



Australian Government
Australian Taxation Office

Seventh meeting of the Asia Tax Forum – Cambodia

Excise Tax Reform in the Region – Australia



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21 October 2010

100 The Australian
Taxation Office
Centenary
1910–2010



Australia's future tax system

In today's presentation I will cover

- The Excise responsibilities of the Australian Taxation Office
- Excise recommendations in the report on Australia's Future Tax System
- Some recent Excise tax reforms





Australia's future tax system

Excise duty is a tax on certain types of goods produced or manufactured in Australia.

These excisable goods include

- Alcohol
- Tobacco
- Petroleum and alternative fuels.

Customs duty at an equivalent rate is imposed on imported alcohol, tobacco and petroleum to ensure that imported goods are treated consistently with local goods.





Australia's future tax system

The final report of Australia's Future Tax System Review was released by the Government on 2 May 2010

- 138 recommendations

- The Government provided a three phased response
 - measures that have been adopted
 - areas that the Government has not specified in its response (will be the subject of further consideration and consultation)
 - recommendations that have been ruled out (27 recommendations).





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Recommendation 1

Revenue raising should be concentrated on four robust and efficient broad based taxes:

- personal income – assessed on a more comprehensive basis
- business income – designed to support economic growth
- rents on natural resources and land
- private consumption.





Australia's future tax system

Excise on alcohol

- Recommendation 71 – All alcoholic beverages should be taxed on a volumetric basis, which, over time, should converge to a single rate, with a low-alcohol threshold introduced for all products. The rate of alcohol tax should be based on evidence of the net marginal spillover cost of alcohol.

- Recommendation 72 – The introduction of a common alcohol tax should be accompanied by a review of the administration of alcohol tax, to ensure that alcohol taxpayers do not face redundant compliance obligations.





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Excise on tobacco

- Recommendation 73 – The existing regime for tobacco taxation in Australia should be retained, with the rates of tax substantially increased, depending on further evidence on the costs of harm from tobacco smoking.
- Recommendation 74 – Tobacco excise should be indexed to a broad measure of wages rather than CPI.
- Recommendation 75 – There should be no duty free allowance on tobacco for international travellers entering Australia.





Australia's future tax system

Proposed Tax Summit

The Government has announced a Tax Summit to facilitate discussions about future tax reform.

The Tax Summit will occur by 30 June 2011 and will discuss the findings and recommendations in the Final Report of Australia's Future Tax System Review.



Excise – Tobacco

- 25% increase from 30 April 2010
- Equates to 6 cents (Aust) extra per stick of tobacco (a cigarette)
- As at 20 October 2010 the Excise rate per stick of tobacco is 33.267 cents (Aust)
- On average, a packet of cigarettes (purchased in Australia) costs approximately \$15 (Aust) for 25 cigarettes (i.e. 60 cents per cigarette)

There is also 10% Goods and Services Tax on the price of the packet of cigarettes.



Excise – Tobacco

(Source: Prime Ministers Media Release 29 April, 2010)

- Extra \$5 billion (Aust) over four years, which along with existing revenues from tobacco will be directly invested in better health and hospitals
- Reduce the number of smokers
- Social cost of smoking
 - smoking kills over 15,000 Australians every year
 - the social costs of smoking (including health costs) are estimated at \$31.5 billion (Aust) each year
 - annually, over 750,000 hospital bed days are attributed to tobacco related diseases.



Excise – Lollypop Alcohol Drinks (known as alcopops)

- On 28 April 2008 the Government increased the excise on ‘alcopop’ drinks from 39.36 cents (Aust) per litre to 66.67 cents (Aust) per litre. This resulted in ‘alcopops’ being taxed at the same rate as spirits.
- The move was prompted by findings in the 2007 National Drug Strategy Household Survey which tracked a steep rise in drinking among teenage girls.
- The budgeted extra revenue raised by the higher excise – \$2 billion (Aust) over 3 to 4 years – will be used in the National Preventative Health Program.



Excise – Stabilised crude petroleum oil and condensate

- Excise duty is levied on stabilised crude petroleum oil & condensate as a tax on a non-renewable resource. This is in addition to any taxes or duties that may be levied when the product is used as fuel.
- In May 2008, the Government extended the existing arrangements to include offshore production of condensate that was not already subject to tax under the resources rents tax or other measures. Prior to this date, subject to limited exclusions, only onshore production was subject to excise duty.



Excise – Alternative fuels

On 13 May 2010, the Government announced its intention to implement an effective tax on all transport fuels based on their energy content.

To be phased in over 5 years commencing 1 July 2011,
(except ethanol which will have a 10 year phasing period).



Excise – Alternative fuels

Fuel type	Energy content (megajoules/litre)	Final rate with discount from 1 July 2015
High-energy content fuels: <ul style="list-style-type: none"> ■ petrol, diesel ■ renewable diesel ■ biodiesel ■ compressed natural gas 	Above 30 – all fuels except compressed natural gas Compressed natural gas – between 38 and 41 (megajoules per cubic metre)	38.143 cents/litre for petrol, diesel and renewable diesel 19.00 cents/litre for biodiesel 19.0 cents/cubic metre
Mid-energy content fuels: <ul style="list-style-type: none"> ■ petrol, diesel ■ liquid petroleum gas ■ liquid natural gas ■ ethanol 	Between 20 and 30	12.5 cents/litre
Low-energy content fuels: <ul style="list-style-type: none"> ■ methanol 	Below 20	8.5 cents/litre



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Questions?

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