

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates, 2 June – 4 June 2009

Question: bet 40

Topic: Tobacco Taxes in OECD Countries

Hansard Page: E106-107

Senator Cormann asked:

Senator CORMANN—How do our tobacco taxes compare with those in other OECD countries?

Mr Brown—I would have to take the specifics of that on notice. Most countries have relatively high levels of excise on tobacco, as we do in Australia.

Senator CORMANN—Has your department recently proposed an increase in the tobacco excise?

Senator Conroy—That goes to advice to government.

Senator CORMANN—Are you claiming public interest immunity?

Senator Conroy—No, I am just saying that it goes to advice to government.

Senator CORMANN—Why is it not in the public interest for you to answer that question?

Senator Conroy—As I said, that goes to advice to government.

Senator CORMANN—That is not a sufficient answer.

Senator Conroy—I have answered the question.

Senator CORMANN—I will just place on record that you have not answered the question. You have refused to answer the question. Madam Chair, I ask you to make a ruling as to whether I can insist, on specific reference to a public interest ground, on a statement of reasons as to why the minister does not think it is in the public interest to answer that very important question.

Senator Conroy—I will take that on notice.

Answer:

Australian tobacco excise tax is comparable to the median prevailing rates in developed countries. Australian tobacco excise taxation (i.e. not including the generally applicable GST) accounts for 58% of the average total retail sales price. Comparable rates as at 1 January 2009 for the European Union are shown in the last column of the following Table 1.ⁱ Specific rates of excise for OECD countries, both in national currencies and in US dollars, for 2007 are shown in Table 2.

ⁱ From European Commission excise tables (http://ec.europa.eu/taxation_customs/index_en.htm)

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Table 1: Tobacco prices and tobacco excise rates in the European Union.

Cigarettes

Situation as at 1 January 2009

MS	Specific Excise (1000 pieces)				Ad Valorem Excise (as % of TIRSP)	VAT % (as % of TIRSP)	Ad Valorem Excise + VAT (as % of TIRSP)	Total Tax (incl VAT) (as % of TIRSP)	Current MPPC per 1000 cigarettes		Excise yield (EUR per 1000 Cigarettes)	Minimum excise duty pursuant to Article 16 (5) Dir. 95/59 EUR/1000 cig.	Overall Minimum Excise Duty as % of TIRSP Specific + ad valorem (excl.VAT)
	NatCurr	EUR	as % of TIRSP	As % of Total taxation (specific +ad valorem +VAT)					NatCurr	EUR			
	"TIRSP" Retail Selling Price, all Taxes Included	1	2	3	4	5	6	7	8	9	10	11	12
BE		15,9295	7,66%	9,90%	52,41%	17,36%	69,77%	77,43%		207,87	124,87	118,63	60,07%
*BG	41,00	20,96	28,32%	33,13	40,50%	16,67%	57,17%	85,49%	144,75	74,01	50,94		68,82%
CZ	1030,00	42,02	35,52%	44,68%	28,00%	15,97%	43,97%	79,49%	2900,00	118,30	75,14	78,33	63,52%
DK	636,60	85,33	39,79%	54,21%	13,61%	20,00%	33,61%	73,40%	1600,00	214,47	114,52		53,40%
DE		82,70	35,15%	46,39%	24,66%	15,97%	40,63%	75,77%		235,29	140,72	*140,70	59,81%
EE	500,00	31,96	31,08%	40,19%	31,00%	15,25%	46,25%	77,33%	1609,00	*102,83	63,83		62,08%
EL		5,5102	3,67%	5,00%	53,8265%	15,97%	69,79%	73,47%		150,00	86,25	*69,00	57,50%
*ES		8,20	6,56%	8,48%	57,00%	13,79%	70,79%	77,35%		125,00	79,45	70,00	63,56%
FR		15,9766	6,03%	7,50%	57,97%	16,39%	74,36%	80,39%		265,00	169,60	155,00	64,00%
*IE		175,30	43,28%	54,61%	18,28%	17,70%	35,98%	79,26%		405,00	249,32		61,56%
*IT		6,77	3,76%	5,00%	54,74%	16,67%	71,41%	75,17%		180,00	105,30	105,30	58,50%
CY		20,50	14,54%	20,17%	44,50%	13,04%	57,54%	72,08%		141,00	83,25	83,25	59,04%
*LV	22,50	31,73	30,41%	36,96%	34,50%	17,36%	51,86%	82,26%	**74,00	**104,36	67,73		64,91%
LT	79,00	22,88	31,60%	46,77%	20,00%	15,97%	35,97%	67,57%	250,00	72,41	37,36		51,60%
*LU		15,3914	9,62%	13,72%	47,44%	13,04%	60,48%	70,10%		160,00	91,30	91,20	57,05%
HU	8265,00	34,20	29,08%	39,27%	28,30%	16,67%	44,97%	74,05%	28421,05	117,61	67,49	62,80	57,38%
*MT		22,00	12,24%	16,07%	48,70%	15,25%	63,95%	76,20%		179,67	109,50		60,94%
NL		87,23	36,83%	50,00%	20,87%	15,97%	36,84%	73,67%		236,84	136,65		57,70%
AT		26,69	14,83%	19,90%	43,00%	16,67%	59,67%	74,50%		180,00	104,09	*83,00	57,83%
PL	99,16	29,32	34,49%	36,75%	41,32%	18,03%	59,35%	93,84%	287,50	85,01	64,45	53,73	75,81%
*PT		65,65	38,62%	49,33%	23,00%	16,67%	39,67%	78,28%		170,00	104,75	104,75	61,62%
RO		102,04	31,40%	43,39%	25,00%	15,97%	40,97%	72,37%	325,00	86,98	49,06	44,64	56,40%
*SI		16,4667	14,97%	20,00%	43,2121%	16,67%	59,88%	74,85%		110,00	64,00	*57,60	58,18%
SK		46,80	44,65%	52,77%	24,00%	15,97%	39,97%	84,62%		104,82	71,96	69,70	68,65%
*SK		52,44	50,03%	55,59%	24,00%	15,97%	39,97%	90,00%		104,82	77,60	81,32	74,03%
FI		15,13	6,88%	8,94%	52,00%	18,03%	70,03%	76,91%		220,00	129,53	122,50	58,88%
SE	310,00	31,87	12,65%	17,61%	39,20%	20,00%	59,20%	71,85%	2450,00	251,88	130,62	130,62	51,90%
*UK	112,07	141,52	39,53%	51,62%	24,00%	13,04%	37,05%	76,57%	283,50	358,00	227,44		63,53%

This table has been modified in order to take account of the minimum excise duty on cigarettes provided for by Article 16(5) of Council Directive 95/59/EC.

DE: *) Dynamic total tax for TIRSP below the MPPC: 17,11 Cent per piece less the VAT of the taxed cigarette, maximum rate 14,072 cent per piece.

EL: *rate valid as of 5 February 2009.

IT: Figures modified as of 1/10/2008. New MPPC rate (EUR 180,00)

AT: *) minimum 90 % of MPPC, at least 83,00 € / 1.000 pieces

*SK: As of 1 February 2009 Specific Excise will be increased to 52,44 EUR / 1000 pieces and the minimum rate will be increased to 81,32 EUR/1 000 pieces.

*UK: New Budget 2008 as of 24 November 2008

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Table 2: Tobacco taxes in OCED countries

Table IV.6 Taxation of tobacco (2007)

	Cigarettes				Cigars ²				Tax on rolling tobacco for cigarettes			
	Specific excise per 1 000		Excise on value	VAT	Specific excise per 1 000		Excise on value	VAT	Specific excise per 1 000 grams		Excise on value	VAT
	National currency	USD	(% of RSP) ¹	%	National currency	USD	(% of RSP)	%	National currency	USD	(% of RSP)	%
Australia*	238.40	174.01	0.00	10.00	See note		0.00	10.00	298.01	217.53	0.00	10.00
Austria*	26.69	29.39	42.00	20.00	0.00	0.00	13.00	20.00	0.00	0.00	0.00	47.00
Belgium	15.93	18.04	52.41	21.00	0.00	0.00	10.00	21.00	7.96	9.01	31.50	21.00
Canada*	82.05	64.61	n/a	7 or 15	16.60	13.07	See Note	7 or 15	55.90	44.02	n/a	14.00
Czech Republic	480.00	32.88	23.00	19.00	440.00	30.14	n/a	19.00	600.00	41.10	n/a	19.00
Denmark*	636.60	75.25	13.61	25.00	198.00	23.40	10.00	25.00	452.50	53.49	0.00	25.00
Finland*	15.13	16.16	50.00	22.00	0.00	0.00	22.00	22.00	3.62	3.87	50.00	22.00
France	7.50	8.36	58.00	19.60	0.00	0.00	27.57	19.60	0.00	0.00	0.00	58.57
Germany	82.70	88.07	24.66	16.00	14.00	14.91	1.47	16.00	34.06	36.27	18.57	19.00
Greece	5.14	7.37	53.83	19.00	0.00	0.00	26.00	19.00	0.00	0.00	0.00	59.00
Hungary	7 240.00	57.46	27.50	20.00	0.00	0.00	28.50	20.00	0.00	0.00	52.00	20.00
Iceland	11 423.00	126.78	47.31	24.50	11 423.00	126.78	44.56	24.50	8 170.00	90.68	44.56	24.50
Ireland	151.37	149.87	17.78	21.00	217.39	215.24	0.00	21.00	183.44	181.62	0.00	21.00
Italy	6.20	7.39	58.50	20.00	0.00	0.00	23.00	20.00	0.00	0.00	56.00	20.00
Japan*	87 744.00	659.73	0.00	5.00	8 744.00	65.74	0.00	5.00	8 744.00	65.74	0.00	5.00
Korea*	32 050.00	41.41	0.00	10.00	See note		0.00	10.00	23 000.00	29.72	0.00	10.00
Luxembourg	15.40	15.65	47.44	15.00	0.00	0.00	5.00	15.00	0.00	0.00	36.00	15.00
Mexico	0.00	0.00	50.72	15.00	0.00	0.00	18.27/50.72	15.00	0.00	0.00	18.27/50.72	15.00
Netherlands*	72.97	79.40	20.52	19.00	0.00	0.00	5.00	19.00	30.78	33.49	14.21	19.00
New Zealand*	See note	-	0.00	12.50	See note	-	0.00	12.50	337.62	226.59	0.00	12.50
Norway	1 870.00	197.26	0.00	25.00	1 870.00	197.26	0.00	25.00	1 870.00	197.26	0.00	25.00
Poland	75.12	18.14	31.30	22.00	134.00	46.05	-	22.00	52.00	17.87	21.67	22.00
Portugal*	58.33	31.87	23.00	21.00	0.00	0.00	12.00	21.00	0.00	0.00	40.60	21.00
Slovak Republic*	1 100.00	63.95	23.00	19.00	1 400.00	81.40	-	19.00	1 350.00	78.49	-	19.00
Spain	4.20	5.47	54.95	16.00	0.00	0.00	12.71	16.00	0.00	0.00	38.46	16.00
Sweden	200.00	21.46	39.20	25.00	560.00	60.09	0.00	25.00	630.00	67.60	0.00	25.00
Switzerland*	99.23	56.06	25.00	7.60	2.60/12.10	1.47/6.83	0.00	7.60	1.55/9.90	0.88/5.59	0.00	7.60
Turkey*	60.00	76.92	58.00	18.00	60.00	76.92	58.00	18.00	60.00	76.92	58.00	18.00
United Kingdom	99.80	161.23	22.00	17.50	145.35	234.81	0.00	17.50	104.47	168.77	0.00	17.50
United States*	See note				See note				See note			

Source: national delegates; position as at 1 January, 2007.

Notes:

1. RSP, Retail selling price.

2. Cigars. Canada, Denmark and Japan tax cigars at a rate per 1 000 pieces and not according to weight. In Canada and Denmark it is assumed that a cigar weighs 3 grams and in Japan 1 gram.

Australia. The taxation of cigars and cigarettes applies a per stick rate if tobacco content per stick does not exceed 0.8g. Where the tobacco content exceeds 0.8g, per stick, the excise duty rate is AUD 298.01 per kg. Excise on tobacco not in stick form is imposed at a rate of AUD 298.01 per kg.

Austria. The excise duty on cigars is 13% of RSP, at least EUR 32.7 for 1 000 pieces.

Canada. An additional excise duty on cigars is applicable at the greater of CAD 66 per 1 000 and 66% computed on the sales price for domestically manufactured cigars or on their duty paid value in the case of imported cigars. Provinces add their own taxes on tobacco products. For cigarettes, these range between CAD 103 and CAD 210 per thousand. Some provinces also apply a tax based on the value of the product.

Denmark. The excise tax for other smoking tobaccos is DKK 402.5/1 000 g, for coarse-cut tobacco.

Finland. Cigarette paper: excise 60% of RSP.

Japan. The tax consists of a national element, a prefectural element and a municipal element. The rate for cigars is JPY 87.44 for 1 000 pieces (same tax as for cigarettes).

Korea. The excise tax on cigars is KRW 65400/1 000g and taxation of tobacco is local government excise tax.

Mexico. A rate of 26.6% (18.27% of the RSP) for cigars or rolling tobacco applies as long as these products are handmade; otherwise a 140% rate applies (50.72% of the RSP).

Netherlands. the specific excise per 1000 grams on rolling tobacco for cigarettes is the rate in effect as of June 1, 2007. Up to this date, the rate was EUR 30.48.

New Zealand. The excise rate for 1 000 cigarettes with actual tobacco content not exceeding in weight of 0.8 kg is NZD 289.16. Cigarettes exceeding 0.8 kg in actual tobacco content per 1 000 cigarettes are taxed as cigars. Excise rate for cigars is NZD 36.145 per 1 kg of tobacco content of cigars.

Portugal. Excise tax on cigarettes is reduced to EUR 8.36 and 36.5% for small producers in the Azores and Madeira.

Slovak Republic. Excise rate on other tobacco is SKK 880/1 000g, and excise rate on snuff & chewing tobacco is SKK 880/1 000g.

Switzerland. Specific excise per 1 000 for cigars: the tax between the maximum and minimum depends on the retail selling price per piece and the average weight per 1 000 pieces. Specific excise per 1 000 g, for rolling tobacco for cigarettes: the tax between the maximum and minimum depends on the retail selling price.

Turkey. Specific excise duty per 1000 cigarettes is 60 YTL. Tax amount for 1 packet of cigarettes is 1.2 YTL. Tax on cigarettes and other tobacco products computed according to proportional basis can not be less than the tax computed according to minimum specific tax amounts. Excise rate for cigars is YTL 60 for 1000 grams.

United States. State taxes vary widely. The weighted average of Federal and State taxes per thousand cigarettes was USD 72.00 in 2007. Federal specific excise tax rates on tobacco are: USD 19.50 per thousand for small cigarettes (no more than 3 pounds per thousand); USD 40.95 per thousand for large cigarettes; USD 1.828 per thousand for small cigars weighing no more than 3 pounds per thousand; 207.19% of the manufacturers price but not more than USD 48.75 per thousand for large cigars; USD 0.0122 per 50 papers for cigarette paper; USD 0.585 per pound for snuff; USD 0.195 per pound for chewing tobacco; USD 1.0969 per pound for pipe tobacco and for roll-your-own tobacco. Some states also tax on an ad valorem basis. There is no Federal VAT.

Changes to the taxation system require a policy decision by Government.

The most recent non-indexation change to the tobacco excise was on 1 November 1999, when the previous Government introduced a measure to change the tobacco excise regime from the complex weight-based and *ad valorem* surcharge to a 'per stick' arrangement. The introduction of the goods and services tax (GST) from 1 July 2000 also increased the effective taxation of tobacco products because tobacco products had previously been exempt from wholesale sales tax.

With effect from 1 July 2006, the Government aligned the snuff tobacco excise and customs duty rate with the other tobacco excise and customs duty rate. Previously, snuff tobacco attracted a separate rate of excise and customs duty which was significantly lower than the rate of excise and customs duty applied to other tobacco not in stick form.