

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**Treasury Portfolio**  
Supplementary Budget Estimates  
2014 - 2015

**Department/Agency: Treasury**  
**Question: SBT 26-28**  
**Topic: Tobacco Plain packaging**  
**Reference: written - 31 October 2014**  
**Senator: Leyonhjelm, David**

**Question:**

26. The Health Department website states that ‘The Treasury has advised that tobacco clearances (including excise and customs duty) fell by 3.4% in 2013 relative to 2012 when tobacco plain packaging was introduced’.

Further to other questions taken on notice on this issue:

- a) What was the entirety of the Treasury advice?
- b) Who requested the Treasury to provide the advice?
- c) Was any Minister or party outside of Government involved in the request?
- d) To whom (in addition to the Health Department) did Treasury provide the advice?

27. Regarding the nominal receipts from tobacco duty each year estimated in Budget Paper No. 1:

- a) In each year, and for each form of tobacco, what is the estimated quantity of tobacco subject to duty and what is the average rate of duty.
- b) Regarding each year’s estimate for the quantity of tobacco subject to duty, what is the estimated tobacco consumption per capita, the estimated rate of population growth, and the estimated consumption of tobacco on which no duty is paid (due to factors such as contraband and counterfeit tobacco)?

28. Page 8-9 of Statement of Risks in the most recent Budget Paper No. 1 refers to tobacco plain packaging litigation as a new unquantifiable contingent liability. By way of explanation, page 8-24 states that “in 2014-15, the Government will continue to fund the defence of legal challenges to the tobacco plain packaging legislation in international forums”.

- a) Why is this contingent liability “new”, and why was the contingent liability not listed in the Statement of Risks in the prior Budget?
- b) Has the reporting of this liability been affected by any change in accounting rules?
- c) Is there any discretion regarding decisions to report such liabilities in Budgets?
- d) Was there a prohibition on reporting this contingent liability in the Mid-Year Economic and Fiscal Outlook 2013-14? If so, what was this prohibition? If not, why was the contingent liability not reported?”

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**Answer:**

26.

a) The Department of Health asked Treasury whether Treasury had any data to support the release of Australian Bureau of Statistics data on tobacco consumption. Treasury advised that clearances of tobacco fell by 3.4 per cent in the 2013 calendar year relative to the 2012 calendar year. Treasury also advised that publication of more detailed data related to tobacco excise was limited by concerns regarding taxpayer confidentiality.

b) The advice was requested by the Population Health Division, Australian Government Department of Health.

c) To Treasury's knowledge, no other Minister or party outside of Government was involved in the request.

d) To Treasury's knowledge, the advice was provided only to the Population Health Division, Australian Government Department of Health.

27.

a) Table 1 shows an estimate of the quantity and average rate of duty as at the 2014-15 Budget.

**Table 1**

	2013-14	2014-15	2015-16	2016-17	2017-18
<b>Quantity</b>					
Cigarettes (million sticks)	18,200	17,100	16,100	15,400	15,200
Other (thousand kg)	1,960	1,840	1,740	1,670	1,640
<b>Rates</b>					
Cigarettes (\$ per stick)	0.381	0.451	0.528	0.609	0.638
Other (\$ per kg)	471	554	660	762	797

Note: Cigarettes are defined as tobacco products "in stick form not exceeding in weight 0.8 grams per stick actual tobacco content".

b) The tobacco excise forecasts are based on forecasts of tobacco consumption using a chain volume measure, consistent with the Australian National Accounts. Note that growth in excisable volume can differ from growth in consumption due to factors such as number of collection days in a financial year.

Table 2 shows forecasts for consumption per capita as at the 2014-15 Budget using total national population and estimates of tobacco consumption.

**Table 2**

	2013-14	2014-15	2015-16	2016-17	2017-18
Consumption per capita (2011-12 dollars per person)	610	565	525	495	480
Population growth rate (per cent)	1.7	1.8	1.8	1.8	1.7

Tobacco excise forecasts use a 'base plus growth' methodology, where previous years' quantities of tobacco (cleared through the excise and customs duty systems) are grown based

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on forecast consumption. There are no explicit assumptions regarding tobacco on which no duty is paid.

28.

a) Items in the Statement of Risks are reviewed at each economic and fiscal update. New items are included and existing items updated as new information becomes available.

b) No.

c) The *Charter of Budget Honesty* provides discretion regarding the determination of items to be reported that are deemed confidential or commercial in nature. As a general principle, items included in the Statement of Risks are kept consistent with the reporting of contingent liabilities in the agency annual reports.

d) No. Refer to (a).