying. This is being addressed as part of the illicit alcohol project.

The ATO continues to have a focus on education of clients with regularly updated web content and the New to Excise program to assist new entrants to the alcohol excise industry to understand their obligations. The Excise Client Manager (ECM) program continued to engage and assist large payers. The ATO used 'nudge' campaigns to follow up clients who have not lodged excise returns or paid excise duty on time. The ATO will be contacting clients exceeding the \$350,000 Alcohol Manufacturers Remission scheme threshold to understand where errors were being made.

Where the reminders to lodge and pay are unsuccessful, consideration of a firmer administrative approach will be considered. Where lodgment and payment requirements are not met, this may result in removal of PSPs or certain conditions being attached.

Naomi Schell noted that the alcohol excise tax gap continues to be one of the largest tax gaps for the ATO in percentage terms. An updated tax gap will be published in October 2023. Large scale illicit alcohol activities continue to be responsible for over 90%, or \$577 million, of the most recent tax gap published for the 2019-20 year.

Updates about the Illicit Alcohol project have been provided at previous ASG meetings. To date an ongoing intelligence component of the program has been undertaken and as part of the ongoing education and prevention component, a range of communications have been published (Taxpayer Alert, updated web content and an illicit alcohol flyer designed for retailers). With COVID-19 restrictions lifting, there has been a shift in compliance in late 2022 to field activities being undertaken forming part of the correction component. These are ongoing, with initial results expected in late 2023.

A retailer visit program has recently been undertaken by ATO officers to approximately 250 alcohol retailers around Australia. Retail outlets were selected based on both a random basis and because of intelligence holdings. The visits were designed to gather information to inform compliance activities and to educate retailers on key indicators of illicit alcohol activity and risks, including penalties, in dealing in illicit alcohol product. ATO officers spoke to store managers and participation in the visits was on a voluntary basis. Suspected illicit alcohol product had been identified in approximately half of the stores visited, which reflected accurate intelligence. Retailers were encouraged to discuss these issues with their suppliers. ASG member feedback on the initial program was acknowledged. Follow up visits will be undertaken to assess the effectiveness of those initial visits.

During 2023–24, the ATO will continue to focus on illicit alcohol compliance, strengthening activities working with Australian Border Force and other state and federal agencies.

E-commerce is another area that will be investigated in relation to online sales of alcohol to better understand and, if necessary, treat that risk. Over 2023–24, excise centre staff may consult with ASG members to gain a better understanding from industry on any insights in relation to online sales.

Contemporary excise experience (CEE) project

Nathan Lindemann advised members that over the weekend of 25–27 August, excise data will be moved from legacy systems into the same accounting system used by the ATO for other taxes. This will enable clients to lodge and amend excise returns and make excise claims online for the first time. The ATO will advise clients when they can commence accessing the new online system.

Current processes used in relation to licence authorisations and permissions will not be changing. System updates will have no effect on the way that taxpayers lodge customs remission claims.

Action item	25072023-4-1
Due date	August 2023
Responsibility	Rowena Troth, ASG secretariat
Action item details	A copy of the presentation used at the meeting to be distributed to ASG members.

Action item	25072023-4-2
Due date	September 2023
Responsibility	Rowena Troth, ASG secretariat
Action item details	A webinar is to be arranged for interested ASG members to go through various system changes occurring in relation to CEE updates.

Deregulation new measures

Liz Jaspers advised that there has been progress on the excise deregulation package with 2 measures legislated as part of the *Treasury Laws Amendment (Refining and Improving our Tax System) Act 2023*, which received Royal Assent on 28 June 2023 and took effect from 1 July 2023. This included a measure to align excise and customs reporting with other indirect taxes for businesses with an aggregated annual turnover under \$50 million; and allowing small-scale repackaging of duty-paid beer into smaller containers.

The government announced in the 2023–24 Budget that there would be a delay in the start date for the remaining measures, which is now 1 July 2024. These measures related to licensing, a uniform business experience and other items relating to streamlining fuel excise arrangements.

Treasury continue to work with the Department of Home Affairs to progress the remainder of the package and will follow standard processes and consult with stakeholders and industry on draft legislation. The timing of consultation will be dependent on government decisions and legislative processes. The standard consultation period for draft legislation is usually 2 to 4 weeks and invitations for submissions will appear on both the Department of Treasury and Department of Home Affairs websites, providing key dates and deadlines.

Treasury noted lead time for industry is important to implement changes on a practical level, including any requirement for system changes.

Anthony Barnard provided further information about the 2 measures taking effect on 1 July 2023. The small-scale repackaging measure relates to the alcohol industry and removes the requirement for an excise manufacture licence when repackaging duty-paid beer in certain circumstances. He noted that this mainly relates to small brewers, bars, clubs, and pubs as retail sale is required immediately after repackaging. Amendments have been made to public advice and guidance and industry alcohol guidelines are being updated. This measure is similar in effect to the administrative concession the ATO provided to industry during COVID-19 to assist businesses. The ATO are keen for any industry feedback.

The other measure aligns excise and customs reporting with other indirect taxes for businesses; those with an aggregated annual turnover under \$50 million. Where these entities previously lodged weekly or monthly, applications could be made to the ATO to report on a quarterly basis. Anthony noted that there are approximately 1,800 alcohol clients as well as a small number of fuel clients that are under the \$50 million threshold. Applications to report on a quarterly basis will be risk-assessed by the ATO to ensure compliance obligations such as lodgments and payments are up to date.

Anthony noted that the ATO will continue to support Treasury on implementation of the remaining 3 measures, which may include consultation through the ASG.

Members noted significant investment by industry to date in consultation on deregulation and expressed a strong interest in being involved in future consultation. Members also strongly advocated for changes in relation to ad valorem, particularly in relation to cost to

business. Industry noted the revised start date of 1 July 2024 provided a tight timeframe, particularly where material work in system changes may be required, however it was also noted the extent of changes required by industry would be determined by the draft legislation.

Members queried whether the aligning reporting measure would be extended to larger businesses. This had been considered by the Deregulation Taskforce, however the issue of aggregate deregulation benefit versus deferred revenue were a deciding factor in the final decision.

Joe Limongelli reiterated that applications for a change from monthly to quarterly reporting would take into consideration compliance with existing PSP obligations such as lodgment and payment and asked industry associations to remind their members to ensure their obligations were on track before applying.

Industry updates – Roundtable

Kylie Lethbridge, Independent Brewers' Association (IBA), noted that increasing energy and other costs are impacting the industry and the IBA will be increasing advocacy efforts.

Rebecca Tolhurst, Vok Beverages Pty Ltd, acknowledged the work being done by the ATO on illicit alcohol to ensure a level playing field for industry. Rebecca also referred to the ECM program and advocated for a dedicated account manager to liaise with to discuss excise-related issues. Tony Poulakis indicated that aspects of the ECM program may be rolled out to the next tier of clients in the alcohol industry.

Paul McLeay, Australian Distillers' Association, reiterated industry comments about pressures on businesses and commended the ATO for continuing a compliance focus on illicit alcohol.

Paul Onley, Metcash Trading Ltd, queried the usual legislative process. Liz Jaspers clarified that the usual process involved an Exposure Draft being issued, followed by introduction of a Bill. Paul also noted a preference to 'turn off' ad valorem rather than decoupling as that may lead to 2 parties in the chain paying some impost on the same supply.

Sonja Icanovski, Lion Ltd referred to the 2 to 4 week timeframe for Treasury consultation and noted that early engagement with industry would greatly assist, particularly in relation to potential changes / system changes which may be required.

George Nikolaou, Coles, noted that following the increase in alcohol sales during COVID-19 for some entities, the market had reduced or levelled out significantly for alcohol excise and WET products.

Stuart Wood, Pernod Ricard Winemakers, also noted the tough trading environment for industry, which would be impacted by the upcoming increase in indexation.

Warwick Billings, Cider Australia, reiterated the challenging environment for industry and advised that a 2 to 4 week consultation on proposed legislation would be difficult for those ASG members who are in industry associations, requiring them to consult with their members to provide a comprehensive response to Treasury.

Trevor Barr, Wilmar BioEthanol (Australia) Pty Ltd echoed earlier comments about the value of ECM support for clients, particularly in new staff education and providing support. Trevor referred to Concessional Spirit Class of persons determination which does not impose volume limits in the sale of potable alcohol. At times the volume of sales increased significantly and may be being diverted into illicit streams. This information has been shared with the ATO in an effort to stop any criminal behaviour.

Other business

ATO technical

Margaret Whelan advised members that the final Public Ruling on the meaning of 'Legally and Economically Independent' as it pertained to the Alcohol Manufacturers Remission scheme has been published earlier in the year. Margaret thanked members for their feedback on the earlier draft.

The ATO has previously circulated a discussion paper to ASG members on a proposed Practical Compliance Guideline relating to classification of certain products, in particular alcoholic seltzers. This was a reasonably complex issue that related to definitions under the beer and spirits excise tariffs, as well as WET. Following feedback, as well as advice from the Tax Counsel Network, consideration is being given for this to instead be issued as 2 Public Rulings, which will provide more certainty for industry and clients. One ruling would cover products that might meet the definition of beer and the other ruling would cover products that might be able to be classified as subject to WET. The ATO is also consulting with the Australian Border Force as

there is equivalent legislation for imported goods. Drafts will be issued to industry for consultation.

Margaret encouraged ASG members to contact the Excise Centre's Technical Advice team for technical advice in relation to alcohol excise and WET issues.

Rowena Troth advised ASG members that a draft Charter was being finalised for the ASG and will be distributed to members for consideration and endorsement out of session.

Meeting close

Tony Poulakis thanked members for their participation and ongoing engagement throughout the year.

Attendees

Attendees list

Organisation	Attendee
ATO	Tony Poulakis (Chair), Small Business, Excise Centre
ATO	Anthony Barnard, Small Business, Excise Centre
ATO	Bennett Sandhu, Small Business, Excise Centre
ATO	Brian Geovanovich, Small Business, Excise Centre
ATO	Caraline Hill, Small Business, Excise Centre
ATO	Claudia Bianco, ATO Corporate
ATO	Joe Limongelli, Small Business, Excise Centre

ATO	Lyn Nilsson, Small Business, Excise Centre
ATO	Margaret Whelan, Small Business, Excise Centre
ATO	Michael Hughes, Small Business, Excise Centre
ATO	Naomi Schell, Small Business, Excise Centre
ATO	Nathan Lindemann, Small Business, Excise Centre
ATO	Paul Macklin, Small Business, Excise Centre
ATO	Richard Grebneff, Small Business, Excise Centre
ATO	Rowena Troth (Secretariat), Small Business, Excise Centre
ATO	Sally Fonovic, Small Business, Excise Centre
ATO	Telly Nikolakopoulos, Small Business, Excise Centre
Accolade Wines	Annalisa LoBasso
Angove's Proprietary Ltd	Victoria Angove
Asahi Group Holdings	Paul Jackson
Asahi Group Holdings	Yingchao Ma
Australian Border Force	Kimberlee Stamatis
Australian Border Force	Jo Schultz
Australian Distillers' Association	Paul McLeay

Australian Distillers' Association	Michael Sugg
Australian Grape and Wine Incorporated	Lee McLean
Brown-Forman Australia Pty Ltd	Jane Wu
Campari Australia Pty Ltd	Ruth Golden
Cider Australia	Jane Anderson
Cider Australia	Warwick Billings
Coca Cola Amatil	Karen McCoy
Coles Financial Services	Frank McNamara
Coles Financial Services	George Nikolaou
Coopers Brewery	Brad Grunert
Diageo Australia Ltd	Rebecca Carter
Diageo Australia Ltd	Tomomi Yamada
Endeavour Group Limited	Priyanka Nagpaul-West
Independent Brewers Association	Kylie Lethbridge
Lion	Sonja Icanovski
Mainfreight Warehousing	Andrew Robinson
Mainfreight Warehousing	Rowan Cooke
Metcash	Paul Onley
Pernod Ricard	Stuart Wood
Samuel Smith and Son	Bob Smart

Spirits and Cocktails Australia	Nicole Lestal
Taylor Ferguson Pty Ltd	Chris Parton
Treasury	Liz Jaspers
Treasury	Tracy Richards
Vok Beverages	Ashlee-Louise George
Vok Beverages	Rebecca Tolhurst
Wilmar BioEthanol	Kat Figiel
Wilmar BioEthanol	Trevor Barr
Wine Australia	Ned Hewitson

Apologies

Apologies list

Organisation	Member
Aldi Stores	Darren Thomas
Brewers' Association of Australia	John Preston
Manildra Group	Debbie Forster
Spirits and Cocktails Australia	Greg Holland
Tarac Technologies	Robert Pelton
Taylor Ferguson Pty Ltd	Frank Ciampa
The Drinks Association	Georgia Lennon
Treasury Wine Estates	Catherine Dishon

73191

Alcohol Stakeholder Group key messages 2 November 2022

Summary of the key topics discussed at the Alcohol Stakeholder Group meeting 2 November 2022.

5 December 2022

Welcome and introductions

Tony Poulakis welcomed members and advised the minutes from the meeting held on 19 August 2021, have been published on ato.gov.au. One action item remained outstanding (19082021-6-2) and would be covered under agenda item 3.

Reflections of 2021–22 and compliance focus areas for 2022–23

Michael Hughes noted that the impacts of COVID-19 on industry and ATO treatment strategies had continued through 2021–22 and that, at a high level, focus areas would remain the same through 2022–23, with a focus on illicit alcohol activities.

Wine equalisation tax (WET)

The WET system was operating largely as intended, with 2018 amendments appearing to address previous risks. The ATO has recently published an updated WET tax gap estimate for 2019–20 that is 3%, or approximately \$31 million, which is consistent with previous years, suggesting a high level of compliance. Michael noted the impact of COVID-19 on ATO fieldwork, limiting onsite audits being carried out, although desk-based activities had been undertaken to target overclaimed rebates/credits. During 2021–22, the ATO continued to work with NZ Inland Revenue regarding WET claimed by NZ producers.

During 2022–23, work will be carried out on WET to ascertain whether any previous non-compliant behaviours are starting to reappear. There will also be a focus on 'new to WET' clients to provide help and education in meeting WET obligations for new entrants.

The ATO will continue its focus on fraudulent behaviours associated with claims in BAS, that have included the WET labels. This is being addressed as part of an enterprise response in the ATO's Operation Protego.

Alcohol excise and excise equivalent goods (EEG)

The system was largely operating as intended, particularly with legitimate clients. There is, however, a significant tax gap for 2019–20 that represented a slight increase to 9.4%, or just over \$600 million. It was noted that the trend had been static over previous years but is an area of concern for the ATO. The illicit alcohol strategy was working to address that; however the results of that strategy may not be materially reflected in a reduction in the tax gap for some years (given it is a lag measure). COVID-19 has impacted audit activity however compliance work and help and education of clients will recommence in 2022–23. Visits would also assist in gaining a better understanding of new businesses entering the system.

There has been a significant increase in new licence applications for excise manufacture following the introduction of the alcohol manufacturer remission (AMR) scheme.

Although overall debt levels have remained steady in 2021–22, work will be carried out across the ATO in 2022–23 to improve debt performance.

Michael advised that more broadly, the ATO's risk treatments will involve a staged approach of initial help and education for clients when joining the system. For those found to be not complying with tax obligations, a tailored response will then be employed depending on the client's risk profile. This response may involve nudge campaigns designed to understand reasons for non-compliance and assist clients to get back on track, phone calls for debt and lodgment issues, followed by consequences for high impact cases including changes to periodic settlement permissions (PSP) and movement permissions (MP), or in extreme cases, cancellation of licences and potential prosecution to ensure a level playing field for the market.

The compliance focus for 2022–23 will see the continuation of the 'new to excise' program with initial contact at licence application, then by staged follow ups to check in with clients. The ATO will continue to monitor AMR claims, with clients contacted if they are approaching or exceeding the threshold. Communication activities are also planned, particularly to warehouse operators to ensure appropriate records are being maintained, as well as to concessional spirits suppliers about requirements and a reminder about requirements and restrictions involved in home distillation.

Naomi Schell provided an update on the ATO's Illicit alcohol strategy. The illicit alcohol risk continues to be a priority and focus for the foreseeable future. The activity was assessed as a key contributor to the alcohol excise tax gap for unpaid excise and customs duty or EEGs. COVID-19 restrictions have impacted the ability to carry out field work, however some audit activity has been carried out, with some success. The identification / intelligence phase of the project has been completed that included information sharing across other federal and state agencies. A range of preventative strategies have been implemented, underpinned by the publishing of a taxpayer alert. For 2022–23, attention will turn to enforcement activities for correction and compliance activities. These aim to correct behaviours and remove the most egregious entities from the supply chain. A variety of products have been sourced across Australia displaying hallmarks of illicit product, including colour, labelling and price. These displayed high levels of denaturants, primarily tertiary butanol, which indicated manufacture from denatured spirit that would be sourced at a duty-free rate and was not intended for human consumption. Further work will be carried out in this area given it is illegal to manufacture alcoholic beverages from these denatured spirits.

An analysis of the supply chain will be carried out with a view to auditing entities illegally producing alcoholic beverages and will also include further communications to retailers. Concessional spirit suppliers will be contacted to obtain purchaser information. A review of approved formulas for denaturing spirit will also be carried out and may result in the issue of a Tax Determination. Industry experts will be consulted.

Claudia Bianco advised that the annual December closedown will take place from midday Friday 23 December to 8.00 am Tuesday 3 January 2023. Communications will issue to the Alcohol Stakeholder Group (ASG) to provide advice of any potential client impacts.

The Consumer Price Index (CPI) is due to be released on 25 January 2023 and indexation will take place from 1 February. Communications will be provided to ASG members and all clients on 25 January.

The Communications team will also be providing support during 2023 in relation to the rollout of the Contemporary Excise Experience (CEE) project and potential deregulation new measures. Claudia reminded ASG members to contact her if they would like any specific communications on ATO messaging drafted to share with their members.

ATO

Technical updates

Sally Fonovic encouraged members to provide feedback on the ASG discussion paper '*Practical guidance for manufacturers of hard seltzers and similar beer, cider or perry products*' that has been circulated prior to the meeting. Comments are due 30 November 2022. The paper is seeking industry feedback and views to enable the ATO to draft a Practical Compliance Guideline (PCG) which will provide a framework for industry with clear advice allowing them to self-assess and ensure the ATO will be comfortable with that assessment. The ATO is working with the Australian Border Force (ABF) to ensure product classifications for domestic and imported products remain aligned. Kimberlee Stamatis advised that ABF would await the publication of the final PCG prior to confirming ABF's position on whether they would also publish corresponding advice on this issue, or just rely on the ATO advice product.

Bennett Sandhu advised the Draft Public Ruling on the definition of '*Legally and Economically Independent*' is due to publish soon, providing approximately 4 weeks for feedback from industry. The draft will be circulated to ASG members. Bennett advised this will provide a more detailed explanation of updates to Chapter 7 of the *Excise Guidelines for the Alcohol Industry* that was published in December 2021.

Contemporary excise experience

Nathan Lindemann provided an update on the CEE project, referring to the slide pack distributed in meeting papers. The project will ensure

that there is a similar look and feel for online transactions for excise as for other taxes administered by the ATO.

- Phase 1 was deployed in September 2021 resulting in grants schemes being administered in the enterprise system. Relevant to this group are rebates under the International Wine Rebate Scheme (IWRS) for NZ wine producers.
- Phase 2 will move accounting functions from legacy systems into the ATO's core processing system. The timing of Phase 3, which relates to licences and permissions, is yet to be determined.
- Phase 2 related to excise duty returns, amendments and credit claims. In addition to an improved online experience, other benefits will be lodgment reminders (except for clients lodging weekly) and the ability to enter into payment arrangements online. The online form will provide an AMR cap for clients as well as visibility of the amount claimed for that year and warnings when clients are approaching the threshold. Claim adjustments will also be available. Additional slides provided screenshots of the forms that had been developed.

Tony Poulakis advised that communications would be issued to ASG members and clients as CEE progressed.

Focus topic – Deregulation new measures

Liz Jaspers of Treasury reminded members of the announcement by the previous government in the 2022–23 Budget of a package of measures in relation to excise deregulation. If the current government agrees to proceed with these measures, the Departments of the Treasury and Home Affairs will follow standard processes and consult with stakeholders and industry on the draft legislation. The standard consultation period for draft legislation is approximately 4 weeks. Invitations for submissions will appear in the Departments of the Treasury and Home Affairs websites and will include any key dates and deadlines.

Industry members were referred to the announcement in Budget Paper No. 2 of the 2022–3 Budget and discussed the various options of those measures. Anthony Barnard referred members to the consultation paper released by the Deregulation Taskforce which provided further context to the measures considered by government at the time. It was noted that the implementation date of 1 July 2023

will provide a short period of time for drafting of legislation and implementation.

Industry raised the issue of ad valorem, noting that deregulation benefits could be achieved by decoupling of this tax, and it being triggered at the point of entry into a warehouse. If this were to be implemented, some form of transitional arrangements will be needed.

Consolidation of the dual systems of excise and customs duties onto one return is another issue raised in previous submissions by industry, which would benefit both local manufacturers and importers.

Alignment of excise returns with BAS timing is an important issue for industry to allow less frequent reporting, as well as the implementation of a licensing register for better visibility of entities holding manufacturer and storage licences. Members supported the public register including details of all entities, as opposed to an 'opt-in' system.

Treasury noted that other government processes are currently underway that may also impact the industry, for example the Simplified Trade System (STS) being led by Austrade.

Industry noted that the previously proposed implementation date could be an ambitious timeframe and members discussed the potential to opt-in over a period of time. Others noted that running dual systems for any length of time would cause concerns for them. Kimberlee Stamatis questioned whether industry would support a delay to the proposed 1 July 2023 implementation date. Members indicated a need to see the details and draft legislation before deciding.

Members also discussed issues around the timing of excise returns when implementing tariff rate changes for indexation, noting legislative requirements around the timing of indexation following the publication of the CPI.

Action item	02112022-4-1
Due date	20 November 2022
Responsibility	Anthony Barnard
Action item details	The ATO to reiterate what the recent indexation dates were and confirm how the

law determines those dates generally.

Information provided post-meeting:

Excise duty rates for fuel and alcohol are indexed twice a year, based on the CPI. subsection 6A(10) of the *Excise Tariff Act 1921* defines the 'Indexation Day' to mean the 1 February and 1 August, each year.

However, the first of February and August are supplanted by subsection 6A(5) of the *Excise Tariff Act 1921* which legislates that if the statistician, Australian Bureau of Statistics (ABS) has not published the CPI figure at least 5 days before Indexation Day, then it will be pushed back to the fifth date after publication.

So the date indexation occurs is determined by law; the ATO has no discretion to determine a different day.

ABS is responsible for determining and publishing the CPI on or before the last Wednesday of the relevant quarter.

For example, the last 6 indexation dates.

Day of CPI Publication	Date of CPI Publication	Date of CPI Publication + 5 days	Indexation Day
Wednesday	27 July 2022	1 August 2022	Monday 1 August 2022
Tuesday	25 January 2022	30 January 2022	Tuesday 1 February 2022
Wednesday	28 July 2021	2 August 2021	Monday 2 August 2021
Wednesday	27 January 2021	1 February 2021	Monday 1 February 2021
Wednesday	29 July 2020	3 August 2020	Monday 3 August 2020

Wednesday	29 January 2020	3 February 2020	Monday 3 February 2020
-----------	--------------------	--------------------	------------------------------

Industry updates –roundtable

- Ned Hewitson of Wine Australia noted the increase in innovation with new products including the emergence of zero and low alcohol products, which appear to interact between the WET and alcohol excise regimes.
- Sonja Icanovski of Lion noted the current global economic situation with increasing costs and rising inflation, which impacts on industry, and advocated for a freeze on excise rates.
- Paul Jackson of Asahi Holdings supported the previously announced deregulation measures but cautioned against any potential implementation involving a rushed process.
- Phil McClintock of Good Drinks Australia noted the increasing gap between treatment of WET and alcohol excise products, particularly due to the effect of indexation on duty rates, starting to flow through to shelf prices.
- Karen McCoy of Coca Cola was also supportive of the previously announced deregulation measures, noting that pending timelines for consultation may be ambitious.
- Ashlee-Louise George of Vok Beverages queried the expansion of the Excise Client Manager (ECM) program that was discussed at the previous year's ASG meeting. Tony Poulakis advised that the program was considering moving to a streamlined version for the next tier of clients and members would be updated as this progressed.
- Victoria Angove of Angove's was also supportive of the expansion of the ECM program. She noted current inflationary impacts on excise and advocated for a freeze of the excise duty rates.
- Jonathan Chew of Spirits and Cocktails Australia (SCA) supported a freeze on excise duty rates and advised that SCA would be providing comments on the discussion paper about hard seltzers and other similar products.

- Paul McLeay of Australian Distillers Association (ADA) referred to the recent blockchain pilot of the alcohol excise beverage industry and advised of ADA's advocacy to government to consider ongoing support for that program. Tony Poulakis noted a reference in the STS papers that Singapore was involved in track and trace for products. Kimberlee Stamatis advised members to contact Australian Border Force if they would like further information about the STS.
- Paul Onley of Metcash referred to the illicit alcohol project update and expressed support for information sharing of known illicit products / brands of interest with industry where it could be carried out within privacy requirements. Paul also expressed support for the previously announced deregulation measures noting that an 'opt in' transitional phase would prove problematic. Members noted that further discussion depended on confirmation of the new measures and potential timelines for consultation and implementation.
- George Nikolaou of Coles raised the issue of low alcohol products and noted that advice from the ATO about the taxation of low alcoholic wines, particularly under 1.15%, and between 1.15% and 8% alcohol would be welcomed. He also noted issues associated with the difficulty in monitoring suppliers manufacturing and supplying alcohol, particularly given the number of new entrants to the market.
- Con Karatonis of Endeavour Group welcomed the discussion paper about hard seltzers and other similar products. Con was also generally supportive of the previously announced deregulation measures, noting that consultation for Endeavour once the draft legislation was published would involve engagement with client program teams to determine what would be achievable within timeframes proposed.
- Lee McLean of Australian Grape and Wine Incorporated was represented by Victoria Angove, who welcomed clear communication for the membership cohort around WET-related issues. Victoria referred to the loss of the China market and oversupply being experienced and noted that 2022–23 would prove to be a complicated vintage due to flood conditions experienced across the country.
- Warwick Billings of Cider Australia advised that previous confusion between WET and alcohol excise appeared to be diminishing. This

may be linked to the recent introduction of the AMR.

- Robert Pelton of Tarac advised that a public register of entities with bonded warehouses, one of the potential deregulation measures, would be very useful and save industry time in confirming these details. Robert opined that as the product was a controlled good, there would not appear to be any privacy issues.

Meeting close

Tony Poulakis thanked members for their continued participation and contributions throughout the year in the ASG. Meeting concluded at 3.30pm.

Attendees

Attendees list

Organisation	Attendees
ATO	Tony Poulakis (Chair), Private Wealth
ATO	Anthony Barnard, Private Wealth
ATO	Bennett Sandhu, Private Wealth
ATO	Brian Geovanovich, Private Wealth
ATO	Caraline Hill, Private Wealth
ATO	Carmen Cubias, Private Wealth
ATO	Claudia Bianco, ATO Corporate
ATO	Joe Limongelli, Private Wealth
ATO	Lyn Nilsson, Private Wealth

ATO	Margaret Whelan, Private Wealth
ATO	Michael Hughes, Private Wealth
ATO	Nathan Lindemann, Private Wealth
ATO	Naomi Schell, Private Wealth
ATO	Paul Macklin, Private Wealth
ATO	Rowena Troth (Secretariat), Private Wealth
ATO	Sally Fonovic, Private Wealth
ATO	Telly Nikolakopoulos, Private Wealth
ATO	Tim Sporne, Office of the Chief Tax Counsel
ATO	Wendee Mundy, Private Wealth
Accolade Wines Australia Limited	Annalisa LoBasso
Aldi Stores	Darren Thomas
Angove's Proprietary Ltd	Victoria Angrove
Asahi Group Holdings	Paul Jackson
Australian Border Force	Jo Schultz
Australian Border Force	Kimberlee Stamatis
Australian Distillers' Association	Paul McLeay
Australian Grape and Wine Incorporated	Lee McLean

Brewers Association of Australia	John Preston
Brown-Forman Australia Pty Ltd	Jorge Jiminez
Campari Australia Pty Ltd	Ruth Golden
Cider Australia	Warwick Billings
Coca-Cola Amatil	Karen McCoy
Coles Financial Services	George Nikolaou
Coopers Brewery	Brad Grunert
Diageo Australia Ltd	Tomomi Yamada
Endeavour Group Limited	Con Karatonis
Good Drinks Australia Ltd	Phil McClintock
Lion	Sonja Icanovski
Metcash	Paul Onley
Pernod Ricard	Stuart Wood
Samuel Smith and Son	Bob Smart
Spirits and Cocktails Australia	Jonathan Chew
Tarac Australia Pty Ltd	Robert Pelton
Treasury	Liz Jaspers
Treasury	Timothy Woltmann
Treasury	Toby Silcock
Treasury	Tracy Richards

Treasury Wine Estates	Catherine Dishon
Vok Beverages	Ashlee Louise George
Wine Australia	Ned Hewitson

Apologies

Apologies list

Organisation	Members
Independent Brewers Association	Kylie Lethbridge
Manildra Group	Debbie Forster
Taylor Ferguson Pty Ltd	Frank Ciampa
The Drinks Association	Georgia Lennon
Wilmar BioEthanol	Trevor Barr

71013

Alcohol Stakeholder Group key messages 19 August 2021

Summary of key topics discussed at the Alcohol Stakeholder Group meeting 19 August 2021.

9 December 2022

Welcome and introductions

Tony Poulakis welcomed members to the meeting.

No conflicts of interest raised by members.

Minutes of the previous meeting of 11 November 2020 had been published on ato.gov.au and the 2 action items have been finalised.

Reflections of 2020–21 and compliance focus areas for 2021–22

Michael Hughes provided summaries of the alcohol and Wine Equalisation Tax (WET) environments and the planned compliance focus areas for 2021–22.

Alcohol excise - results from 2020–21 and focus areas for 2021–22

The impacts of COVID-19 continue, with lockdowns and associated impacts on business. Revenue impacts in 2020–21 had been minimal regarding overall alcohol excise, however products such as kegged beer had been impacted. It was also noted that inquiries into requirements around stills had increased slightly, as had applications for licences.

The ATO focused on supporting businesses in relation to debt and lodgment challenges. Approximately 400 calls were made to excise clients to work through lodgment issues. Debt levels had normalised and remained stable and the ATO continues to work with clients to manage lodgments and debt.

The tax gap for alcohol was 9.6%, or \$596 million for 2017–18 and was largely attributable to deliberate illicit behaviour, which is being addressed under the illicit alcohol program of work. The tax gap for 2018–19 is expected to be published in October 2021.

The alcohol excise treatment plan for 2021–22 would continue to support business' ability to access and engage with the ATO. The 'New to Excise' program assists new clients to the excise system through a number of contacts over the first 12 months of operation. The Level of Confidence work on large excise payers would continue, to ensure business systems and controls of those clients were working appropriately, with the ATO providing assistance with any complexities.

A risk assessment would be carried out on concessional spirit licence and permit holders. It was noted that of 253 clients who had pivoted to produce hand sanitiser, approximately 80 clients indicated that they planned to continue making hand sanitiser in the future. These clients have been advised of the need to hold a concessional permit.

The ATO would continue to monitor and gain a better understanding of hard seltzer products, with reviews of products in the market, including whether products marketed as beer met definitional requirements. Discussions also continued to be held with Australian Border Force (ABF) to ensure a level of consistency around approaches to the products.

WET - results from 2020–21 and focus areas for 2021–22

The WET tax gap for 2017–18 was 3.1%, or \$27 million. The tax gap for 2018–19 was expected to be published in October. Trends in WET collections and rebate / credits were consistent with industry reports.

At the 2020 Alcohol Stakeholder Group (ASG) meeting, there had been discussion about the imposition of tariffs by China on imported Australian wine and whether that might impact WET collections. Recent media reports referred to alternative markets for wine exports given the reduction in demand from China.

The NZ rebate claims were also slightly reduced from the previous year. A recent issue had arisen in New Zealand with alternatives required for WET rebate payment as NZ banks were moving to no longer accept overseas, including ATO cheques.

WET compliance activity had been largely on a 'watch and monitor' basis following the introduction of amendments to the *WET Act in 2018*. For 2021–22, compliance activities would include addressing residual issues with a small number of clients claiming WET credits on exports as well as entities claiming over threshold. The ATO would also be reviewing activity resulting in changes in structures / behaviours of entities following the amendments.

Tony Poulakis reiterated that the general health of the alcohol excise and WET systems was good and that most clients were complying, and revenue was tracking broadly in line with expectations. There were a small number of entities of concern which were being covered as part of the illicit alcohol program of work.

ATO focus topics

Deregulation taskforce deep dive

Paul Hubbard advised members of the purpose of the Government's deregulation agenda: focusing on reducing barriers and making it easier for businesses to grow and create jobs. A review of Australia's excise and excise-equivalent customs duty systems for fuel, beer and spirits had been announced in December 2020.

The deregulation taskforce had been working closely with the ATO and ABF and had engaged a broad range of business and industry participants to gain a 'factory floor' perspective of how businesses engage with the excise system. Based on those discussions, the team had identified opportunities for reform of the system using both administrative and legislative reforms. These had been released on 3 August as a public consultation paper on the taskforce's website, with written submissions due by 31 August 2021. Paul Hubbard encouraged members to contact the taskforce if they wished to discuss the paper or potential submissions. He encouraged members to provide written submissions for government consideration.

The taskforce had commissioned an analysis by accenture of excise and excise-equivalent customs duty systems internationally. This report was available, on request, to members as a potential resource when putting submissions together. KPMG have been commissioned to engage with business to understand the cost of complying with the current system.

Tony Poulakis advised that the ATO had been working closely with the taskforce to identify issues from a regulatory point of view and would not be making a formal submission.

Members were positive about the approach and the paper and acknowledged the consultation by the taskforce team.

Excise remission scheme for manufacturers of alcohol beverages

In the 2021 Budget, the government announced the Automatic Manufacturer Remission scheme for excise manufacturers. This replaced the previous refund scheme from 1 July 2021 and provides a 100% automatic remission of excise duty up to a maximum cap of \$350,000 per annum for eligible alcohol manufacturers.

Joe Limongelli explained that changes included the use of a new excise return and would be applied on a pro rata basis for manufacturers entering the market part way through the year. He advised that the eligibility criteria were the same as with the previous

refund scheme, with record keeping necessary to determine whether claimants had reached the cap.

Transitional arrangements had been put in place for goods entered prior to 1 July. Following executive council endorsement on 10 June, the Excise Centre advised this group and alcohol manufacturers of the changes, including transitional arrangements. ATO web content had been updated and those clients who were in payment arrangements due to COVID-19 impacts were contacted to ensure they were aware of the need to lodge and pay prior to 30 June 2021 to ensure they were eligible for a refund under the former scheme. A significant number of claims for refunds had been received by the ATO.

The Excise Centre is planning an education webinar for clients. Members welcomed the educational support about these changes. Claudia Bianco thanked the ASG for sharing ATO content with their members and asked ASG members to contact the ATO if they would like any additional support in the form of additional videos or communications such as articles for industry publications.

Inquiries from clients centred on eligibility criteria and the need to have an excise manufacturer's licence. A draft ruling was being prepared to provide further advice about the need to be 'legally and economically independent' and was expected to issue soon.

In light of the amendments, the ATO would be looking at opportunities to provide further administrative deregulation associated with reporting and lodgment of excise returns. Tony Poulakis explained that the ATO approach to regulation was risk-based and outcomes-focused and would be working to provide deregulation opportunities, particularly for those entities that posed little risk to the system.

Illicit alcohol update

Naomi Schell provided an update to members of work in the illicit alcohol program. Naomi acknowledged the positive engagement of industry in various meetings and sharing of information.

Addressing illicit alcohol activity is a focus area and a priority risk for both the ATO and ABF. The alcohol excise tax gap is around 9%, which is one of the largest tax gaps in percentage terms. Most of that gap continues to be attributable to large-value illicit alcohol activity.

Since the previous ASG meeting, the ATO continued to work with other government agencies as part of the Black Economy Standing

Taskforce, as well as some state regulatory bodies. Significant intelligence had been gathered and analysed. A range of communications and key messages had been issued, primarily aimed at education and prevention. A taxpayer alert had been issued in April to form the foundation of the prevention strategy, with a specific focus on the retail industry. The retail avenue was the main pathway into the consumer market for illicit alcohol. ATO web guidance had been updated and an educational fact sheet had been issued which was designed to be a quick reference guide for alcohol retailers and provided practical tips of indicators around illicit activities.

Tony Poulakis and Naomi Schell had met with several large retailers in July to discuss internal controls around systems and supplier's due diligence. These conversations were considered very useful and highlighted areas of best practice. These best practice examples would be collated and shared with this group and clients.

In late May, the ATO had conducted several 'walk-in' visits to smaller, independent retail outlets across several states for the purpose of education as well as information gathering. These types of visits were planned to continue in 2021–22.

A greater focus is being placed on compliance activities, with several significant operations being carried out. The ATO had carried out several destructions, under supervision, of high-risk product. Several high risk and illegal stills had been disabled or seized. The most serious cases of non-compliance had been referred for criminal treatment. More compliance activity was planned for 2021–22 to reduce the tax gap and promote a level playing field.

Members raised the possibility of including suppliers' licence details on a similar platform to 'ABN lookup' to provide more assurance that companies were dealing with entities that were appropriately licensed. Tony Poulakis was aware of this issue and had been progressing and advocating for it, however noted that this could also be advocated for and included in industry submissions to the deregulation taskforce.

Tony Poulakis advised members that the illicit alcohol program is focused on identifying the main offenders and taking appropriate action to remove them from the system. In addition to this, the retailer strategy focused on a particular area of the supply chain, however he asked members to consider whether there were other areas of the supply chain the ATO should focus on. Tony also referred to the graduated approach being taken with 'walk-in' visits ranging from

education in the first instance, to possible infringement notices and demands being issued for repeat offenders.

Paul McLeay noted the impact of the new remission scheme on the price of alcohol, where some manufacturers would now be able to offer product at a much-reduced price, particularly small business not producing much beyond the cap of \$350,000. This was understood and it was noted that in addition to cheap pricing, there are other indicators of illicit alcohol to look out for.

Industry updates - Roundtable

Rebecca Tolhurst of Bickfords Group noted the previous support offered by Excise Client Managers (ECMs) and queried the reduction in that program. Tony Poulakis advised that the ECM program had been pared back, however that may be revisited. He asked those who had previously had an ECM to let the ATO know whether it was causing difficulties with compliance or inefficiencies.

Action item	19082021-6-1
Due date	30 September 2021
Responsibility	ASG members
Action item details	Members were asked to provide feedback on the excise client manager program to Rowena Troth.

Steve Guy of Wine Australia advised members of a new tool introduced on 1 July, the Export Label Image Search System which was a publicly purchasable database of all wine labels that were exported from Australia. This was designed to assist retailers and consumers purchasing wine overseas.

Brad Grunert of Coopers Brewery noted support of an ABN Lookup style reference for excise licensees, as well as support for a return of the ECM program.

Sonja Icanovski of Lion Ltd expressed an interest in the draft ruling to assist with eligibility for the alcohol manufacturer remission scheme. She also noted an interest in further ATO guidance around the classification of products such as seltzers.

Margaret Whelan advised that the draft ruling on *legally and economically independent* would be published on the ATO's Consultation webpage. Margaret also advised that the ATO were preparing public advice and guidance material about product classification which would also be issued for consultation.

Tony Poulakis noted that this guidance would provide practical examples for greater clarity around specific products but encouraged industry to provide feedback to ensure the ATO guidance was useful for industry.

Action item	19082021-6-2
Due date	31 October 2021
Responsibility	Margaret Whelan
Action item details	ATO to advise ASG members when the draft ruling on <i>legally and economically independent</i> and further guidance on product classification were published for consultation.

Paul Jackson of Asahi Holdings noted support of the deregulation consultation paper.

Peter Philip of the Independent Brewers Association echoed previous industry comments about the deregulation / streamlining efforts. Peter commented that blockchain technology may add too much technical complexity for most small brewers. He also noted an interest in the product classification guidance as some IBA members are producing brewed seltzers under the beer regime.

Rebecca Carter of Diageo Australia agreed that the consultation paper for deregulation had captured industry's 'pain points'. She also supported the idea of a licence look up reference tool.

Karen McCoy of Coca Cola Amatil noted an interest in the draft ruling on *legally and economically independent*. Karen had shared the consultation paper, which was widely welcomed by others in Coca Cola Amatil, who would be providing a submission. She also noted the work being done by Coca Cola Amatil to ensure appropriate controls were in place around alcohol products, particularly in relation to destructions.

Frank Ciampa of Alepat Taylor acknowledged the great support provided by their previous ECM. Frank also supported the work of the deregulation taskforce, as well as a licence look up tool.

Rebecca Tolhurst, Bickfords Group supported ATO's provision of education material, noting a significant cost for industry in training staff about excise issues. Rebecca commended the material online as well as information on the ATO website.

Victoria Angove, Angove's, expressed an interest in a dedicated account manager as well as the value of these meetings for the ATO to engage industry.

Paul McLeay, Australian Distillers Association (ADA), acknowledged the good work of the Excise Centre Technical Advice team as well as providing positive support for the work of the deregulation taskforce. He expressed an interest in the treatment of alcoholic seltzers. Paul advised of a Technical Standards Division being set up within the ADA, which would be working on definitions and standards of gin and whisky, which had recently been raised as part of the UK / Australia Free Trade Agreement.

Greg Holland of Spirits and Cocktails Australia provided positive feedback about the work of the Excise Centre team in working through various issues.

Paul Onley of Metcash raised the issue of greater sharing of information about products and suppliers in the supply chain. The Excise Centre is undertaking work to ascertain whether information could be provided to entities about specific products. The ATO would also continue to investigate the potential for provision of information to assist industry, providing it met privacy requirements.

Paul also queried the application of justified trust approach for excise clients. Tony Poulakis advised that at this stage, the ATO does not undertake full justified trust activities for excise clients, but rather a 'level of confidence' analysis on some entities, particularly where they have ECMs. There were no current plans to expand on the level of confidence work, however he noted that the general aspiration of the ATO was to eventually provide a whole of taxes / whole of client service.

Paul encouraged consultation by the ATO when a justified trust approach was to be taken to excise clients so that industry could

assist in co-designing approaches. He noted that previous Income Tax and GST approaches had taken several years to bed down.

Paul complimented the work of the deregulation taskforce and queried the ATO position on ad valorem.

Tony Poulakis advised that this was an issue for the ABF. Tom Watson noted that the ad valorem applied to all imported goods and had some links to free trade agreements, however he encouraged members to include this in submissions to the taskforce if that was considered an issue.

Tom also posed a possible option of disconnecting the payment of ad valorem from the payment of duty by paying ad valorem on or close to import and then paying duty when the product entered home consumption.

George Nikolaou of Coles referred to the ad valorem issue and noted that the way ad valorem applied to particular goods purchased from other suppliers was an irritant and would be included in the submission from Coles to the taskforce. George advised that Coles were carrying out education for their buyers around illicit alcohol issues but noted that clarification could be provided on certain suspicions by having a reference tool around registrations / licences. He also supported the value of the ECM program.

Catherine Dishon of Treasury Wine Estates (TWE) noted some great initiatives in the consultation paper and noted that TWE deals in both wine and spirits and can see the differences in administration of the 2 taxes. TWE would be providing a submission.

Con Karatonis of Endeavour Group noted that following the demerger of alcohol products to Endeavour Group, Woolworths would no longer be a member of the ASG. Con welcomed the consultation paper and also supported a register of excise licensees. He also expressed interest in the proposed guidance on seltzers and ciders.

Rachel Whitely of Pernod Ricard noted that innovation had been a focus of 2021. Pernod Ricard was considering their submission to the Taskforce and commended those involved in preparation of the paper. Rachel also noted the difference in not having an ECM and fully supported a return of the program.

Tony Battaglione of Australian Grape and Wine Incorporated noted the impact on exports of the decision by China to cut wine imports from Australia. He advised that this will cause price pressure towards the

end of 2021. Approximately 1,000 exporters had been geared solely to China and would be pivoting towards domestic sales. Tony noted that this may cause a potential issue in unfamiliarity with WET requirements for domestic production and sales.

Action item	19082021-6-3
Due date	16 September 2021
Responsibility	Michael Hughes
Action item details	Michael Hughes to arrange for excise centre alcohol treatment lead to contact Tony Battaglione to discuss potential education for WET registrants moving to domestic production.

Jane Anderson of Cider Australia referred to an issue relating to requests for export permits for cider. Despite not being required, requests continued to be received from customs agents.

Jane also advised members of a new product using red-fleshed apples. This produced a red cider which was entirely based on the fruit rather than additives.

Action item	19082021-6-4
Due date	1 September 2021
Responsibility	Jane Anderson
Action item details	Jane Anderson to provide further detail about the export permit issue to the ATO. ATO and ABF staff would investigate to seek an appropriate solution.

Tony Poulakis reminded members to contact the Secretariat if they had anything, they wished to raise following the meeting.

Other business

'Know our clients' framework

At the 2020 meeting of the ASG, an update had been provided about work being undertaken in the excise centre on better use of data to tailor excise client engagement. Those clients identified as a lower risk would be given light touch assistance, whereas those representing higher risk would have tailored treatment which may include additional licence conditions and firmer approaches, for example supervised destructions.

Michael Hughes advised that a flow on from the alcohol manufacturer remission amendment may be the identification of opportunities to reduce compliance or reporting activities resulting from a number of clients no longer paying excise. The 'know our clients' assessments would assist this work.

Excise centre continued to progress this initiative.

Update on concessional approach to takeaway alcohol

Margaret Whelan advised that information relating to concessions provided to support alcohol service venues through COVID-19 restrictions had been provided to the ASG and on the ATO website.

The concession allowing alcohol service venues to provide repackaged beer without the need for an excise manufacturer licence or to pay extra excise duty has been reinstated and extended to 31 October 2021.

The ATO has also updated its position on takeaway mixed alcoholic beverages (takeaway cocktails). An excise manufacturers licence is no longer required where bars prepare takeaway cocktails using duty paid alcohol in a sealed, single serve container to be consumed shortly after purchase.

Meeting close

Tony Poulakis thanked members for their attendance and contributions today and for their broader assistance and contributions throughout the year.

The meeting closed at 4.00pm.

Attendees

Attendee's list

Organisation	Attendees
ATO	Tony Poulakis (Chair), Excise Centre
ATO	Adriana Rus, Excise Centre
ATO	Bennett Sandhu, Excise Centre
ATO	Brett O'Neill, Tax Counsel Network
ATO	Caraline Hill, Excise Centre
ATO	Claudia Bianco, ATO Corporate
ATO	Joe Limongelli, Excise Centre
ATO	Kadu Kapadia, Policy, Analysis and Legislation
ATO	Margaret Whelan, Excise Centre
ATO	Michael Hughes, Excise Centre
ATO	Naomi Schell, Excise Centre
ATO	Nathan Lindemann, Excise Centre
ATO	Paul Macklin, Excise Centre
ATO	Rowena Troth (Secretariat), Excise Centre
ATO	Telly Nikolakopoulos, Excise Centre
ATO	Wendee Mundy, Excise Centre

Alepat Taylor	Chris Parton
Alepat Taylor	Frank Ciampa
Angove's Proprietary Ltd	Victoria Angrove
Asahi Group Holdings	Paul Jackson
Australian Border Force	Tom Watson
Australian Distillers' Association	Paul McLeay
Australian Grape and Wine Incorporated	Tony Battaglone
Bickfords Group	Ashlee Louise George
Bickfords Group	Rebecca Tolhurst
Brewers Association of Australia	Sarah Lovett
Brown-Forman Australia Pty Ltd	Alex Khlimankov
Cider Australia	Jane Anderson
Coca-Cola Amatil	Karen McCoy
Coles Financial Services	George Nikolaou
Coopers Brewery	Brad Grunert
Department of the Prime Minister and Cabinet	Anthony Barnard
Department of the Prime Minister and Cabinet	Paul Hubbard
Diageo Australia Ltd	Rebecca Carter
Diageo Australia Ltd	Tomomi Yamada

Endeavour Group Limited	Con Karatonis
Independent Brewers Association	Peter Philip
Lion	Sonja Icanovski
Manildra Group	Debbie Forster
Manildra Group	Kirsty Beavon
Metcash	Paul Onley
Pernod Ricard	Rachel Whiteley
Samuel Smith and Son	Bob Smart
Spirits and Cocktails Australia	Greg Holland
Treasury	Joshua Toohey
Treasury	Timothy Woltmann
Treasury Wine Estates	Catherine Dishon
Wilmar BioEthanol (Australia) Pty Ltd	Scott Johnstone
Wine Australia	Steve Guy

Apologies

Apologies list

Organisation	Members
Accolade Wines Australia Limited	Annalisa LoBasso
Australian Border Force	Matthew Duckworth
Brown-Forman Australia Pty Ltd	Jorge Jiminez

Cider Australia	Warwick Billings
Gage Roads Brewing Co Ltd	Phil McClintock
Stone & Wood Brewing Company Pty Ltd	Chris Pensabene
Tarac Australia Pty Ltd	Robert Pelton
The Drinks Association	Georgia Lennon
Wilmar BioEthanol (Australia) Pty Ltd	Trevor Barr
Woolworths Ltd	Neil Owen

66984

Alcohol Stakeholder Group key messages 11 November 2020

Summary of key topics discussed at the Alcohol Stakeholder Group meeting 11 November 2020.

9 December 2020

Welcome and introductions

Tony Poulakis welcomed members, noting that this meeting was being held by teleconference due to the impact of COVID-19.

No conflicts of interest raised by members.

Minutes of the previous meeting of 10 July 2019 had been published on the ATO website and the three action items had been finalised. There would be a further update on action item 10072019-2-1 as part of ATO Updates – Justified Trust.

Reflections of 2019–20 and compliance focus areas for 2020–21

Andrew McIver provided summaries of the alcohol and Wine Equalisation Tax (WET) environments and the planned compliance focus for 2020–21.

Alcohol excise - results from 2019–20 and focus for 2020–21

The ATO's alcohol excise tax gap for 2017–18 had been published on 19 October estimating the difference between actual collections and theoretical collections (based on methodology) as \$596m. The vast majority of the amount related to activities undertaken by a small number of entities in a variety of schemes in the excise and customs systems. Apart from these, alcohol excise compliance appeared to be very good. There were no systemic issues identified, apart from some smaller, new entities not understanding excise calculations.

The ATO had focused on six key areas – outstanding lodgments and debt, with follow up calls which recovered the majority of the debt; continued 'New to Excise' tailored contact, with 226 calls made over the year; continued Excise Client Manager (ECM) program, aimed at education and assistance to large entities; understanding control frameworks for larger excise payers; a particular focus on illicit alcohol; and monitoring of clearances, lodgments and debt levels, including contact with lead industry bodies to understand industry impacts of COVID-19. The ATO noted that in general, clearances had increased, however the structure making up the market clearances was different. This was caused by the closure of businesses such as pubs, clubs and restaurants.

The main focus for 2020–21 would be on illicit operations. Some high-risk cases were underway, and others were expected to commence soon. The ATO would also continue to follow up lodgments and debt with calls to entities as part of a staged approach to initially remind of obligations, with a later reminder of consequences of failure to lodge/pay debt and finally followed up with stronger action in the new year.

Concessional spirits will be monitored, particularly those permits allocated to assist in the production of hand sanitiser, with calls to entities to ascertain whether permits and licences were still required. The ATO would also be reminding businesses that the concession for repackaging beer and takeaway alcohol is due to finish on 31 January 2021.

The 'New to Excise' and ECM program would continue in 2020–21 and regional visits were expected to take place in the last quarter of the

2020–21, depending on COVID-19 requirements. The level of confidence review of controls frameworks of larger clients would also continue.

Industry members acknowledged the industry assistance provided by the ATO during 2020, including deferral of excise duty payments and the JobKeeper stimulus package, 'which were responsible for the survival of many businesses'.

WET - results from 2019–20 and focus for 2020–21

The ATO's WET tax gap for 2017–18 had been published on 19 October estimating the gap as \$37m. This had been based on data and activities prior to legislative amendments introduced in 2018–19. Data had shown movement around values going up and credits decreasing which was an expected result of those amendments.

The ATO was aware of some smaller entities that were exporting but still claiming credits for WET. Contact would be made with these entities to remind them to adjust their claims.

For 2020–21, the ATO would continue to monitor lodgments and payments, as well as work to gain an understanding of the impact of COVID-19, particularly to cellar door businesses and entertainment facilities.

ATO focus topic

Approach to illicit alcohol – Tony Poulakis, Matthew Duckworth, Naomi Schell.


The illicit alcohol risk was an increased focus for the ATO and Australian Border Force (ABF) to ensure a level playing field for industry. It related to serious and deliberate non-compliance resulting in dutiable alcohol entering the market without the proper amount of duty being paid. Non-compliant and illicit movement of alcohol on export was also of increasing concern. The alcohol tax gap had been published for the first time and the ATO and ABF were seeking to reduce the gap from a revenue perspective but also to ensure those who comply were not being disadvantaged.

Known illicit alcohol activities included unlicensed manufacture, licensed manufacture with unreported excise duty, product diversion, smuggling and fraud. The tax gap also provided evidence for ABF to streamline and target areas of illicit trade at the border. The ATO and

ABF have an aligned approach to identify and take action where serious non-compliance is detected. Methodologies for evasion of duty ranged from simple to extremely complex, involving several entities.

The ATO's Illicit Alcohol Improvement Project focused on improving identification, correction and prevention strategies. The ATO had made a significant investment in intelligence resources to identify groups and entities involved in non-compliant activities and were linking across the Commonwealth through the Black Economy Standing Taskforce as well as working with state police, state-based liquor licensing and health authorities. During the previous 18 months, the ATO had undertaken a number of corrective activities, including suspension and cancellation of licences and permissions, finalised a number of audits with significant revenue outcomes and destroyed significant amounts of bulk and packaged duty-unpaid stock as part of audit activity. As part of prevention work, the ATO had published updated web content about the alcohol tax gap and 'what attracts our attention'. Licence and permission conditions would be more specifically tailored and monitored, and there would be more stringent requirements around refunds, remissions and drawbacks. A retailer strategy is being rolled out to ensure that retailers were aware of penalties where they deliberately or even negligently engage in the sale of illicit alcohol, types of arrangements and products to look out for and how to contact the ATO with information or concerns. The strategy included a Taxpayer Alert which was distributed as a draft for comment and expected to be finalised in early 2021.

The ABF was looking to complement the work of the ATO by strengthening the integrity of the alcohol supply chain as it related to border movement, particularly in the area of drawbacks and refunds to ensure appropriate evidence was provided to support claims.

Matthew Duckworth stressed the importance of industry referrals to the ABF's [BorderWatch](#)  Program. The ATO had a similar process in the Tax Integrity Centre.

Members discussed options to assist purchasers to avoid illicit alcohol, including seeking declarations of duty payment, excise licence details, as well as compiling a list of common types of product (e.g. 700ml bottles of spirits) and the relevant excise duty payable.

Industry updates-roundtable

Tony Battaglione, Australian Grape and Wine Incorporated (AGWI) had been liaising with the ATO about a potential counterfeit product in a retail store. The AGWI had noted that as borders were reopening, cellar door sales had increased significantly.

Members noted that alcohol excise had not increased as part of recent indexation, noting that as it related to Consumer Price Index (CPI), there was no indication of whether it would increase in February 2021.


Kylie Lethbridge, Independent Brewers Association noted the benefits for industry with borders reopening, as well as industry appreciation for ATO concessions including deferral of excise payments.

Ashlee Louise George, Vok Beverages, acknowledged the ATO's assistance to clients as they pivoted their business to produce hand sanitiser.

George Nikolaou, Coles, noted a shift in consumers to higher quality wines and more interest in the variety and different brews.

Neil Owen, Woolworths, provided a snapshot of the impact of COVID-19 over the previous 7–8 months with sales nearly doubling. Hotel business had struggled and businesses in Victoria had been significantly impacted. He noted a trend to low carb ciders as well as innovation to keep cider treated under WET rather than alcohol excise.

Jane Anderson, Cider Australia, referred to cider definitional issues, with new products not properly defined. Cider Australia had been working with the ATO on fortified products to determine whether they fit under WET or alcohol excise. She noted development in apple and pear spirit products.

Margaret Whelan, ATO, advised members that the ATO were happy to consult on product classification issues, particularly in the development of new products, to provide greater certainty of how the product would be taxed. Contact could either be made through ECMs or to Excise.Centre@ato.gov.au .

ATO updates

'Know our Clients' framework – Michael Hughes

The ATO continued to identify ways to use data better and to provide the most appropriate client experience based on a whole-of-tax approach.

Due to the specialised nature of excise, existing systems were in the process of being upgraded, however information was still being extracted across several systems. The Excise Centre was progressing work to put together an excise picture of clients which could be shared across the ATO for a whole-of-client approach.

This would assist in making client interactions quicker, easier and more coordinated across other areas of the ATO, as well as allowing for more tailored engagement activities.

For compliant clients, it could lead to faster approval of applications for licences, refunds and remissions. For those clients with a poor compliance history in other taxes, it could lead to a more tailored response which may result in the application being declined or the imposition of additional conditions or controls to limit the risk of non-compliance and to maintain a level playing field.

Larger excise alcohol clients provided more of a challenge in obtaining a whole-of-ATO view as their organisations could be quite complex. This work would provide a better sense of excise compliance for other areas of the ATO. As excise risk views were being collated, they would be shared with organisations and the ATO would work with the organisation if any areas were identified for improvement.

Justified Trust update – Andrew McIver

The ATO had been undertaking Justified Trust work over several years which involved a detailed review of largest tax-paying organisations regarding internal controls and governance. As the alcohol tax gap related to a small number of non-compliant entities, it was not considered necessary for this level of review of excise alcohol clients. A less intensive program of 'level of confidence' work had been undertaken on some large excise clients and this would continue.

In June or early 2021–22, the ATO would publish a guide of what was expected in relation to excise and what organisations could do from a risk management perspective. Guides have been published relating to income tax and GST. The publication of the guide was however contingent on resource availability and priority work that may be otherwise required.

The results from control frameworks activity to date had been positive and supported the decision not to carry out Justified Trust activities. Good practice noted in reviews included procedure documents for staff working with excise and excise equivalent goods (EEGs) including

internal manuals and regular training around excise and EEGs particularly for those at the 'front line', buyers and warehouse managers. A number of entities had an open, engaged relationship with the ATO consulting early in relation to new products, changes to business structures or systems that may impact on excise or EEGs administration.

Update on concessional approach to manufacture of alcohol – Margaret Whelan

Since 23 March 2020, the ATO had applied concessional treatment to certain alcohol repackaging circumstances that would normally require an excise manufacturer licence and payment of further excise duty. This mainly related to the sale of growlers and packaged cocktails.

This had been extended through to 31 January 2021. The concession would be reviewed in early January and if businesses were operating in a more 'COVID normal' environment, it was expected that the concession would not be extended. Venues wanting to continue selling takeaway alcohol such as growlers and packaged cocktails would need to contact the ATO to arrange necessary excise authorisations and licences.

Contemporary Excise Experience update – Michael O'Rourke

The Contemporary Excise Experience (CEE) refers to the new system flagged for development to replace the current Excise Collections System (ECS) and the Generic Payment System (GPS). These systems are considered costly and time consuming for the ATO and clients. Integration with other ATO systems will provide staff and clients with a holistic view consistent with other ATO products. The new CEE system is intended to provide a more tailored and validated system.

Funding was approved in the 2018 Budget. CEE work had commenced in May and is expected to take two years. System design is currently taking place for GPS and is likely to be available in September 2021. The ECS replacement is expected to be designed and built by the end of 2022.

Group members may be asked to assist in beta testing for the ATO's new Online Service for Business (OSB). This is a whole-of-ATO project to replace the current Business Portal. Private beta testing is being carried out to the end of January 2021, with public beta testing from


January to June 2021. From March 2021, the OSB will be the ATO's preferred mail channel for those currently using the Business Portal, which is expected to be decommissioned in July–August 2021. Visibility of all accounts, including excise, would not be possible until the CEE has been fully implemented which is expected by September 2022.

Members were advised that the features of OSB included access to communication history with ATO, communication preferences, income tax history and copies of previous returns, in-channel payments, payment plans, device optimisation. On the new ATO OSB homepage, clients would be able to switch between ABNs with a single logon and advice on completion of audits would be communicated through OSB.

ATO communications update – Claudia Bianco

The ATO had updated web content and sent emails to group members and other industry associations in relation to COVID-19 support arrangements on hand sanitiser and takeaway alcohol concessions. Communications would be issued in the new year regarding arrangements for takeaway alcohol.

Members noted that the next indexation rate would take effect from 1 February 2021, with new CPI rates due to issue on 27 January 2021.

The ATO had recently published a complete rewrite of web content relating to excise on alcohol and EEGs (imports). Claudia Bianco acknowledged the assistance of several group members. Feedback on the content is always welcomed and could be provided to Excise.Centre@ato.gov.au .

Claudia Bianco advised members of a range of communications to issue to alcohol manufacturers, industry and alcohol retailers to increase awareness of illicit alcohol arrangements that attracted the ATO's attention. Web content would be updated, information would be provided to members, proactive PR activities would engage key industry and business associations and social media activities would be carried out using ATO channels.

The ATO encouraged members to share messaging and communications and to advise if there were any recommendations for communication products to assist clients.

Treasury update

2020 Budget measures – Joshua Toohey

Joshua Toohey advised members that Treasury were keen to receive feedback from industry in relation to [2020 Budget](#) measures or measures introduced to assist industry during COVID-19. He provided a summary of the 2020 Budget, delivered on 6 October, and noted that the focus of the Budget had been in response to the COVID-19 pandemic to support business but still ensure the integrity of the tax system. Key measures included the JobKeeper payment and the introduction of the Cash flow boost as well as the instant asset write-off and the change to the small business threshold.

Action item

Action item	11112020-6-1
Due date	15 December 2020
Responsibility	Joshua Toohey
Description	Joshua Toohey to provide the context of excise revenues forecast in the 2020 Budget papers to members.

Action item

Action item	11112020-6-2
Due date	15 December 2020
Responsibility	Members
Description	Members to provide any further intelligence or feedback from industry around measures to reduce red tape including indexation and other excise administrative costs to Excise.Centre@ato.gov.au

Other business

Maturation Requirements – Victoria Angove raised an issue regarding ABF’s review of alcohol maturation requirements. A public consultation paper is currently out for comment, with responses due by 18 November. Matthew Duckworth explained that the ABF was seeking to provide more clarity and certainty around the terms ‘brandy, whiskey or rum’.

Meeting close

Tony Poulakis thanked members for their assistance and contributions throughout the year.

Attendees

Attendees list.

Organisation	Attendees
ATO	Tony Poulakis (Chair), Excise Centre, Private Wealth
ATO	Rowena Troth (Secretariat), Excise Centre, Private Wealth
ATO	Andrew McIver, Excise Centre, Private Wealth
ATO	Caraline Hill, Excise Centre, Private Wealth
ATO	Claudia Bianco, ATO Corporate
ATO	Margaret Whelan, Excise Centre, Private Wealth
ATO	Michael Hughes, Excise Centre, Private Wealth
ATO	Michael O'Rourke. Excise Centre, Private Wealth
ATO	Michelle Nourse, Excise Centre,

	Private Wealth
ATO	Naomi Schell, Excise Centre, Private Wealth
ATO	Sally Fonovic, Excise Centre, Private Wealth
Angove's Proprietary Ltd	Victoria Angrove
Asahi Group Holdings	Alex Choo
Asahi Group Holdings	Paul Jackson
Australian Border Force	Matthew Duckworth
Australian Grape and Wine Incorporated	Tony Battaglone
Brewers Association of Australia	Sarah Lovett
Brown-Forman Australia Pty Ltd	Jorge Jimenez
Cider Australia	Jane Anderson
Coca-Cola Amatil	Chris Callen
Coca-Cola Amatil	Peter Parimeros
Coles Financial Services	George Nikolaou
Coopers Brewery	Brad Grunert
Diageo Australia Ltd	YoungMi Avern
Independent Brewers Association	Kylie Lethbridge
Independent Brewers Association	Peter Philip
Lion	Sonja Icanovski

Metcash	Darren Thomas
Pernod Ricard	Rachel Whiteley
Samuel Smith and Son	Bob Smart
Spirits and Cocktails Australia	Greg Holland
Spirits and Cocktails Australia	Nicole Lestal
Stone and Wood Brewing Company	Chris Pensabene
Taylor Ferguson Pty Ltd	Chris Parton
Treasury	Andrew Boland
Treasury	Joshua Toohey
Treasury Wine Estates	Jenny Fisher
Vok Beverages	Ashlee Louise George
Wilmar BioEthanol	Scott Johnstoner
Wine Australia	Steve Guy
Woolworths	Neil Owen

Apologies

Apologies list

Organisation	Members
Accolade Wines	Annalisa LoBasso
Australian Distillers' Association	Stuart Gregor

Cider Australia	Warwick Billings
Gage Roads Brewing Co	Phil McClintock
Manildra Group	Debbie Forster
Metcash	Paul Onley
Tarac Technologies	Robert Pelton
Taylor Ferguson Pty Ltd	Frank Ciampa
The Drinks Association	Georgia Lennon
Wilmar BioEthanol	Trevor Barr

64347

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).