Parliament of Australia
Parliamentary Budget Office

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Senator David Leyonhjelm
Chair
Senate Select Committee on Red Tape
PO Box 6100
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Dear Senator Leyonhjelm

In response to your letter of 2 March 2017, attached is an update of Table 3-2 and Figure 3-2 from the Parliamentary Budget Office's 2015 report, *Alcohol taxation in Australia*.

The information has been updated to include excise and excise-equivalent customs duty and Wine Equalisation Tax receipts for the 2015-16 financial year. For your reference, we have also included an update of Table 3-1 which shows the statutory excise rates by beverage and alcohol content as at 30 June 2016.

As required by section 64U(d) of the *Parliamentary Service Act 1999*, we will publish your request and this response on the Parliamentary Budget Office's website.

If you have any questions regarding this information please contact Colin Brown on or David Tellis

Yours sincerely

Phil Bowen
9 March 2017

Attachment A: Update of Table 3-1, Table 3-2 and Figure 3-2 from the Parliamentary Budget Office's 2015 report, *Alcohol taxation in Australia*

Table 3-1 below shows the statutory excise rates for beer and spirits as at 30 June 2016.

Table 3-1: Statutory excise rates by beverage and alcohol content, as at 30 June 2016[a]

Alcohol type	Excise rate ($/LAl)[b]
Non-commercial beer, low-strength	2.88
Non-commercial beer, mid- to full-strength	3.34
Draught beer, low-strength	8.21
Draught beer, mid-strength	25.73
Draught beer, full-strength	33.70
Packaged beer, low-strength	41.08
Packaged beer, mid-strength	47.85
Packaged beer, full-strength	47.85
Brandy	75.70
Spirits	81.05
Ready-to-drink beverages	81.05

Source: Schedule to the *Excise Tariff Act 1921*.

(a) Excise rates for alcohol are indexed in line with the Consumer Price Index generally in February and August each year.

(b) The effective excise rates for all beer categories are lower than the statutory rates listed because the first 1.15 per cent of alcohol content is untaxed.

Table 3-2 below provides the effective excise rates[1], quantities and tax receipts that are included in Figure 3-2.

Table 3-2: Effective excise rates, quantities and revenue by alcohol type in 2015-16

Alcohol type	Effective rate ($/LAl)[(a)(b)]	Quantity (ML)[(b)]	Receipts ($ million)
Non-commercial beer, low-strength	1.73	..	..
Non-commercial beer, mid- to full-strength	2.56	0.1	0.3
Draught beer, low-strength	4.93	0.3	1.6
Draught beer, mid-strength	17.19	2.1	36.5
Draught beer, full-strength	25.81	11.3	290.4
Packaged beer, low-strength	24.66	1.2	30.0
Packaged beer, mid-strength	31.96	9.8	311.6
Packaged beer, full-strength	36.65	46.5	1,702.6
Brandy	75.30	0.9	66.9
Spirits	80.62	24.8	2,001.1
Ready-to-drink beverages	80.62	11.3	912.0
Wine, $15 cask (4L)[(c)]	2.99	13.6	40.8
Wine, $7 bottle[(c)]	7.97	13.0	103.8
Wine, $15 bottle[(c)]	17.07	31.6	540.0
Wine, $40 bottle[(c)]	45.52	3.7	169.4
Total alcohol[(d)]	**36.50**	**170.0**	**6,207.0**

Source: PBO estimates based on the 2015-16 Final Budget Outcome, ABS Cat. No. 4307.0, and excise and excise-equivalent customs duty data from the Australian Taxation Office and Department of Immigration and Border Protection, respectively.

(a) The effective rates are averages across 2015-16, so they include the effect of indexation.

(b) Beer quantities include total quantities of alcohol, not just taxable quantities, based on excise and excise-equivalent customs duty data. The statutory excise rates for the eight beer categories have then been adjusted downwards to get an average rate across total alcohol volumes. The PBO has assumed beer has an alcohol content of 2.9 per cent, 3.5 per cent and 5.0 per cent for low-strength, mid-strength and full-strength beer, respectively.

1 This calculation includes an effective excise rate for wine. The average effective excise rate in 2015-16 applying across all wine is approximately $13.80. This average effective excise rate for wine is calculated by assuming that it is the same for all wine, regardless of value, and raises the same amount of revenue as the net WET raised in 2015-16 (that is, the effective rates have been reduced to take account of the WET producer rebate). All wine is assumed to have an alcohol content of 12.5 per cent for the purposes of this calculation.

(c) Total wine consumption has been split according to four 'price point' categories, each of which is assumed to represent a typical price within a range of prices. The average effective excise rate for each category is calculated by assuming that the excise rates multiplied by the quantities raises the same amount of revenue as the net Wine Equalisation Tax (WET) raised in 2015-16 (that is, the effective rates have been reduced to take account of the WET producer rebate). All wine is assumed to have an alcohol content of 12.5 per cent for the purposes of these calculations.

(d) Totals may not add due to rounding and the total effective tax rate is rounded nearest 0.1.

.. means not zero but rounded to zero.

Figure 3-2 below depicts the taxation treatment of alcohol in 2015-16, where the vertical axis represents the effective excise rate[2] and the horizontal axis represents the quantity of alcohol for each beverage type[3] in megalitres (ML). The area of each bar in the chart represents the total tax revenue for each beverage.

Figure 3-2 shows that:

- the effective excise rates vary significantly across product types
- full-strength packaged beer, mid-priced wine and spirits are consumed most, accounting for around 60 per cent of all alcohol consumption
  - of these, full-strength packaged beer has the highest level of consumption and has an effective excise rate that is very similar to the 'average effective excise rate' which is defined below
- there is very low consumption of certain beverage types, for example, non-commercial beer, low-strength draught beer and brandy, which are represented by very thin bars in the chart
- the most expensive wine category (assumed to be $40 per bottle) has a relatively high effective excise rate compared to other wine, of around $46 per litre of alcohol, due to this type of wine attracting a relatively larger amount of tax under the WET.

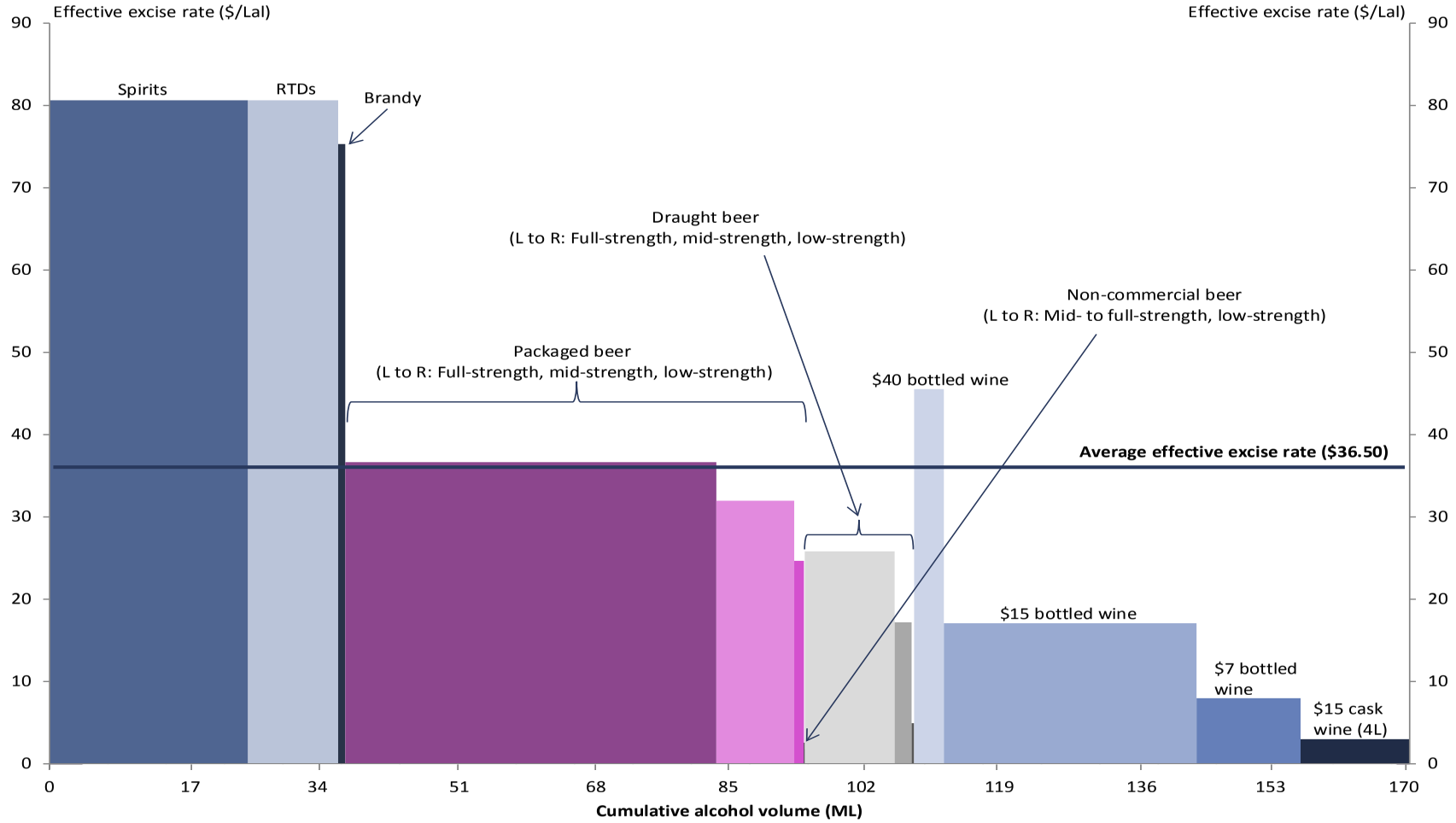
To provide a common point of comparison within the chart, a weighted-average effective excise rate (using quantities of alcohol as the weights) has been calculated across all product types (including wine). The PBO estimates that the average effective excise rate in 2015-16 would have been approximately $36.50 per litre of alcohol (which is unchanged from the 2014-15 estimate due to rounding).[4]

2 The equivalent excise rate for wine is calculated for certain types of wine, assumed to be $7, $15 and $40 bottles, and $15 cask wine.

3 The quantities for beer are total quantities, that is, they have been grossed up to include the 1.15 per cent of alcohol content that is currently untaxed.

4 This calculation assumes that beer is taxed on all alcohol content (that is, the 1.15 per cent of alcohol content that is currently untaxed has been included).

Figure 3-2: Effective excise rates by volume in 2015-16



Source: PBO estimates based on the 2015-16 Final Budget Outcome, ABS Cat. No. 4307.0, and excise and excise-equivalent customs duty data from the Australian Taxation Office and Department of Immigration and Border Protection, respectively.