

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2015 - 2016

Department/Agency: Treasury

Question: AET 53

Topic: Tobacco revenue maximising number

Reference: Hansard page no. 84 - 10 February 2016

Senator: Leyonhjelm, David

Question:

Senator LEYONHJELM: All right. I am also going to quote something to you. You published a document entitled *Issues in tobacco taxation* on 7 July 2011. In it you stated that tobacco 'revenue would be maximised with an excise rate of 51 cents per stick'. This sounded to me as if you were essentially citing the Laffer curve. It sounded quite reasonable. The thing is that the current excise per stick is 53c. Do you stand by your 51c-per-stick calculation as being the peak of the Laffer curve? If not, what is the current revenue-maximising excise rate?

Mr Heferen: Clearly we do not stand by the 51c anymore; we would have to adjust for inflation. With regard to the publication, when you said 'you' did you mean—

Senator LEYONHJELM: Treasury.

Mr Heferen: Ah, that is all right. I thought that meant 'you' as in me personally. I did not recall that one. As I hope you were expecting, can we please take that one on notice?

Senator LEYONHJELM: Absolutely. I am happy to have you take that on notice. I would ask, though: it would be curious if the peak in the Laffer curve were applied retrospectively, so please consider that.

Mr Heferen: We will have to check that carefully because it is peculiar that we would actually put something out that attempted to have a revenue-maximising number. I cannot absolve myself of responsibility, because I am pretty sure that then I was in the job I currently hold, so I cannot blame anyone else. But we will take that on notice.

Senator LEYONHJELM: On notice is fine. Thank you.

Answer:

The document, *Issues in Tobacco Taxation*, was a draft internal research paper released as part of a Freedom of Information request. The research paper did not necessarily reflect the views of the Australian Treasury. No further estimates have been calculated for the revenue maximising rate of tobacco excise.