

## Cigarettes tax hike bipartisan but \$19.5 billion hole in Labor costings

Written by The Conversation USA

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The government has found a A\$19.5 billion hole in Labor's plan to boost tobacco excise – a proposal that Treasurer Scott Morrison's budget will also adopt in the scramble for revenue.

Whether the Coalition is re-elected or Labor wins, tobacco excise, which has been increasing by 12.5% annually since 2013, will continue to rise each year until 2020. This would push cigarettes up to more than than \$40 a packet.

On the Treasury's figures, the measure would raise \$28.17 billion to 2025-26 – compared with Labor's figure of \$47.7 billion. The total to 2026-27 would be \$32.7 billion.

Over the budget's forward estimates it would raise nearly \$4.7 billion on the government's figures. Labor's policy, released late last year, estimated continuing the excise increases would bring in \$3.8 billion over the current forward estimates.

Labor's figures were done by the Parliamentary Budget Office (PBO). But they did not take into account the December budget update. Shadow Treasurer Chris Bowen said in February Labor was resubmitting its policies for costings after the update.

The opposition did not contest the government's figures on Monday but Bowen said this was "a desperate attempt to cover for the fact the government will be adopting, in full, Labor's policy on tobacco excise".

He said the policy was being matched "despite the fact both the treasurer and health minister cried murder" when it was announced.

Former prime minister Tony Abbott described the Labor policy as a workers tax.

Bowen said the excise policy was fully and independently costed by the PBO. He said these

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costings would continue to be updated by the PBO after budget updates and reconciled after the Pre-Election Economic and Fiscal Outlook, prepared by officials, which is released early in the campaign.

The very large numbers gap, which is presumably because the original costing did not make sufficient provision for falling smoking rates, complicates Labor's task of finding savings to pay for a large spending program, including on education and health.

Bowen said Labor had never directly hypothecated the tobacco revenue for schools spending. It was just one of the savings proposals Labor had outlined.

He said if Malcolm Turnbull was serious about adopting Labor's policy, "he must direct the National Party to cease taking political donations from tobacco companies. This includes directing Barnaby Joyce to hand back \$10,780 donated by Phillip Morris in 2014-15."

*Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organization that would benefit from this article, and has disclosed no relevant affiliations beyond the academic appointment above.*

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