

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Question: AET 26

Topic: EXCISE REVENUE/BLACK MARKET

Senator Ryan asked:

What is the size of the illicit tobacco market in Australia? What methods have been used to determine the size of the market?

What is the estimated excise tax revenue loss to the Australian Government annually? What have been the nature of discussions between Treasury and other agencies on measures to stem the loss of the revenue?

What is Treasury's assessments of future trends in the trade of illicit tobacco and any strategies that are being employed to combat any anticipated growth in this area? Can you provide us with copies of your assessments and the strategies to tackle this problem?

What international assessments has Treasury considered regarding the illicit tobacco trade and the future anticipated trends in this region? Can Treasury identify factors that impact the size of the illicit tobacco trade and any factors that may encourage growth in this area?

What has been the impact of the recent 25% tobacco excise increase on the illicit tobacco trade? Has there been any assessment undertaken on the impact of the tobacco excise tax increase? If so, can you provide us with a copy of your assessment?

What assessments have been undertaken to assess the impact that plain packaging of tobacco products might have on the illicit tobacco market? What has been the nature of these assessments? Has the Department of Health and Ageing sought advice from Treasury in relation to this? Have any other departments/agencies sought advice? When was advice/s sought? What has been the nature of advice provided?

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

Answer:

What is the size of the illicit tobacco market in Australia? What methods have been used to determine the size of the market?

Treasury has not undertaken a formal assessment of the size of the illicit tobacco market.

What is the estimated excise tax revenue loss to the Australian Government annually?

Treasury has not undertaken a formal estimate of the excise tax revenue loss from illicit tobacco.

What have been the nature of discussions between Treasury and other agencies on measures to stem the loss of the revenue?

Treasury maintains a strong working relationship with the Australian Taxation Office (ATO) and the Australian Customs and Border Protection Service (Customs and Border Protection). The responsibility of monitoring and enforcement activity against illicit tobacco production or importation lies with the ATO and Customs and Border Protection.

What is Treasury's assessments of future trends in the trade of illicit tobacco and any strategies that are being employed to combat any anticipated growth in this area? Can you provide us with copies of your assessments and the strategies to tackle this problem?

Treasury has not undertaken a formal assessment of the future trends in the illicit tobacco trade.

What international assessments has Treasury considered regarding the illicit tobacco trade and the future anticipated trends in this region?

Treasury has not undertaken an international assessment of the illicit tobacco trade.

Can Treasury identify factors that impact the size of the illicit tobacco trade and any factors that may encourage growth in this area?

A Technical Report by World Health Organisation's Tobacco Free Initiative published on 15 August 2010, acknowledged that price and tax measures used to reduce tobacco consumption are constrained over concerns of the potentially negative effects of tobacco excise, including exacerbating illicit activities in the tobacco market. The report notes that 'high tax increases may provide financial incentives for smuggling but only when enforcement and tax laws are weak, penalties are small, and the prosecution process is long.' Factors that can deter illicit trade in tobacco include tracking and monitoring systems, production and distribution licenses, strong tobacco tax enforcement and high administrative penalties.

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

23 – 24 February 2011

What has been the impact of the recent 25% tobacco excise increase on the illicit tobacco trade? Has there been any assessment undertaken on the impact of the tobacco excise tax increase? If so, can you provide us with a copy of your assessment?

Treasury has not undertaken an assessment of the impact of the 25% tobacco excise increase on the illicit tobacco trade.

What assessments have been undertaken to assess the impact that plain packaging of tobacco products might have on the illicit tobacco market? What has been the nature of these assessments? Has the Department of Health and Ageing sought advice from Treasury in relation to this? Have any other departments/agencies sought advice? When was advice/s sought? What has been the nature of advice provided?

Treasury does not have portfolio responsibility for the plain packaging of tobacco products initiative, and has not undertaken an assessment of the impact of plain packaging on the illicit tobacco market.