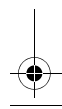
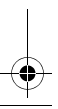


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## Excise

Excise is an inland tax levied on the production, manufacture, sale or distribution of certain goods, irrespective of whether the goods are of foreign or domestic origin. Excise products are petroleum, alcohol (spirits and beer, but not wine), tobacco and crude oil. The ATO assumed responsibility for the collection of excise duty in February 1999.

The Excise line is responsible for collecting more than \$19 billion per annum in excise duty on alcohol, tobacco and petroleum products. It also administers the \$1.5 billion per annum diesel fuel rebate scheme and is responsible for making rebate and grant payments of nearly \$3 billion to businesses in relation to diesel and other fuels. The Excise line contributes more than 10% of ATO revenue. However, because of existing legislation, excise on imported goods continues to be collected along with customs duty by the Australian Customs Service.

The ATO does not calculate excise duty liability but provides advice and assistance to manufacturers and dealers in excisable goods to meet their excise obligations.

Under the indexation provisions of the *Excise Tariff Act 1921*, the rates of excise duty on spirits, beer, tobacco and certain petroleum products may be increased in February and August each year in line with movements in the consumer price index.

This chapter contains excise data for the 1999–2000 financial year.

### Excise collected

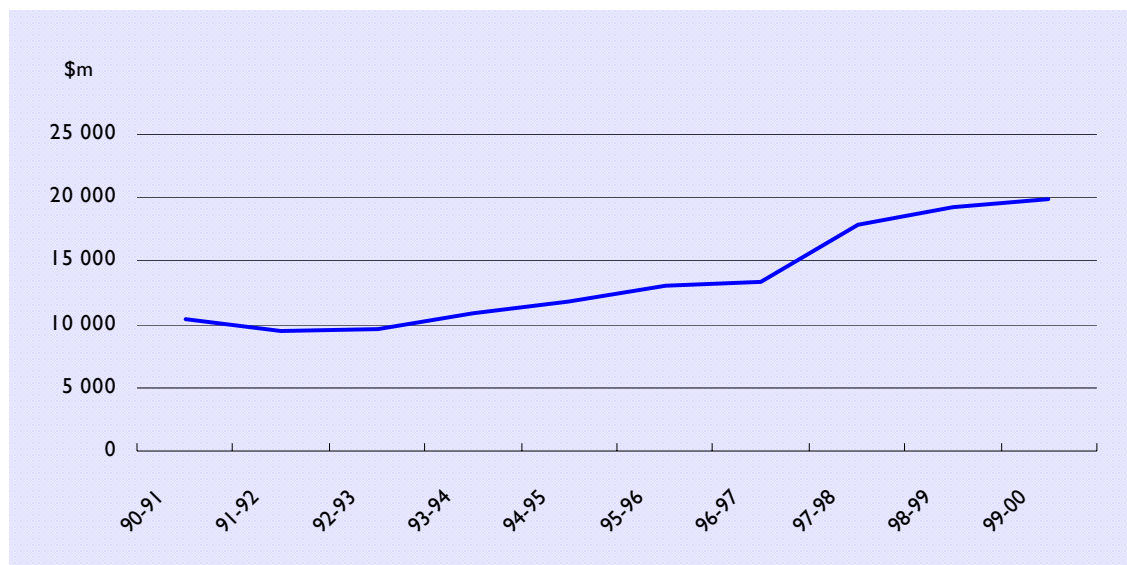
In 1999–2000, \$19.8 billion in excise was collected. Since 1990–91, collections have almost doubled, from \$10.3 billion. A large increase of \$4.5 billion occurred between 1996–97 and 1997–98, which was mostly due to the introduction of the excise surcharge.

Excise surcharge is payable on petroleum and tobacco and is collected by the Commonwealth on behalf of the states. Excise surcharge was introduced in August 1997 and replaced the business franchise fees previously levied on tobacco and petroleum dealers by the states and territories. This surcharge protects state and territory revenue, formerly dependent on these fees. The surcharge collected by the Commonwealth is then reimbursed to the states under agreed repayment schemes.

Table 18.1: Excise collected, by type

Type	Amount collected	Proportion
	\$m	%
Petroleum	13 756	69.4
Tobacco	4 798	24.2
Beer	883	4.5
Spirits	155	0.8
Crude oil	219	1.1
<b>Total</b>	<b>19 811</b>	<b>100.0</b>

Figure 18.1: Total excise collected





Most excise is collected from petroleum products. In 1999–2000, \$13.8 billion was collected from petroleum products, accounting for 69% of total excise collections. This was followed by tobacco, which contributed a further \$4.8 billion (24%).

## Petroleum

The petroleum industry is dominated by four large companies. In 1999–2000, these companies paid over 95% of the excise collected from the petroleum industry.

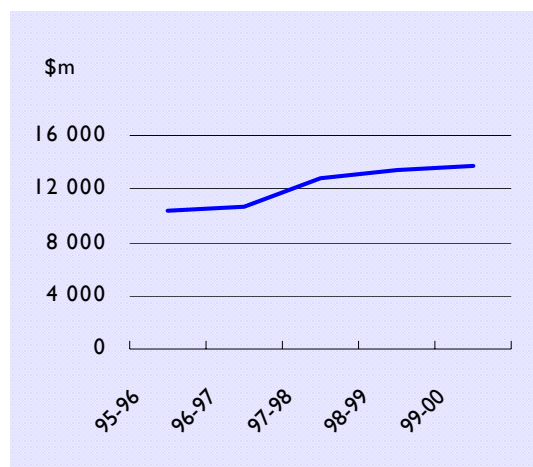
At the manufacturing level, there are eight major refineries in Australia. They are owned and operated by the four large companies, and produce the majority of excisable products used. These companies are also extensively involved in the distribution and retailing of petroleum products in Australia.

The excise rates on petroleum were reduced from 1 July 2000 in order to offset the introduction of the goods and services tax.

The excise rates, including the surcharge duty, per litre, of large volume petroleum products were:

	Rates on 2 February 2000 (per litre)	Rates on 1 August 2000 (per litre)
Leaded petrol	\$0.46381	\$0.40400
Unleaded petrol	\$0.44137	\$0.38118
Diesel fuels	\$0.44137	\$0.38118
Fuel oil	\$0.07426	\$0.07552
Aviation kerosene	\$0.02759	\$0.02483

**Figure 18.2: Excise collected from petroleum products**



Where these products are used for purposes other than as fuel (for example as a solvent), a concessional rate of excise duty applies.

In 1999–2000, \$13.8 billion in excise was collected from petroleum products, excluding crude oil. The duty collected for unleaded petrol was the highest (\$6.3 billion) followed by diesel fuel (\$5.6 billion) and leaded petrol (\$1.7 billion). Duty collected on leaded petrol dropped by 22% compared to last year. This continues the trend of falling collections as the use of leaded petrol in motor vehicles is phased out.

## Tobacco

At the start of the 1999–2000 financial year, the tobacco industry consisted of three large companies, each with their own manufacturing facilities and marketing operations. In September 1999, two of these large companies merged and shared the one manufacturing facility. Alongside, the merged companies divested certain parts, and product brands, into a new company that had no independent manufacturing facilities in Australia.

The manufacturing facility of the newly merged company, however, produced cigarettes and tobacco products for both itself and the new company. Consequently, for most of the 1999–2000 financial year, the tobacco industry in Australia consisted of three major companies with two manufacturing facilities.

These three large companies paid more than 99% of the excise duty on tobacco products during 1999–2000. The three companies have manufacturing facilities to make both cigarettes and tobacco for use in roll-your-own cigarettes and pipe tobacco.

From 1 November 1999, the *Excise Tariff Act 1921* was amended and this changed the excise duty calculation method. At that time, the government introduced the per-stick rate on all tobacco products containing 0.8 grams of tobacco or less which included most cigarettes, very small cigars and bidis. This measure was a health initiative designed to reduce tobacco consumption by removing the excise duty advantage afforded to lightweight cigarettes sold in large packets. Under the per-stick arrangements, it is simpler to determine the duty liability for cigarettes.



## Taxation Statistics 1998–99

**Table 18.2: Excise rates over time**

Date of effect	Excise rate	
	per-stick rate <sup>1</sup> \$	per kilogram tobacco content rate <sup>2</sup> \$
From 1 August 1999	N A	235.90
From 1 November 2000	0.18872	235.90
From 2 February 2000	0.19155	239.44

1. Applies to tobacco, cigars and cigarettes that are in stick form and not exceeding 0.8 grams in weight per stick of actual tobacco content.

2. Applies to other tobacco, cigars or cigarettes that exceed 0.8 grams in weight per stick of actual tobacco content.

The *Excise Tariff Act 1921* also contains provisions that allow for the excise duty rates to be altered following changes to the consumer price index. These increases occur in February and August each year.

When introduced on 1 November 1999, the per-stick rate, including surcharge, was \$0.18872, rising to \$0.19155 from 2 February 2000. The per kilogram tobacco content rate, including surcharge, was \$235.90 from 1 November 1999. It rose to \$239.44 from 2 February 2000.

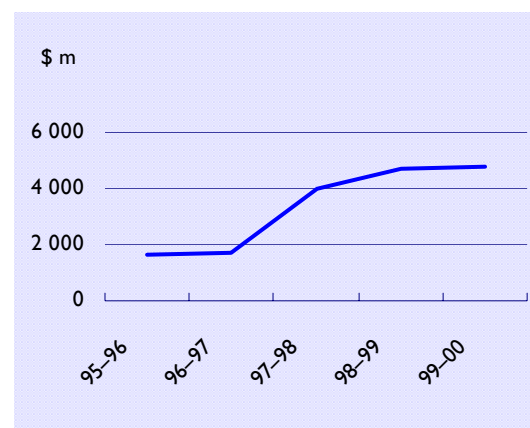
In 1999–2000, \$4.8 billion in excise was collected from tobacco products. Most (97%) of this was from cigarettes.

Since 1995–96, there has been a 197% increase in the amount of excise collected from tobacco. Most of this increase occurred in 1997–98 and was due to the introduction of the excise surcharge.

The ATO also deals with operations involving the illegal manufacture and sale of tobacco products and designed to avoid payment of excise duty. It has developed a strategy, in consultation with the tobacco industry, to overcome these illicit activities. Measures to counter illicit tobacco and excise duty evasion were included in the *Excise Amendment (Compliance Improvement) Act 2000*. The Act contains a package of measures to

strengthen the statutory framework that the ATO can use to combat the erosion of excise revenue by illicit tobacco.

**Figure 18.3: Excise collected from tobacco products**



## Alcohol

The brewing industry is dominated by two groupings of companies, which hold about 97% of the beer market in excise dollar terms. In contrast, the spirits industry is the most diverse of the excise industries in that no one company or small group of companies dominate the market. The excise paying component of the

**Table 18.3: Excise rates on tobacco products as of 1 February 2000**

Item	Excise rate
	\$
Tobacco products	
Cigarettes, cigars and tobacco, in stick form not exceeding 0.8 grams per stick of tobacco	0.19155 per stick
Snuff	1.95 per kilogram
Other tobacco products	239.44 per kilogram tobacco content
Cigarettes – Indicative excise per pack	
Pack of 20	3.83
Pack of 25	4.79
Pack of 30	5.75
Pack of 40	7.66
Pack of 50	9.58
Tobacco—50 gms pack	11.97



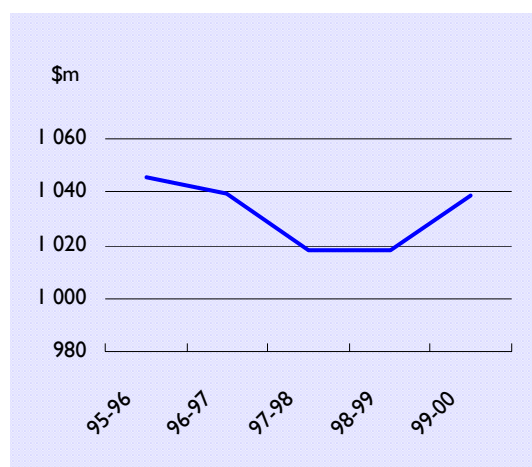
Australian spirits industry is small in revenue terms (around \$140 million) compared to the imported-spirit component (more than \$700 million). That is, most spirits in the Australian market place are imported.

The government implemented major changes to the excise rate structure as part of its reform process. These changes were intended to offset the removal of the 37% wholesale sales tax and became effective from 1 July 2000.

In 1999–2000, \$1 billion in excise was collected from alcohol products. Most of this (\$883 million) came from beer.

The excise collected from alcohol products has varied significantly over time. Excise collections dropped significantly in 1997–98. It fell from \$1045 million in 1995–96 and \$1040 million in 1996–97, to \$1018 million in 1997–98. This was mainly due to a fall in excise paid on spirits, resulting from a policy change that treated imported spirits for mixed drinks as being liable for customs rather than excise duty.

**Figure 18.4: Excise collected from alcohol products**



## Crude oil

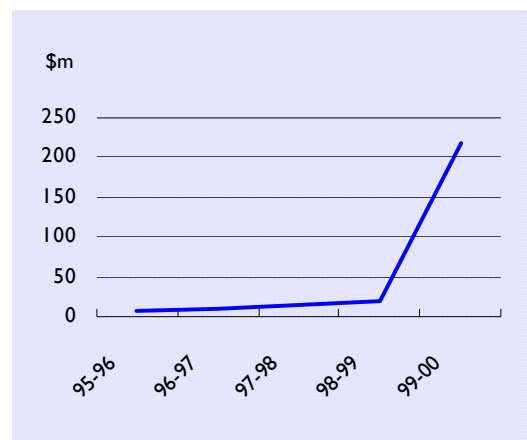
The vast majority of crude oil production in Australia has no excise duty but is instead subject to royalties. Excise applies to all on-shore fields producing stabilised crude oil and off-shore fields in the North-west Shelf. Each commercially productive field must be prescribed by excise by-law, and its operators must maintain production records which are monitored by the Department of Industry, Science and Resources until a

30-million-barrel threshold is reached. Until the 30 million barrels threshold of crude oil from each field is reached, the production is excise-free. Thereafter, excise administrative arrangements apply on a sliding scale.

For a field that breaches the threshold in a financial year, the first 500 megalitres are rated free. The next 100 megalitres (501–600) are subject to 10% duty, with the following 100 megalitres (601–700) subject to 20% duty. The next 100 megalitres (701–800) are subject to 30% duty, and all other production is subject to 35% duty calculated on the VOLWARE (volume weighted average of actual prices) price determined each month by the Department of Industry, Science and Resources.

In 1999–2000, \$219 million in excise was collected from crude oil. Collections have increased significantly (962%) during the year, up from \$21 million in 1998–99. This huge jump in excise collections was a result of increased oil production. Oil production rose from 6432 megalitres in 1998–99 to 8166 megalitres in 1999–2000. Production increased because the floating platform operated by one of the two North-west Shelf producers was upgraded and this upgrade helped push oil production from 14 300 kilolitres per day to over 18 000 kilolitres per day.

**Figure 18.5: Excise collected from crude oil**



The current world price of oil was a further incentive for oil producers in the North-west Shelf to sustain high levels of production. Moreover, the falling Australian dollar and the higher crude oil prices have compounded to inflate the VOLWARE price. In June 2000, that

## Taxation Statistics 1998–99

price for crude oil was around \$A340 per kilolitre compared to \$A160 per kilolitre in June 1999.

### Tax reform

As part of the government's tax reform agenda there were major changes to the excise rate structure on alcohol, petroleum, tobacco and crude oil. As noted earlier, the per-stick tobacco excise rate came into effect on 1 November 1999, while rate changes to alcohol, petroleum and crude oil became effective from 1 July 2000. The highlights of the excise reforms which commenced on 1 July 2000 are:

- a reduction in the rate of excise levied on leaded, unleaded and diesel petroleum products to offset the introduction of the goods and services tax in 2000–2001;
- the cessation of reimbursement of the states and territories via the surcharges following incorporation of the surcharge into the excise rates. The reimbursement has been indirectly replaced by the GST which is distributed to the states and territories;
- introduction of the wine equalisation tax on sales, importations and similar dealings with wine and similar products. This tax was introduced to keep the price of wine stable following the removal of the wholesale sales tax and the introduction of the goods and services tax. The equalisation tax is levied at 29% and replaces the current 41% sales tax. Goods and services tax of 10% is calculated on the price including the wine equalisation tax. The main feature of the equalisation tax is that it maintains price relativities between cask wine and beer, so the impact on consumers will be minimal;
- the excise rate on beer, spirits, liqueurs and other alcoholic drinks not subject to the wine equalisation tax have also been increased to offset the removal of wholesale sales tax. Other changes include a three-tiered rate structure for beer—a low-alcohol beer rate, a mid-strength beer rate and a full-strength beer rate. The duty-free threshold for beer still remains at 1.15% alcohol content;
- an increase in payments made under the diesel fuel rebate scheme with the extension to marine and rail transport, and the

broadening of the scheme to include like types of fuel from 2000–01;

- introduction of the diesel and alternative fuels grants scheme for certain on-road transport activities. The grant will also apply to alternative fuels when used in eligible operations. These alternative fuels are compressed natural gas, liquified petroleum gas, recycled waste oil, ethanol, canola oil and other fuels specified by regulations.

### Detailed tables

The following detailed table on excise can be found on the CD-ROM attached to this publication.

Table 1: Excise collections: 1995–96 to 1999–2000

