

**Senate Economics Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates

2017 - 2018

**Division/Agency:** Individuals and Indirect Tax Division

**Question No:** 227

**Topic:** Excise Tax on Loose Leaf Tobacco

**Reference:** Hansard page 49-50 (30 May 2017)

**Senator:** Leyonhjelm, David

**Question:**

Senator LEYONHJELM: So the previous tax was based on an assumption that there were 0.8 grams of tobacco in a stick of cigarettes. Now there is an appropriate—what was the term?—judgment for which neither you nor the officer provided data or a basis for reaching it other than that it was the judgement and that a more appropriate figure is 0.7 grams. What I would like to understand is how you arrived at that figure of 0.7 grams. What did you do? Who weighed cigarettes and what is the average weight of tobacco in a stick of cigarettes?

Ms Mrakovcic: Ms Purvis-Smith has indicated that that was information we received the context of attending an interdepartmental committee that was looking at this broad range of issues. We obviously rely on industry consultation and information provided by experts in these fields. It is not a matter of coming to a judgement. It is coming to an awareness that this is information that has been provided to us and there may be a need to re-examine the way that the existing policy works. So, in a sense we received the information, there was a process it went through and a policy judgement was made, and that is a matter for government.

Senator LEYONHJELM: Do you actually have an average figure that you are working on for the amount of tobacco per stick of cigarettes?

Mrs Purvis-Smith: It is very difficult to get an average per stick, but we know that the 0.8 is not an average; it is a maximum—the maximum number of grams of tobacco in a stick of cigarettes. The equivalisation assumption used the maximum amount of tobacco allowable in a per stick cigarette.

Senator LEYONHJELM: I understand your point about that. What I am getting at is could it be 0.74 or 0.75 or 0.76 grams?

Mrs Purvis-Smith: An awareness and a judgement were made as to coming to 0.7 grams. We used as much information as we could to arrive at 0.7 grams.

Senator LEYONHJELM: The other aspect about this, though, is that if 0.8 were too high how do we know that 0.7 is not too low? The difference is 14.3 per cent. It amounts to an increase in tax of 14.3 per cent. I would like to know whether it really was a decision based on data or was it just an arbitrary figure or near enough.

Ms Mrakovcic: We would have received information from others that 0.7 would be more appropriate. The only thing I can do is offer to take the question on notice to provide you with additional information.

Senator LEYONHJELM: All right.

Ms Mrakovcic: But, just to be clear, that issue around the judgement I mentioned was not a policy issue. It is basically that Treasury, as a department, does not have the practical experience to come to that judgement. We would be informed by the information that others would be giving us on what would be an appropriate view as to the amount of tobacco in a cigarette. That would inform the advice that we would put.

Senator LEYONHJELM: I would like to leave this issue as a question on notice. What is the average that you were advised? I accept that you did not go and gather the data and weigh

cigarettes and all that yourself. What is the average that you were advised? What led you to believe 0.7 is closer than 0.8. The point I am trying to make here is that if you increase the tax on loose-leaf tobacco by 14.3 per cent, without good data to say that 0.7 is more reliable than 0.8, than it is a policy decision.

CHAIR: Those questions have been taken on notice.

**Answer:**

The Treasury used a variety of sources to determine the 0.7 grams of tobacco assumption, including publically available cigarette ingredients data, discussions with industry, and data on the most popular brands of cigarettes.

Cigarette ingredient data, is available on the Department of Health's website at:

<http://www.health.gov.au/internet/main/publishing.nsf/content/health-publth-strateg-drugs-tobacco-ingredients.htm>