

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2016 - 2017

**Department/Agency: Treasury**

**Question: BET315**

**Topic: Tobacco Excise**

**Reference: Hansard Page No. 60-61 - 6 May 2016**

**Senator: Jenny McAllister**

**Question:**

Mr Brake: Correct, and tobacco excise raises significant revenue, so it is an important factor in looking at the revenue forecast as a whole. We do examine what is happening to those collections so that we can give the best possible forecast going forward.

Senator McALLISTER: Can you talk me through how that process comes about?

Ms Horvat: It is actually very similar to the process I have stepped you through already, except, obviously, we do not apply the change in excise. We apply the no policy change in excise to forecast what receipts we will receive.

Senator McALLISTER: You said you commenced this work earlier this year. Was that at the direction of the minister's office? The Treasurer's office?

Ms Horvat: I am not trying not to be helpful, but I actually could not tell you. As my secretary outlined earlier today, we have costed over 500 policies within my division. So to keep track of each and every one—I just cannot tell you. I am happy to take it on notice.

**Answer:**

Forecasts for the Government's tax receipts estimates are generally prepared using a 'base plus growth' methodology. The last known outcome (2014-15 for the 2016-17 Budget) is used as the base to which estimated growth rates are applied, resulting in tax receipts estimates for the current and future years. Estimates of collections for the current year are also considered.

Most of the indirect heads of revenue, such as tobacco excise, are forecast by mapping the growth rate of an appropriate economic parameter directly to the tax growth rate in the relevant head of revenue.

Forecast tobacco excise also accounts for forecast growth in average weekly ordinary time earnings (AWOTE).

Revenue forecasts are updated prior to the release of budget papers. The process of reviewing and updating the modelling used for these forecasts occurs constantly throughout the year.