

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 228

Topic: Plain Packaging – Revenue Measures

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Senator Eggleston asked:

Senator EGGLESTON: What interested me was that there is a projected increase in revenue and also a projected volume increase of almost two million kilograms of tobacco to the year 2014—that is, consumption. I was just interested to know whether Treasury had been asked to model the effect of the government's proposal to introduce plain packaging for tobacco and its likely impact, because it would seem that, had they been asked to do that and they had come up with these forecasts, the government or the Treasury assumed that plain packaging would actually have no effect. But, obviously, that is not the case. The legislation, I understand, is planned to take effect from 1 July 2012. The government in that year is expecting a surplus. Will the surplus be affected by a reduction in excise on tobacco as a result of the proposed changes? That could have some effect, I presume, because there will be less revenue, but not a great one. Would that be accurate?

Mr Heferen: To the extent that any of these numbers goes down—

Senator EGGLESTON: They are going up at the moment, but if it has some impact it will impact, obviously, on the overall budget and the possibility of a surplus, I would presume.

Ms Mrakovcic: The revenue numbers reflect, obviously, the impact of the price increase, in terms of the increase in the excise rate, and volumes. So it is the interaction of both volumes and prices that influences those estimates that you are seeing over the forward estimates period.

Senator EGGLESTON: You are predicting quite a substantial increase in volume, I see—from 13,000,866 kilograms to 755 kilograms or 15 million.

Senator Sherry: Where are looking? Which page are you looking at for figures about volume use?

Senator EGGLESTON: These figures are the calculation of tobacco consumption over the forward estimates based on the 2011-12 budget. But what I was really interested to know was whether or not you had modelled the impact of the plain packaging and it would seem that you have not.

Mr Heferen: Just on the volumes, I was not aware that we had volumes in here. It may be that what someone has done is taken the revenue and extrapolated volumes from that. Then there is the question of whether they have properly taken into account the indexation, because excise on tobacco is subject to automatic indexation, I believe, once a year.

Senator Sherry: Yes.

Mr Heferen: I think it is adjusted to the CPI. I am not aware that in here we actually have volumes. We could take that on notice to explore it further. But, as Ms Mrakovcic said, on the government's package of measures—the plain packaging, excise increase and that range of things taken together—we have to make some judgment about how that might influence demand. To get down to a fine level of calibration to do particular things, identify that and attribute a reduction in demand according to a particular element is a pretty difficult task. It is probably one that would be very challenging to do for the revenue forecasting.

Senator Sherry: We will take on notice if you want us to calculate the actual quantity smoked.

Presumably we would have had to have done it anyway to get a revenue.

Senator EGGLESTON: It was a quite serious question, because you now have proposed to go ahead with plain packaging and yet in fact—

Senator Sherry: Okay, we will not do that then.

Answer:

- Tobacco excise is collected by the Australian Taxation Office on tobacco that is manufactured in Australia and 'cleared' through the tax system. An excise-equivalent rate is payable on tobacco that is imported into Australia and 'cleared' by the Australian Customs and Border Protection Service.
- The estimates in the 2011-12 Budget include all announced Government measures.
- The 2011-12 Budget includes the following estimates for tobacco excise revenue

	2011-12	2012-13	2013-14	2014-15
Tobacco excise duty	5,830	5,780	6,120	6,490