

Beer and cigs up!

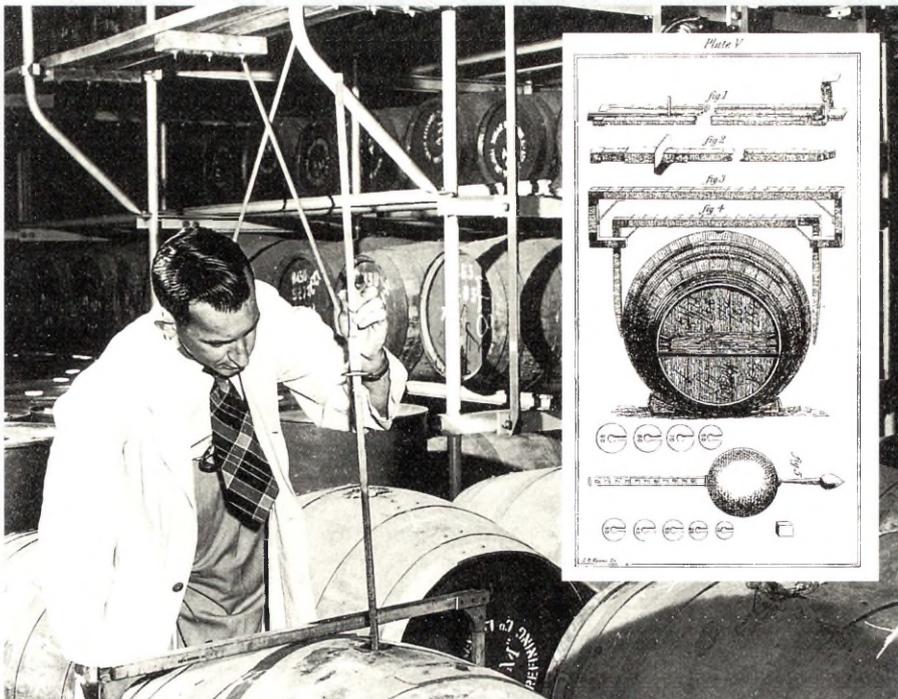
'Beer and cigs up!' has been a common newspaper headline in Australia around the time of the Federal Budget, illustrating the importance of excise as a government revenue-raiser.

Excise duty, a tax on goods produced in a country, differs from customs duty, which is imposed on imports. The first use of excise in this sense was in 1643, when a duty on goods produced in England such as beer, spirits, cider and later tobacco, helped defray some of the costs of the Civil War. In 1660, Charles II received excise revenue for his personal use and granted 500 pounds a month to his mistress, Nell Gwynne.

Understandably, excise was not a popular idea. Nearly 100 years later, Samuel Johnson in his famous *Dictionary of the English language* defined it as a 'hateful tax on commodities, and adjudged not by the common judges of property, but by wretches hired by those to whom excise is paid'.

Below: A Customs excise officer at work in the 1950s using cross calipers and a bung rod to calculate spirits content of a barrel.

Inset: Illustration from a handbook of practical gauging, a manual for customs and excise officers first published in the early 19th century. It shows the operation of cross calipers to calculate the content of barrels and a Sykes hydrometer that can be fitted with different weights to gauge the strength of alcoholic spirits.



British law formed the basis of customs and excise legislation of the Australian colonies before federation. The Customs Act 1901, and the Excise Act 1901 supplanted these laws, and uniform national customs and excise duties were operative from October 1901. Until 1910, when a land tax was introduced, customs and excise duties were the Commonwealth's only source of tax revenue. Income tax was introduced during World War I.

As well as being an important part of government revenue, excise has also been used to further social aims, such as efforts to reduce the number of smokers in the community by increasing the excise on tobacco products. An excise rate which makes leaded petrol more expensive than unleaded petrol is designed to encourage motorists to switch, thereby lessening atmospheric pollution.

To overcome the effects of inflation, which means that excise rates need to be raised from time to time, the Commonwealth government in 1983 introduced a system linking excise changes to movements in the Consumer Price Index. Since then, rates have been indexed each six months based on CPI movements in the December and June quarters. For example, in the year to December 1997, the CPI fell by 0.2 per cent. Under the formula this meant no increase in excise rates between February 1997 and February 1998 - and no headlines like 'Beer and cigs up!'. There is no provision for a reduction in excise rates.