

Chapter 8

Taxation of goods and services



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8. TAXATION OF GOODS AND SERVICES

SUMMARY

Over the past fifty years, OECD countries have generally become more reliant on taxes on general consumption as a proportion of total taxation revenue, but there has been a decline in revenue from taxes on specific goods and services. The key reason for this is the substitution of value added taxes (VATs) for other specific consumption taxes.

Australia's revenues from both general and specific goods and services taxes (9.4 per cent of GDP) are around the average of the OECD-10 (9.2 per cent) – Australia is fifth lowest in terms of tax burden.

The mix of Australia's goods and services taxes differs from the average OECD-10 mix, mainly through lesser reliance on value added and sales taxes.

Australia's revenues from value added and sales taxes are the fourth lowest of the OECD-10 at 4.3 per cent of GDP and are below the unweighted average of OECD-10 (5.5 per cent).

Australia has the equal fourth lowest statutory tax rate on general consumption of the OECD-30 and its 10 per cent goods and services tax (GST) rate is well below the unweighted OECD average of 17.6 per cent.

Of the twenty-nine OECD countries which levy a value added tax (VAT), twenty-seven, including Australia, apply reduced rates and/or zero rates to certain goods and services. Thirteen OECD countries do not apply a zero rate to any domestic goods or services (as at 1 January 2003).

Australia's reliance on excise and customs duties is 3.4 per cent of GDP. It is the third highest in the OECD-10 and is higher than the average of the OECD-10 countries (2.6 per cent).

Australia's rates of fuel excise duty are among the lowest in the OECD. As at 1 January 2005, Australia had the fourth lowest tax rate on unleaded petrol of both the OECD-30 and the OECD-10.

For the last quarter of 2005, the average level of tax (both GST and excise duty) included in unleaded petrol prices in Australia was A\$0.490 per litre – this was less than half the OECD-30 average (A\$1.148 per litre). Australia had the third lowest level of tax included in unleaded petrol prices of both the OECD-30 and the OECD-10.

The diversity across countries in the implementation of excise duties applied to alcohol and tobacco products makes it difficult to determine Australia's relative ranking compared to other countries for these products.

Disaggregation of recurrent indirect taxes into sub-components is problematic. Significant classification issues exist in the data. Subject to these caveats, Australia has the equal highest

tax burden of the OECD-10 countries from motor vehicles tax (0.6 per cent of GDP) – this is well above the average of the OECD-10 countries of 0.3 per cent of GDP.

Based on 2001 data, for both the OECD-30 and the OECD-10, about half of countries do impose specific environmental taxes and half do not.

8.1 INTRODUCTION

This chapter provides an overview of goods and services taxes as a proportion of GDP. As in other chapters, the focus is generally on the OECD-10 comparator group, and supplements the information in Chapter 3.

The chapter then examines the base and rates for different parts of the goods and services taxes classification. The primary division is between general taxes (such as a VAT or GST) and specific taxes on goods and services. The chapter draws out differences in the rate and base of general consumption taxes.

Taxes on goods and services cover all taxes and duties levied on the production, extraction, sale, transfer, leasing or transfer of goods, and the provision of services, or taxes and duties levied in respect of the use of goods or permission to use goods or perform activities.

This category covers taxes such as:

- general sales taxes;
- value added taxes (such as Australia's goods and services tax – GST);
- excise duties;
- tax levied on the import and export of goods; and
- taxes levied in respect of the use of goods and taxes on permission to use goods, or perform certain activities.

Specific goods and services taxes are broken into several different classifications. As is the case throughout this report, when the aggregate information is broken down further, classification errors arise. Differences in tax structures in countries can also make international comparisons of the more detailed break-downs problematic. Several specific examples of this are outlined below.

Analysis of specific goods and services taxes is complicated by their broad range and interactions. Comprehensive and comparable information could not be found for all OECD-10 countries. Additionally, as these types of taxes are often levied by sub-national and local governments, there are potentially hundreds or even thousands of combinations. The discipline of international comparisons across a consistent set of countries is a useful approach, and further study would be useful for further international tax analysis (whether by private bodies or by government).

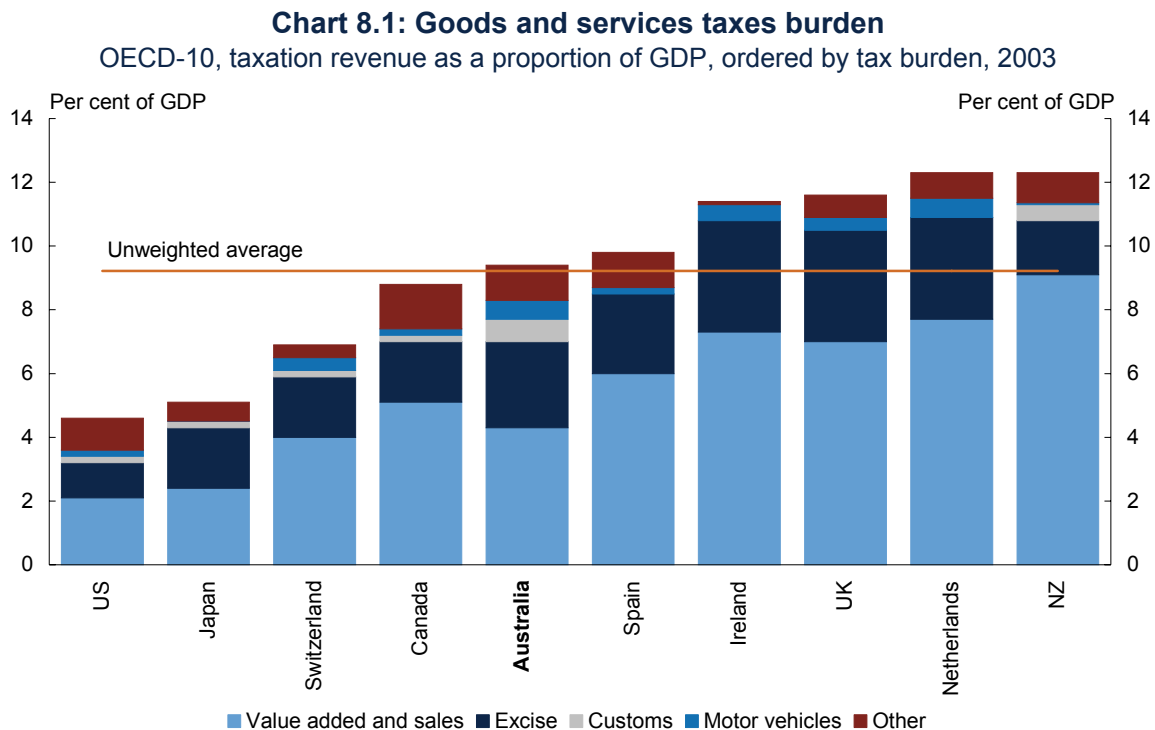
As most specific goods and services taxes are imposed at a flat, proportionate rate, tools of analysis such as average versus marginal analysis are less relevant to them. There are also

few tools equivalent to the effective average and marginal tax rate measures used in the corporate taxation chapter. As a consequence, most of the analysis in this chapter is based around descriptive measurements of variations in rates and tax bases.

8.2 BROAD INTERNATIONAL COMPARISONS

Australia's revenues from both general and specific goods and services taxes (9.4 per cent of GDP) are around the average of the OECD-10 (9.2 per cent) – Australia ranks fifth lowest in terms of tax burden.

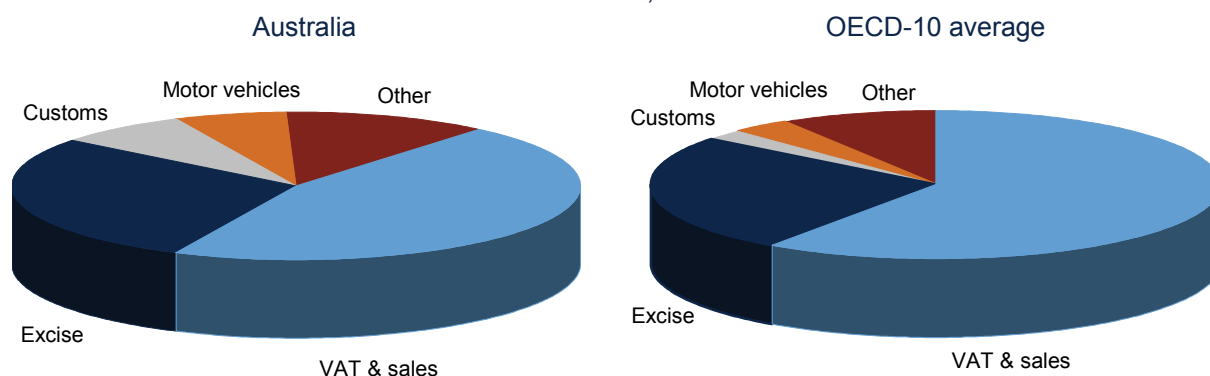
New Zealand (12.3 per cent), the Netherlands (12.3 per cent), the United Kingdom (11.6 per cent) and Ireland (11.4 per cent) all have a relatively high reliance on goods and services taxes.



Source: OECD *Revenue Statistics*, 2005.

The mix of Australia's goods and services taxes has some marked differences from the average OECD-10 mix, mainly as a result of Australia's lesser reliance on value added and sales taxes.

Chart 8.2: Australia's goods and services tax mix
OECD-10, 2003

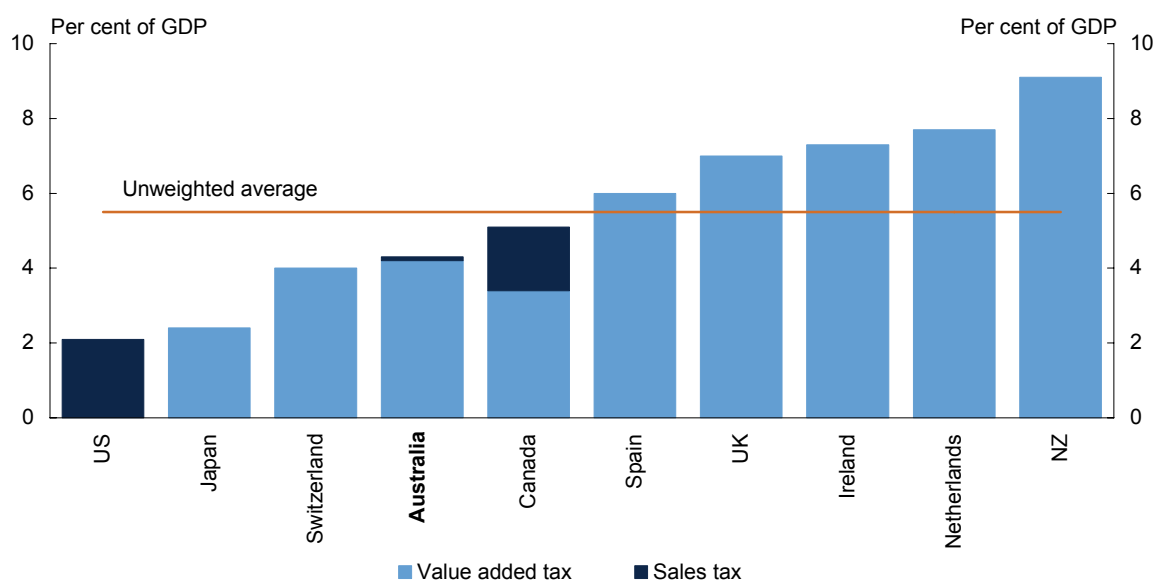


Source: OECD *Revenue Statistics*, 2005.

When compared with the OECD-30, Australia has a relatively low tax burden from value added and sales taxes (4.3 per cent of GDP) – of the OECD-10, Australia is fourth lowest in terms of tax burden. This is lower than the average of the OECD-10 of 5.5 per cent.

Chart 8.3: Value added and sales tax burden

OECD-10, taxation revenue as a proportion of GDP, ordered by tax burden, 2003



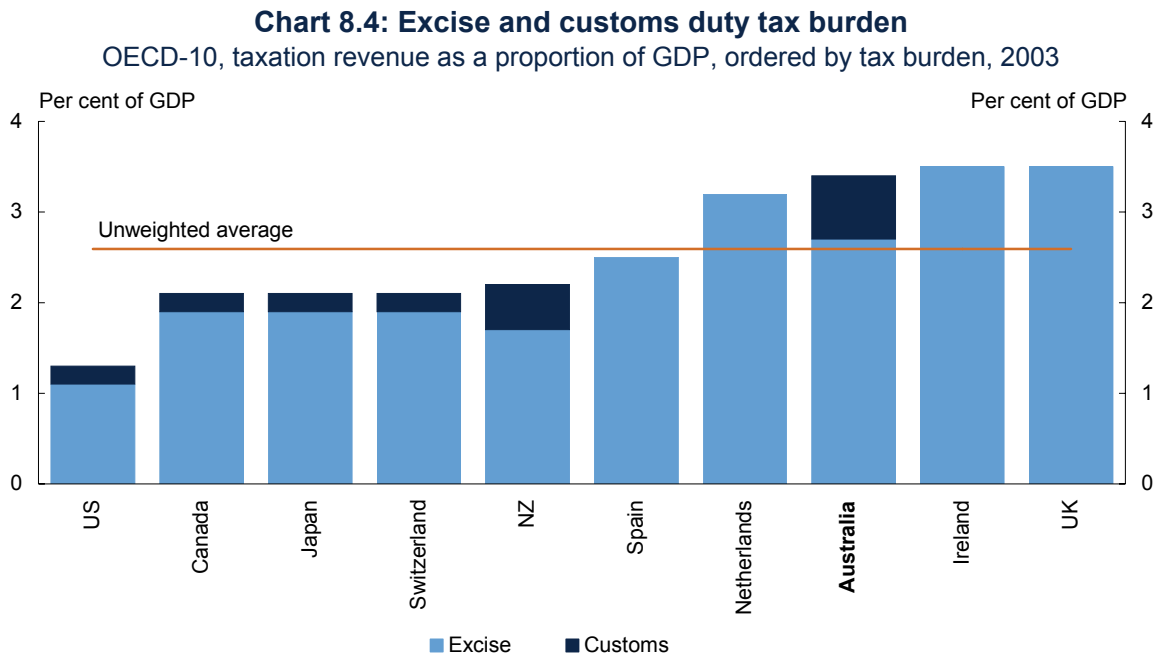
Source: OECD *Revenue Statistics*, 2005.

Note: Australia levies two taxes which are classified as sales taxes — luxury car tax (LCT) and wine equalisation tax (WET). LCT was implemented on 1 July 2000 to prevent disproportionate falls in the price of luxury vehicles compared to standard model vehicles when the GST rate of 10 per cent replaced the previous wholesale sales tax (WST) rate of 45 per cent. LCT applies on vehicles at a rate of 25 per cent for every dollar over the luxury car threshold (currently A\$57,009) and only applies to cars at the retail level. WET was also introduced on 1 July 2000 to offset the removal of the previous 41 per cent WST rate on wine and the introduction of the 10 per cent GST. WET is calculated at 29 per cent of the final wholesale price (that is, a smaller base than the LCT which is the retail price). In certain permitted circumstances for the WET, a nominal wholesale price is calculated as 50 per cent of the retail price, or alternatively at the average wholesale price for identical wine.

Australia's reliance on excise and customs duties at 3.4 per cent of GDP is the third highest in the OECD-10 and compares with the average of the OECD-10 countries of 2.6 per cent.

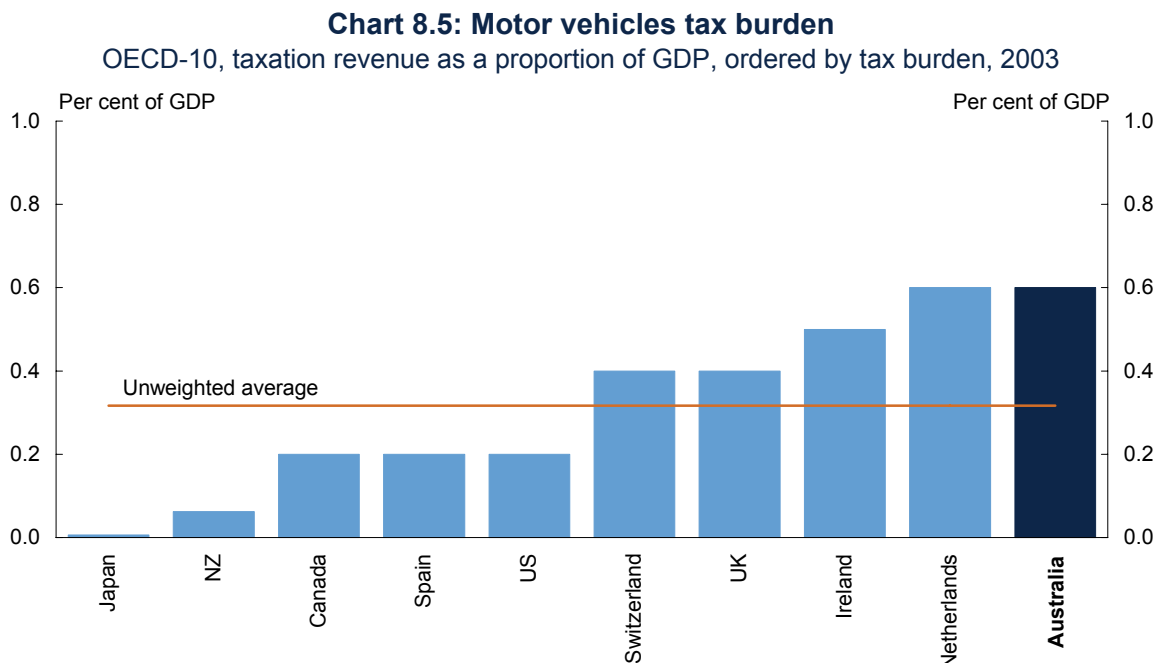
Only the United Kingdom (3.5 per cent) and Ireland (3.5 per cent) have slightly higher tax burdens from excise and customs duties.

As discussed in Chapter 3, there are classification issues with customs duty which means that care needs to be taken in drawing conclusions from the disaggregated excise and customs duty data.



Source: OECD *Revenue Statistics*, 2005.

Disaggregation of recurrent indirect taxes into sub-components is problematic. Significant classification issues exist in the data. Subject to these caveats, Australia has the equal highest tax burden of the OECD-10 countries from motor vehicles tax (0.6 per cent of GDP) – this is well above the average of the OECD-10 countries of 0.3 per cent of GDP. The Netherlands also has a tax burden of 0.6 per cent.



Source: OECD *Revenue Statistics*, 2005.

Motor vehicle taxes cover taxes levied on the use of motor vehicles – recurring charges levied on the right to drive on public roads, usually in the form of annual vehicle licence taxes/registration fees.

Recurring taxes on motor vehicles can take many forms. These taxes are usually assessed with respect to weight, usage and vehicle type, or type of fuel used and engine size.

8.3 VALUE ADDED AND SALES TAXES

The two main forms of general consumption tax in use in OECD countries today are the value added tax (VAT) and the sales tax.

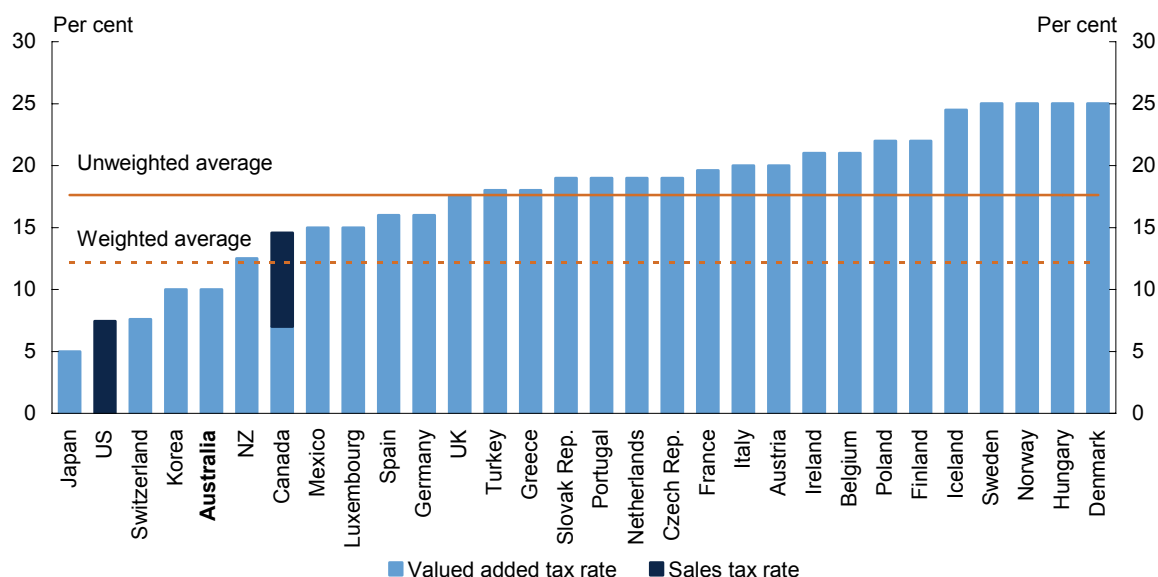
Twenty-nine out of the thirty OECD countries levy a VAT. This includes Australia's GST.

The United States is the only OECD country that does not have a VAT. Most US states levy retail sales taxes. In addition, local municipalities also levy sales taxes in the majority of states.

In Canada, the federal government levies a GST, while most Canadian provinces either levy additional sales taxes on certain goods and services or have integrated their sales taxes with the federal GST.

Chart 8.6 shows the tax rates of these general consumption taxes for the OECD-30. The tax bases of VATs and sales taxes can vary significantly, as can their implementation and design. Combining VAT rates and sales tax rates only gives a broad comparison of the actual tax rates applying generally to consumption.

Chart 8.6: Value added and sales tax rates
OECD-30, 2005



Sources: OECD Tax Database; Federation of Tax Administrators website; PricewaterhouseCoopers (2005).
 Notes: The VAT rates shown are the standard VAT rates for 2005. As state and local sales tax rates for 2005 were not available, the rate shown for the United States is an average of the maximum combined state and local rates as at 1 July 2004 (7.4 per cent). As at 1 July 2004, maximum combined rates varied across the US States from 4 per cent to 11.5 per cent. The sales tax rate for Canada is an average of the provincial sales tax rates (7.8 per cent). Provincial sales tax rates in Canada range from 7 per cent to 10 per cent.

Australia's GST rate of 10 per cent is significantly below the unweighted OECD average of 17.6 per cent and is the equal fourth lowest rate of the OECD-30. Australia's GST rate is also the fourth lowest of the OECD-10.

8.3.1 Value added taxes

A VAT is a broad-based consumption tax, which is levied on the consumption of both goods and services.

VAT systems differ around the world for a variety of reasons, but follow the basic principle of taxing a broad base of goods and services, and allowing businesses to offset the VAT paid on their inputs against their VAT liability. This results in VAT only being collected on the value added by each business in the production and distribution chain, with VAT being ultimately paid by the final consumer. Another central feature of VAT systems is a zero VAT rate¹ applying to exported goods and services.

In the past fifty years, over 130 countries have adopted a VAT to tax general consumption.

Standard VAT rates

There is a range of standard VAT rates applying in OECD countries as shown in Chart 8.6. The rates vary from 25 per cent in Denmark, Hungary, Norway and Sweden, to 5 per cent in Japan. For members of the European Union, a minimum standard rate of 15 per cent is prescribed.

In Canada, the standard federal GST rate is 7 per cent. Three of the Canadian provinces – Newfoundland, Nova Scotia and New Brunswick – have fully integrated their sales taxes with the federal GST at an overall rate of 15 per cent.

The VAT base

Although VATs, in principle, have a broad tax base, not all consumption is taxed in practice. Goods and services are excluded from the base by having a zero VAT rate applied or by being input taxed² (exempt). The tax base is also reduced in some countries with the implementation of reduced rates for specific goods and services. These approaches allow a variety of policy objectives to be met.

Of the twenty-nine OECD countries which levy a VAT, twenty-seven apply reduced rates and/or zero rates to certain goods and services (Table 8.1).

1 VAT is not paid on the sale of the good or service, but the supplier of the good or service is entitled to a refund of the VAT paid on their inputs. In effect, this means that the net VAT paid on the good or service is zero. In Australia, this is referred to as a GST-free supply.

2 VAT is not paid on the sale of the good or service and the supplier is not entitled to a refund of the VAT paid on their inputs. The input taxed approach can be used where it is technically difficult to impose GST on the sale of a particular good or service, but it is not appropriate to allow the sale to be VAT-free. Input taxation provides reduced taxation of supplies to final consumers as the supplier's value add is not subject to tax. For business to business supplies, it imposes a higher effective tax rate because business purchasers cannot offset the VAT paid on the supplier's inputs from their VAT liability.

Seven countries also apply different rates within specific regions (usually overseas municipalities).

Australia does not have any reduced rates but does apply a rate of zero on the sale of particular goods and services.

Table 8.1: Structure of VAT rates for OECD countries, 2005

	Domestic zero rate ^(a)	Reduced rate
Australia	Yes	-
Austria	No	10 and 12
Belgium	Yes	6 and 12
Canada	Yes	-
Czech Republic	No	5
Denmark	Yes	-
Finland	Yes	8 and 17
France	No	2 and 5.5
Germany	No	7
Greece	No	4 and 8
Hungary	No	5 and 15
Iceland	Yes	14
Ireland	Yes	4.8 and 13.5
Italy	Yes	4 and 10
Japan	No	-
Korea	Yes	-
Luxembourg	No	3, 6 and 12
Mexico	Yes	-
Netherlands	No	6
New Zealand	Yes	-
Norway	Yes	7 and 11
Poland	Yes	7
Portugal	No	5 and 12
Slovak Republic	No	-
Spain	No	4 and 7
Sweden	Yes	6 and 12
Switzerland	Yes	2.4 and 3.6
Turkey	No	1 and 8
United Kingdom	Yes	5

(a) Domestic zero rate means tax is applied at a rate of zero to certain domestic sales. It does not include zero rated exports.
Source: OECD Tax Database.

Table 8.2 provides a summary of certain goods and services that are GST-free in Australia and indicates the number of other OECD countries that also exclude these items from their VAT base or tax them at reduced rates.

Table 8.2: Summary of certain goods and services with reduced rates, as at January 2003

	VAT-free (zero-rated)		Lower rate
	Australia	Number of other OECD countries	Number of other OECD countries
Certain food	Yes	4	17
Water supplies	Yes	2	10
Medicine	Yes	6	12
Books/Newspapers	No	6	17
Periodicals	No	3	6
Religious services	Yes	-	-
Education	Yes	-	1
Child care	Yes	-	-
Children's clothing	No	2	2
New housing (residential)	No	1	2

Source: OECD *Consumption Tax Trends*, 2004.

Thirteen OECD countries do not apply a zero rate to any domestic goods or services. Of the OECD-10 (excluding the United States), only Japan, the Netherlands and Spain do not apply a zero rate. Appendix table 8.1.1 shows the zero-rated goods and services in all OECD countries as at January 2003.

Australia is one of only five countries (the others being Canada, Mexico, Ireland, and the United Kingdom) that apply a zero rate to certain food items. Most European countries apply reduced rates to various food items or exempt (input tax) them.

The United Kingdom is the only country to apply a zero VAT rate to new housing. In Australia, GST is not imposed on the sale of existing residential housing by private individuals, but is imposed on the construction and sale of new homes, and on additions and improvements.

The OECD *Consumption Tax Trends* publication (2004 edition) lists common VAT exemptions (that is, input taxed goods and services) across OECD countries as the following: postal services; transport of sick/injured persons; hospital and medical care; human blood, tissues and organs; dental care; charitable work; education; non-commercial activities of non-profit making organisations; sporting services; cultural services (except radio and television broadcasting); insurance and reinsurance; letting of immovable property; financial services; betting, lotteries and gambling; supply of land and buildings; and certain fund-raising events.

Appendix table 8.1.2 shows departures from these 'standard exemptions' for all OECD countries as at January 2003. The majority of countries exempt some goods and services not included on the list of 'standard exemptions'. Similarly, the majority of countries apply VAT to one or more of the goods and services on the list.

Reductions in the VAT base also take the form of registration and collection thresholds. Registration and collections thresholds relieve businesses (based on their size) from the requirement to register for VAT and/or the requirement to collect and charge VAT on supplies of goods and services made. This effectively makes supplies of goods and services by non-registered businesses input taxed.

The implementation of thresholds varies across OECD countries, as shown in Table 8.3. Australia's general registration threshold of A\$50,000 is around the mid-range threshold level. Nine countries, however, do not have a general exemption threshold.

Table 8.3: Annual turnover concessions for VAT registration and collection for OECD countries, 2005

National currency	Registration thresholds(a)						Registration allowed prior to exceeding threshold(c)	Minimum registration period(d)	
	General threshold		Reduced threshold for suppliers of services only		Special threshold for non-profit and charitable sector				
	Nat curr	A\$	Nat curr	A\$	Nat curr	A\$			
Australia	AUD	50,000	50,000			100,000	100,000	Yes	1 year
Austria	EUR	22,000	33,484					Yes	5 years
Belgium	EUR	none						No	none
Canada	CAD	30,000	32,234			50,000	89,263	Yes	1 year
Czech Republic	CZK	1,000,000	95,432					Yes	1 year
Denmark	DKK	50,000	8,164					Yes	none
Finland	EUR	8,500	12,631					Yes	none
France	EUR	76,300	117,941	27,000	41,735			Yes	2 years
Germany	EUR	17,500	26,006					Yes	5 years
Greece	EUR	9,000	17,458	4,000	7,759			Yes	5 years
Hungary	HUF	2,000,000	21,550					Yes	2 years
Iceland	ISK	220,000	3,317					Yes	2 years
Ireland	EUR	51,000	69,250	25,500	34,625			Yes	none
Italy	EUR	none						No	none
Japan	JPY	10,000,000	106,900					Yes	2 years
Korea	KRW	none						No	none
Luxembourg	EUR	10,000	14,018					Yes	5 years
Mexico	MXN	none						No	none
Netherlands	EUR	none						No	none
New Zealand	NZD	40,000	36,884			140,000	1,913,017	Yes	none
Norway	NOK	50,000	7,019					No	2 years
Poland	EUR	43,800	32,826					Yes	3 years
Portugal	EUR	none						No	5 years
Slovak Republic	SKK	1,500,000	119,589					Yes	1 year
Spain	EUR	none						No	none
Sweden	SEK	none						No	none
Switzerland	CHF	75,000	58,422			150,000	369,380	Yes	none
Turkey	TRL	none						No	none
United Kingdom	GBP	58,000	129,774					Yes	none

Source: OECD Tax Database.

(a) Registration thresholds identified in this chart are general concessions that relieve suppliers from the requirement to register for VAT until such time as they exceed the threshold. Except where specifically identified, these thresholds also relieve suppliers from the requirement to charge and collect VAT/GST on supplies made within a particular jurisdiction. Relief from registration and collection may be available to specific industries or types of traders (for example non resident suppliers) under more detailed rules, or a specific industry or type of trader may be subject to more stringent registration and collection requirements.

(b) A collection threshold may apply where a jurisdiction does not have a registration threshold. In these jurisdictions, all suppliers are required to register for VAT/GST, but will not be required to charge and collect VAT/GST until they exceed the collection threshold.

(c) 'Yes' means a supplier is allowed to voluntarily register and collect VAT/GST where their total annual turnover is less than the registration threshold.

(d) Minimum registration periods apply to general concessions. Specific industries, types of traders, or vendors, that voluntarily register may be subject to different requirements.

(e) A supplier is allowed to voluntarily collect VAT/GST where their total annual turnover is less than the collection threshold.

(f) This is a net threshold equal to VAT on total annual turnover minus input tax.

8.3.2 Sales taxes

Like VATs, sales taxes are taxes levied on the general consumption of goods and services. They differ from VATs as they are only levied at one stage of the production/distribution process, whether it is at the manufacturing or production stage, or the wholesale or retail stage.

In the United States, almost all states and municipalities impose retail sales taxes on goods and services. Taxing the supply of goods and services from retailers to final consumers is designed to minimise the cascading of tax through the production and distribution processes. A single stage retail sales tax can have very similar economic effects to a VAT as they both create price increases for final retail products and the incidence of both taxes would generally be expected to fall on consumers. A key difference with a retail sales tax is that some components of this tax are more likely to fall on exports and a single stage tax may be easier to avoid.

The retail sales tax rates range from around 3 per cent to 7 per cent across the US states. In addition, municipalities apply their own sales tax rates in conjunction with the state rate. As at July 2004³, the maximum combined state and local rates varied between 4 per cent in Hawaii (state rate only of 4 per cent) and 11.5 per cent in Arkansas (state rate of 6 per cent and maximum local rate of 5.5 per cent). The average maximum combined state and local rate was 7.4 per cent.

Sales taxes are levied by six Canadian provinces – British Columbia, Manitoba, Ontario, Prince Edward Island, Quebec and Saskatchewan. The rates range from 7 per cent in British Columbia and Saskatchewan to 10 per cent on Prince Edward Island, and the average rate across these provinces is approximately 7.8 per cent. In general, the sales tax systems in Canada differ from a VAT-system as businesses pay sales taxes on their inputs and are unable to offset the tax paid on these inputs against their sales tax liabilities.

The province of Quebec has harmonised its provincial sales tax with the federal GST and has a VAT-style system. However it is not fully integrated with the federal GST system, unlike the provinces of Newfoundland, Nova Scotia and New Brunswick.

8.4 TAXES ON SPECIFIC GOODS AND SERVICES

8.4.1 Excise duty

Excise duties are levied on the consumption of specific goods and were the main form of taxation on consumption before the introduction of general consumption taxes such as sales taxes and value added taxes (VATs).

Excise duties are levied on a limited range of goods and are usually assessed with respect to the weight, volume, strength or quantity of the product. They are also sometimes combined with ad valorem taxes – taxes calculated on the basis of the value of the product. Alcoholic

3 State and local sales tax rates – 1 July 2004. <http://www.taxadmin.org/fta/rate/sl_sales.html>.

beverages, fuels and tobacco products are the three main product groups that are still subject to excise duty in nearly all OECD countries.

In general, excise duty must be paid before excisable goods can be entered into the market for consumption. Also, excise duties are normally part of the VAT tax base. That is, excise duty is first levied on the product and then the excise duty inclusive price is subject to VAT.

Excise duties are levied on products for a variety of reasons but are primarily used to raise revenue. The price effects of the imposition of excise duty can also influence consumer behaviour. For example, excise duty increases prices and broadly reduces the levels of tobacco and alcohol consumption, which is consistent with health policy.

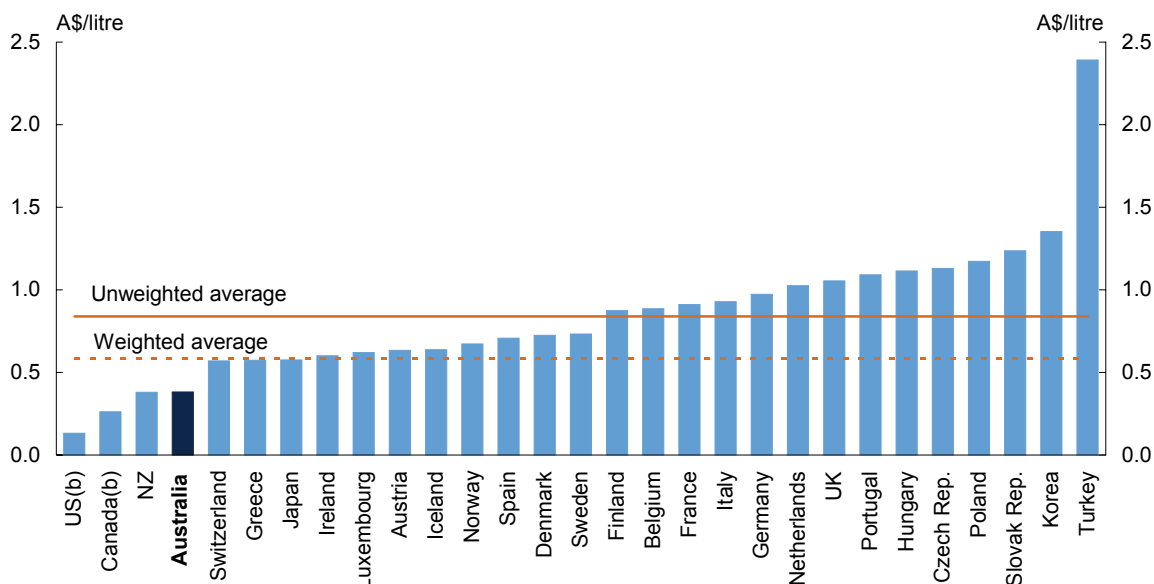
Rates and the implementation of excise duties vary greatly across OECD countries, even though they all generally have the characteristics and objectives outlined above.

Taxation of fuel

The rate of excise duty on unleaded petrol in Australia is A\$0.38143 per litre (that is, 38.1 cents a litre). It has been at this level since the indexation of petrol rates to the consumer price index (CPI) ceased in March 2001. Chart 8.7 shows the nominal tax rates on unleaded petrol in OECD countries as at 1 January 2005. Where countries levy more than one specific tax on unleaded petrol, the total combined rate is shown.

As Chart 8.7 indicates, Australia's rate of 38.1 cents a litre is the fourth lowest specific tax rate on unleaded petrol of the OECD-30 countries shown and is less than half the unweighted average rate of A\$0.839 per litre and below the weighted average rate of A\$0.584 per litre.

Chart 8.7: Unleaded petrol excise duty rates^(a)
 OECD-30, as at 1 January 2005



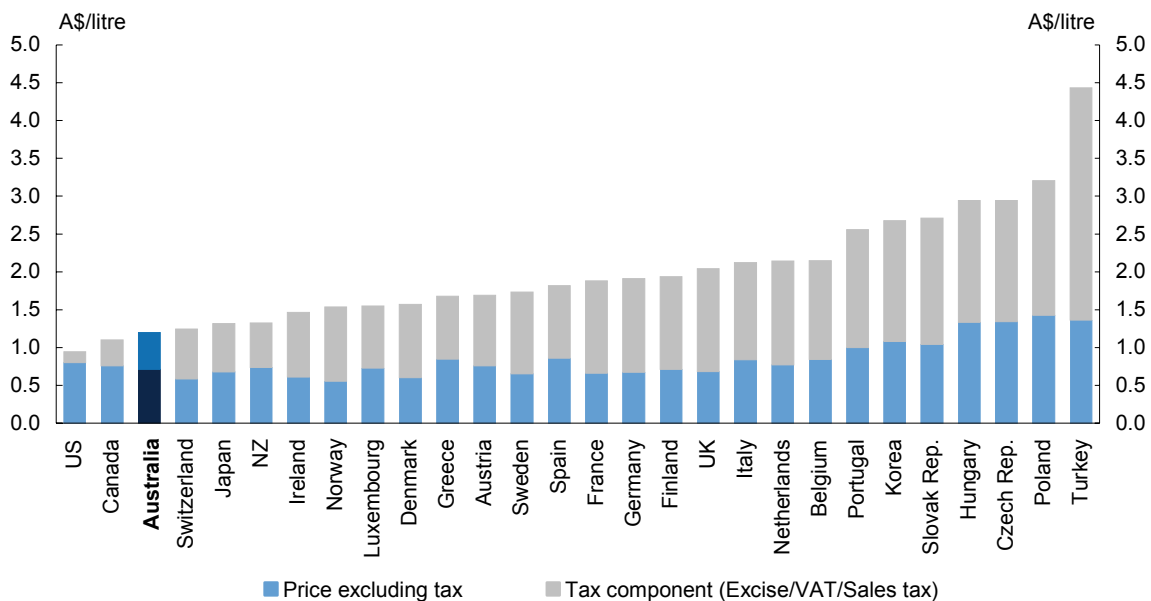
(a) Rates have been converted to Australian dollars using OECD Purchasing Power Parities. Mexico levies excise duty on unleaded petrol at an ad valorem rate. Hence, the rate per litre varies according to international petrol prices and is not included in the comparison.

(b) In Canada and the United States, both the federal governments and the state/provincial governments levy taxes on unleaded petrol. An average rate has been calculated for the States and Provinces by the OECD/European Environment Agency, and the combined rates are shown.

Source: Australian Treasury estimates based on OECD and European Environment Agency data.

Chart 8.8 combines the impact of specific taxes with the impact of general consumption taxes (VAT/GST/sales taxes covered earlier in this chapter) on unleaded petrol prices. Under this combined measure, which illustrates the total tax impost on consumers, the average (unweighted) level of tax included in petrol prices for the OECD countries shown was A\$1.148 per litre in the last quarter of 2005. In comparison, the level of tax included in unleaded petrol prices in Australia for this quarter was less than half this amount at A\$0.490 per litre – the third lowest of both the OECD-10 countries and the OECD-30 countries for which comparable data are available.

Chart 8.8: Unleaded petrol prices^(a)
OECD-30, Fourth quarter 2005

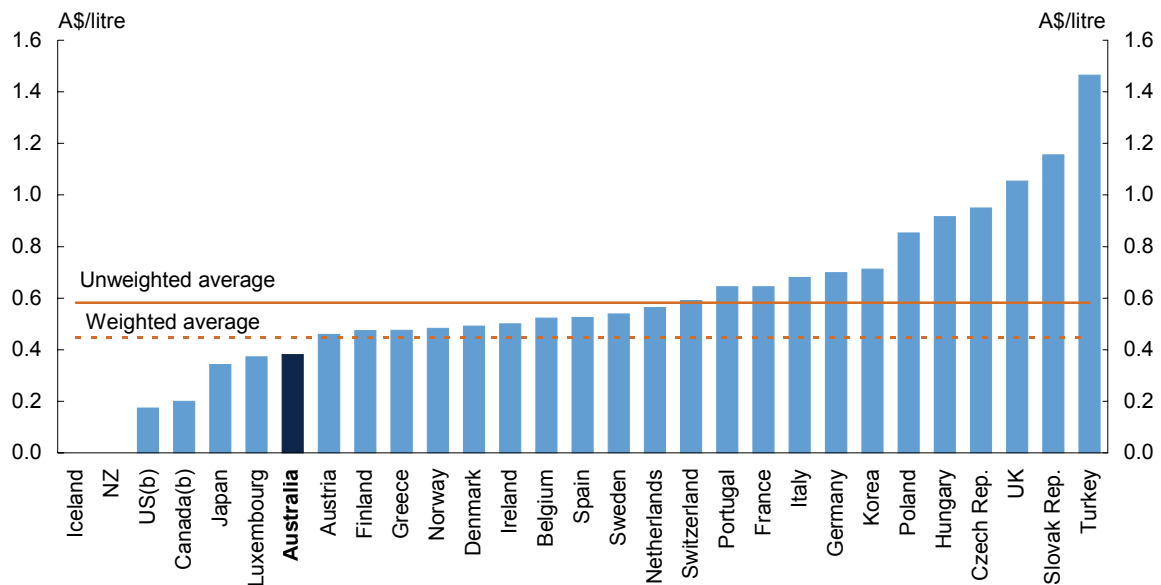


(a) Converted to Australian dollars using OECD Purchasing Power Parities. Data is for the fourth quarter of 2005 or the latest available. Data for Iceland and Mexico was not available.

Source: Australian Treasury estimates based on International Energy Agency data.

The following section considers the impact of fuel excises on diesel fuel. Chart 8.9 shows the specific tax rates on diesel in the OECD-30 (except Mexico) as at 1 January 2005. Australia's rate of diesel excise duty of A\$0.38143 per litre is below the OECD-30 average of A\$0.582 per litre, and is the fifth lowest of the OECD-10 and the seventh lowest of the OECD-30 countries for which comparable data are available.

Chart 8.9: Diesel excise duty rates^(a)
OECD-30, as at 1 January 2005



(a) Converted to Australian dollars using OECD Purchasing Power Parities. Mexico levies excise duty on diesel at an ad valorem rate. Hence, the rate per litre varies according to international diesel prices and is not included in the comparison.

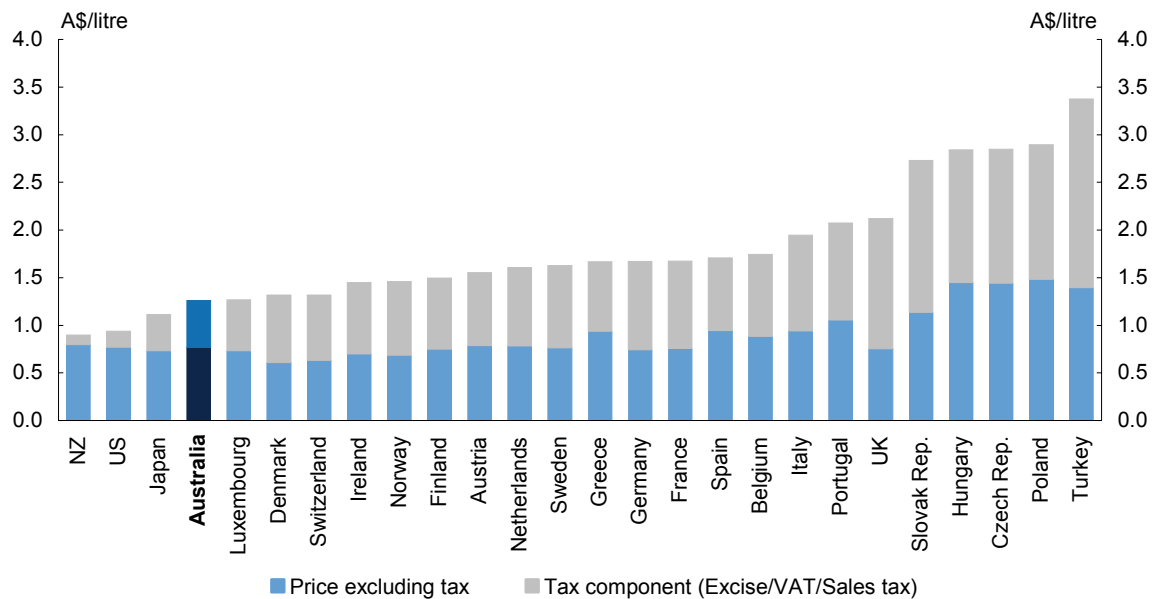
(b) In Canada and the United States, both the federal governments and the state/provincial governments levy taxes on diesel. An average rate has been calculated for the states and provinces by the OECD/European Environment Agency, and the combined rates are shown.

Source: Australian Treasury estimates based on OECD and European Environment Agency data.

Iceland and New Zealand do not levy specific taxes on diesel. However, both of these countries apply charges on the use of diesel vehicles. In New Zealand, users of untaxed fuels are required to purchase Road User Charge certificates, usually based on the distance travelled (except in certain off-road situations). Vehicles are charged on the basis of their loaded weight, for example, as at June 2005, a 2-tonne distance licence costs NZ\$31.41 per 1,000 km.

For the last quarter of 2005, the average level of tax (both GST and excise duty) included in the price of diesel (used for non-commercial purposes) in Australia was A\$0.496 per litre (Chart 8.10). This was the fourth lowest average level of tax for both the OECD-10 and all of the OECD-30 countries for which comparable data are available. It was below the average of A\$0.891 per litre. New Zealand is one of the countries that had a lower average level of tax, but this does not take into account its taxes on the use of diesel vehicles.

Chart 8.10: Diesel (non-commercial purposes) prices^(a)
OECD-30, Fourth quarter 2005



(a) Converted to Australian dollars using OECD Purchasing Power Parities. Data is for the fourth quarter of 2005 or the latest available. Data not available for Canada, Iceland, Korea and Mexico.
Source: Australian Treasury estimates based on International Energy Agency data.

In Australia, there is a federal government grant scheme that provides excise duty relief for diesel fuel used in certain eligible off-road activities, and for diesel fuel and prescribed alternative fuels used in eligible on-road transport. Eligibility for grants under this scheme is generally restricted to businesses.

Some Australian States and Territories also administer fuel subsidy schemes. These subsidies are generally paid directly to the fuel retailer with the expectation that it will be passed on to consumers through reduced prices.

Similarly, many countries provide exemption or refunds of the fuel taxes they impose for certain eligible users and/or activities. These are not generally as comprehensive as in Australia, often being largely restricted to agriculture. The United Kingdom also provides an excise duty rebate for diesel use other than in internal combustion engines.

Taxation of alcoholic beverages

Excise duties are generally applied to alcoholic beverages in two main ways: in relation to the alcoholic content of the product; on the basis of the value of the product; or sometimes both.

In Australia, the rates of excise duty for alcohol (other than wine) are adjusted every August and February in line with half yearly CPI movements. Rates on beer, wine and spirits are indexed yearly in New Zealand and rates for excise duties are usually increased in the annual Budget in the United Kingdom. On the other hand, rates of excise duty seem to increase rarely in the United States (federal excise duties), Canada and Japan.

Generally, beer, wine and spirits are considered as separate products under the broad category of alcoholic beverages. Appendix tables 8.2.1, 8.3.1 and 8.4.1 show the excise duties on beer, wine and spirits for the OECD-10.

These tables demonstrate the differing and complex calculation of excise duties on alcoholic beverages within these countries. It is difficult to draw an overall conclusion about the relative ranking of Australia's excise duties applied to alcoholic beverages.

Taxation of cigarettes

Appendix table 8.5.1 shows the rates of excise duty for cigarettes in the OECD-10. Half of the countries shown use a combination of a specific rate per stick and a rate on the basis of the value of the cigarette. In Australia, there is only a specific rate of excise per stick for cigarettes with less than eight grams of tobacco and, for cigarettes with eight grams or more of tobacco, a per kilogram excise on the tobacco.

Like rates of excise duty on alcoholic beverages (other than wine), rates on cigarettes are adjusted every August and February in line with half yearly CPI movements in Australia.

It is difficult to draw an overall conclusion about the relative ranking of Australia's excise duties applied to cigarettes because of the differing calculation of excise duties on cigarettes between countries.

Box 8.1: Gambling taxes

Gambling taxes are classified under the broad category of taxes on goods and services. Gambling taxes include taxes levied on gambling and betting stakes, and taxes on lottery tickets, electronic gaming machines, casinos, horse racing and football pools. These taxes are typically levied on either the value of investments (bets placed) or on the gross profit of the gambling operator (player loss).

Identifying revenues from these types of taxes in Revenue Statistics is problematic. While some countries attribute revenues to specific gambling taxes, some do not and it is not possible to verify if all gambling taxes levied by a country are separately reported. As a result of these data classification issues, comparisons of revenue from gambling taxes to GDP are not included in the report.

8.4.2 Customs duties

In Australia, customs duty is imposed either as a percentage of the value of the imported good or on a volumetric basis (where duty is applied per unit of quantity) for excise equivalent products (that is, goods which would attract excise if domestically produced).

Table 8.4 shows the rates of duty applying in Australia to passenger motor vehicles, textiles, clothing and footwear; and the general tariff rate applying to other dutiable goods.

Table 8.4: Tariff rates in Australia

	Applying before 1 January 2005 per cent	Applying from 1 January 2005 per cent	Applying from 11 May 2005 per cent
General tariff	5.0	5.0	5.0
Passenger motor vehicles	15.0	10.0	10.0
Textiles, clothing and footwear			
Clothing and finished textiles	25.0	17.5	17.5
Cotton sheeting, fabric, carpet and footwear	15.0	10.0	10.0
Sleeping bags, table linen and footwear parts	10.0	7.5	7.5
Tariff concession order			
Consumer goods	0.0	0.0	0.0
Other (business inputs)	3.0	3.0	0.0

Source: Pocket Brief to the Australian Tax System, Australian Treasury.

As discussed in Chapter 3, there are classification issues with customs duty revenue data. For the European Union countries, customs duty is treated as a supranational tax and is often excluded from the national tax burden. Where the customs impact is merely replicating a domestic excise duty, the OECD standard is to classify the customs duty revenue as excise duty. On the other hand, Australia is one country identified which does not transform its data in that way.

Box 8.2: Insurance taxes

Specific taxes on contracts of insurance fall under the broad category of taxes on goods and services. Most of the OECD-10 countries levy specific insurance taxes. Typically, these taxes are calculated as fixed percentage on the amount of premiums an insurer receives. Rates generally vary depending on the type of insurance risk covered by the contract.

Below are some examples of insurance tax rates for the OECD-10 countries. As comparable information on these taxes is not readily available for all OECD-10 countries, this is not a comprehensive list of insurance taxes and rates levied in these countries.

Table 8.5: Examples of insurance taxes in the OECD-10

	Insurance taxes levied	Example of insurance taxes
Australia	Yes	In Australia, the tax rates for premiums on general insurance range from 7.5 per cent (Queensland) to 11 per cent (South Australia).
Canada	Yes	In British Columbia, the tax rate for premiums on property and automobile insurance is 4.4 per cent.
Ireland	Yes	In Ireland, the tax rate on each insurer's 'assessable amount' of premium income for non-life insurance is 2 per cent.
Japan	-	-
Netherlands	Yes	In the Netherlands, the tax rate for premiums on insurance subject to the basic regime is 7 per cent.
New Zealand	-	-
Spain	Yes	In Spain, the tax rate for premiums on insurance subject to the basic regime is 6 per cent.
Switzerland	Yes	In Switzerland, the tax rate for premiums on insurance subject to the basic regime is 5 per cent.
United Kingdom	Yes	In the United Kingdom, the tax rate for premiums on insurance subject to the basic regime is 5 per cent.
United States	Yes	In California, the tax rate applied to insurers' 'gross premiums' is 2.35 per cent. ('Gross premiums' do not include premiums received for reinsurance and for ocean marine insurance.)

Source: Various, see Chapter 1 (1.4.1).

Of the OECD-10 countries, Australia, Japan and New Zealand apply VAT to certain insurance contracts. In Australia, GST applies to general insurance (not private health insurance or life insurance) and the 'decreasing adjustment method' ensures that only the insurer's margin is taxed, not the entire premium. The remaining OECD-10 countries that levy a VAT input tax (exempt) insurance. For countries that input tax insurance, it is difficult to determine the amount of embedded tax that is included in the price of insurance premiums.

The interactions between VAT, sales taxes and insurance taxes across the OECD-10 countries have not been fully explored here. As a result, an attempt to calculate the total tax burden on insurance premiums has not been undertaken.

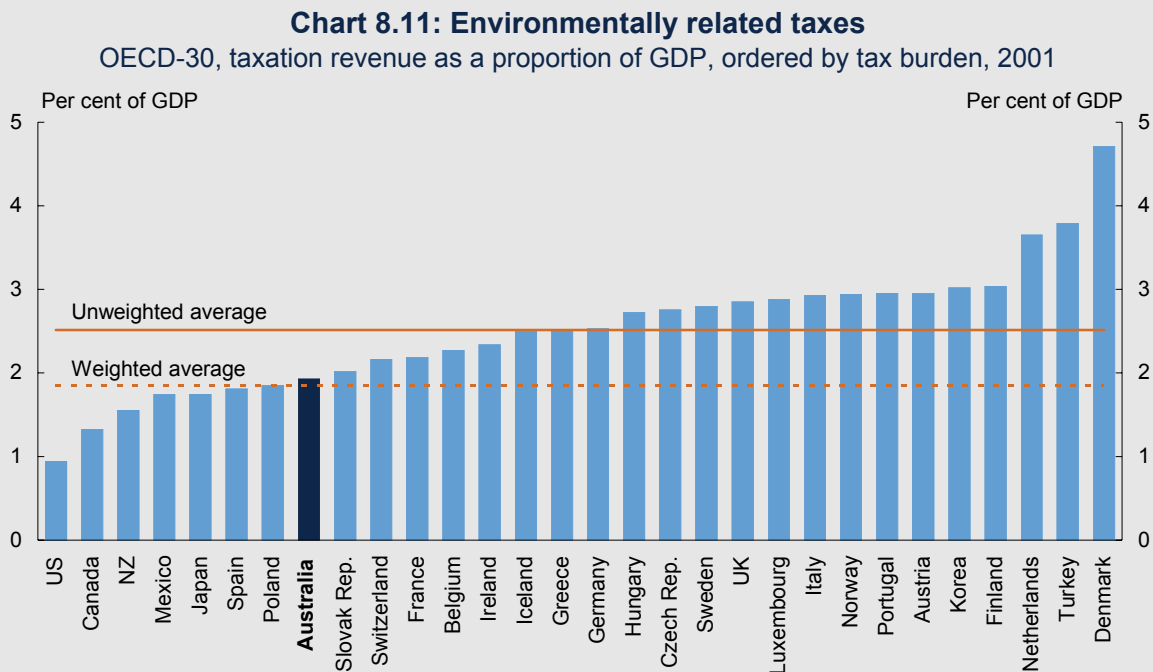
Box 8.3: Environment taxes

The OECD defines environmentally related taxes as any compulsory, unrequited payment made to general government levied on tax bases deemed to be of particular environmental relevance.⁴

Tax bases included in this definition are energy products, motor vehicles and transport, waste management, ozone depleting substances, as well as bases such as emissions to air and water, and certain non-point sources of water pollution.

This definition includes taxes that were not necessarily introduced with an environmental purpose.

Chart 8.11 shows total revenues from 'environmentally related taxes' for OECD countries in 2001.



Source: OECD Environmental Data, 2004.

In all OECD countries, the vast majority of the 'environmentally related taxes' are raised on energy products (mainly excises on motor fuels) and motor vehicle/transport tax bases.

While these bases do have high environmental relevance, it is not clear as to whether taxes on these products are influencing or are used to influence environmental outcomes. In Australia, revenue raising is the key objective of excise duty on fuels.

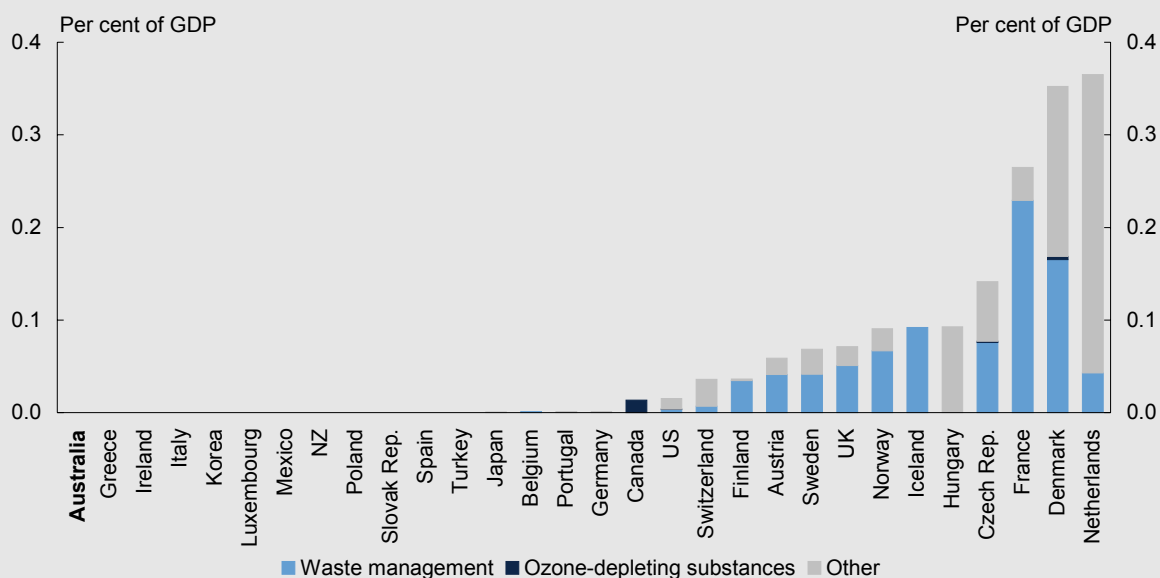
4 OECD Environmental Data 2004.

Box 8.3: Environment taxes (continued)

Taxes on the remaining bases, which could be argued to have a more direct influence on environmental issues/problems, are a small proportion of the 'environmentally related taxes' in all countries. Based on 2001 data, for both the OECD-30 and the OECD-10, about half of countries do impose specific environmental taxes and half do not, as indicated in Chart 8.12. It is known that many countries have introduced 'environmentally related taxes' since then.

Chart 8.12: Specific environmentally related taxes

OECD-30, taxation revenue as proportion of GDP, ordered by tax burden, 2001



Source: OECD Environmental Data, 2004.

From 1 January 2001, an excise duty of A\$0.05449 per litre has been levied on lubricants, oils and greases in Australia. While not formally hypothecated, the revenue raised from the excise duty (around A\$20 million per annum) offsets payments made to promote oil recycling under the Product Stewardship (Oil) scheme.

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APPENDIX 8.1: VALUE ADDED TAXES

Appendix table 8.1.1: Zero and reduced rates as at 1 January 2003 — OECD-30

Country	Zero rate (GST-free) ^(a)	Lower rate
Australia	Specific basic food and beverages, health, child care, religious services, supplies of going concerns, water, sewerage and drainage, certain supplies of transport and related matters, precious metals, international mail, grants of freehold and similar interests by governments, farm land, cars for use by people with disabilities, exports and consumption outside Australia, supplies through inwards duty-free shops, education, non-commercial activities of charitable institutions and raffles and bingos conducted by charitable institutions.	—
Austria	—	Agriculture, books, food, forestry, hospitals, newspapers, art, culture, letting transport, supply of wine by farmers (12 per cent).
Belgium	Cars for the handicapped, newspapers and certain weeklies.	Agriculture, food, water distribution, pharmaceuticals, books, works of art, collectors' items and antiques delivered by their authors/creators or their heirs, or imported, funeral services, devices for the handicapped, passenger transport, shows, hotels and camping sites, renovation of dwellings over five years old, private homes and establishments for the handicapped, subsidised institutional housing, coal and coke, some labour intensive services (small repair services).
Canada	Medicine, basic groceries, exports, certain financial services (usually to non-residents), certain agriculture and fishing products, medical devices, international travel and transport services, international organisations and officials, precious metals, (sales of 25 cents or less made through mechanical coin-operated devices).	—
Czech Republic ^(b)	—	Food, agricultural products, heating, personal transport, medicine, art, cultural service, laundry, books, newspapers, handicap equipment, most services.
Denmark	Newspapers	—
Finland	Subscribed newspapers and periodicals, printing services for certain membership publications, certain vessels.	Food, non-alcoholic drinks, animal feed, medicine, books, passenger transport, accommodation, TV licence, admission to cultural, entertainment and sporting events and cinema performances. Use of sports facilities. Works of art supplied by their creators or imported.
France	—	Medicine, handicap equipment, books, hotels, entertainment, Author's rights, museums, transport, accommodation, agriculture. Books, catering, newspapers, water, work on dwellings over two years old.
Germany	—	Food, books, newspapers, plants, flowers, devices for the handicapped, certain cultural events, museums, zoos, circuses. Charitable work if not exempt, author's rights, transport (only applies to passenger transport by ship and to local public transport).

Appendix table 8.1.1: Zero and reduced rates as at 1 January 2003 — OECD-30 (continued)

Country	Zero rate (GST-free) ^(a)	Lower rate
Greece	—	Electric energy, transport of passengers, food, water supply, medicine, handicap equipment, admission to shows, agricultural services, hotels, restaurants, sporting facilities, funeral services, authors and artists (if not exempt), books, press.
Hungary	Medicine for human consumption, books for public education, equipment for the blind and disabled (to be abolished on 1 January 2004).	Food, electric energy, books, equipment for the disabled, live animals, water, pharmaceutical products, mineral fuel for heating, newspapers, repairs of medical appliances, broadcasting, agricultural and fishery services, accommodation, transport, veterinary services, film services, art services, library services, bath services, funerals.
Iceland	International transport provisions, fuel and equipment delivered for use in ships and aircraft engaged in international traffic, ship-building.	Food, newspapers, books, hotels, warm water, electricity and fuel oil used for the heating of houses and swimming pools.
Ireland	Books, children's clothing and footwear, oral medicine, certain medical equipment, food products, seeds, fertiliser.	Newspapers and certain periodicals, fuel for certain purposes, electricity, works of art, veterinary services, agricultural services, car and boat hire, driving instruction, photographs, concrete, holiday accommodation, restaurant/hotel meals, building services, immovable goods, repair services, waste disposal, certain foods, tour guide services, admission to cinemas/certain musical performances and sporting facilities.
Italy	Scrap iron	Food, medicine and health products/services for the handicapped, telecommunications, housing, books, newspapers, weekly publications, combustible gas for home heating, urban waste, purification stations, renewable-source energy, works of art, shows and transport. Accommodation let by building enterprises (10 per cent).
Japan	—	—
Korea	Certain machinery and materials for agriculture, fishery, livestock and forestry, certain equipment for the handicapped.	—
Luxembourg	—	Accommodation, admission to cultural and sporting events, agriculture, author's rights, books, certain medical equipment, aids and other appliances normally intended to alleviate or treat disability, certain labour intensive services, children's clothing, construction of dwellings, electricity, foodstuffs for human and animal consumption, funeral services, gas, newspapers, passenger transport, periodicals, pharmaceutical products, renovation of dwellings over 20 years old, restaurant services, services, supplied in connection with refuse collection and waste treatment, use of sporting facilities, water, works of art delivered by their authors/creators or their heirs, or imported.
Mexico	Sale of non-processed animals and vegetables (including wood in pieces) except rubber, patent medicines, milk, water, ice, food except processed food, smoked salmon and caviar, agricultural equipment, machinery and fishing boats, the wholesale of gold, gold bullion and jewellery, some agricultural and fishing services, the letting of some agricultural machinery and equipment, the export of goods and services, the sale of books and newspapers edited by the taxpayer himself, the provision of the water supply service for domestic purposes.	Sale of goods and services in the border regions.

Appendix table 8.1.1: Zero and reduced rates as at 1 January 2003 — OECD-30 (continued)

Country	Zero rate (GST-free) ^(a)	Lower rate
Netherlands	—	Accommodation, agriculture, books, catering, food, goods and services for the handicapped, medicine, newspapers, magazines, passenger transport, water, entrance fees for sport events/amusement parks/museums/cinemas/zoos/circuses, restaurant/hotel meals, aids for the visually handicapped, use of sports accommodation, art and antiques, certain labour intensive services.
New Zealand	The supply of a taxable activity (business) as a going concern, the supply of fine metal (gold, silver or platinum) from a refiner in fine metal to a dealer in fine metal, the supply by a local authority of the local authorities petroleum tax (the distribution of the local authorities petroleum tax between local authorities).	For long-term stay in a commercial dwelling, certain services, if provided as part of the right to occupancy, are subject to tax at the standard rate on 60 per cent of the value of the supply (an effective lower rate on such services of 7.5 per cent).
Norway	Books, newspapers, certain aircraft and ships, transport services for ferrying vehicles, second-hand vehicles, electricity and district heating in the northern part of Norway, electric motor cars.	Food and public broadcasting (12 per cent).
Poland	Basic agricultural means of production, books and specialised magazines, sea rescue services, goods and services supplied on ferries, goods designated for fire protection.	Goods for children, basic building material, some construction services, some goods connected with health protection, musical instruments, catering services, passenger transport, building of bridges, highways, certain hotel and restaurant services.
Portugal	—	Five per cent: Essential foodstuff, water, medicine, devices for the handicapped, medical services (when not exempt), books, newspapers, electricity, passenger transport, admission to cultural and sporting events, natural gas, hotels and similar, social housing, some goods used in agriculture. Twelve per cent: Some other foodstuffs, restaurant services, diesel fuel for agriculture and heating oil, still wine, machinery mainly used in agricultural production, tools, machines and other equipment solely or mainly designed for collecting and using alternative energy sources.
Slovak Republic ^(c)	—	Live animals, food, non-alcoholic drinks, water, coal, peat and coke, thermal energy, electric energy, gas, heating, wood for fuel, pharmaceutical products, exercise books, books, newspapers, magazines and periodicals, art, equipment for the handicapped, medicine, agriculture, hunting, forestry, fishery services, distribution of water, gas fuels and electricity, repair of shoes, hotel services, transport, services related to broadcasting and the transmission of TV and radio signals, research and development, legal services, architectural and engineering services, laundry services, public administration and defence, education, health and social welfare services, cleaning of waste water and solid waste disposal, recreation, cultural and sports activities, funeral services, some building services and building materials, transfer, transition and letting of immovable property.
Spain	—	Books, social accommodation, catering, certain cultural and entertainment services, food (for human and animal consumption), hotels, restaurants, supplies to the handicapped, medicines and other medical devices (for example, lenses), transport, newspapers, public amenities, burial services, agriculture and forestry products used as food, goods used in agricultural and forestry undertakings, including flowers and plants, hairdressing and complementary services, minor work on private housing, cleaning, waste treatment, cleaning of public sewage, water, private and social housing, the supply of cleaning and maintenance services.
Sweden	Commercial aircraft and ships, aircraft fuel, prescribed medicine, printing of certain membership publications.	Accommodation, food, passenger transport, ski-lifts, newspapers, works of art owned by the originator, import of antiques, collector's items and works of art, culture (theatre, cinema, etcetera), author's rights, books, newspapers, magazines, zoos, commercial sports events, commercial museums.

Appendix table 8.1.1: Zero and reduced rates as at 1 January 2003 OECD-30 (continued)

Country	Zero rate (GST-free) ^(a)	Lower rate
Switzerland	Certain supplies of goods and services to international airlines, supplies of some specific sorts of gold.	Water, food, medicine, books, newspapers, non-commercial television, accommodation, certain supplies in connection with agricultural production.
Turkey	—	Agricultural products, leasing, second-hand cars, newspapers, books, magazines, basic foodstuffs, natural gas, cinema, theatre, opera, ballet and education.
United Kingdom	Certain services and goods supplied to charities, children's clothing, food, passenger transport, books, newspapers, domestic sewage and water, prescribed drugs, medicine, certain aids and services for disabled people, new housing, residential and some charity buildings, alterations to listed buildings.	Fuel and power for domestic and charity use (5 per cent). Certain energy saving materials supplied together with fitting services to recipient of 'Passport Benefits'.

(a) Exports of goods, intangibles and services are generally zero rated in all OECD countries.

(b) In Czech Republic a higher rate applies to cars, TV, washing machines, jewellery, road transport of goods, services of tourist agencies, accommodation, restaurant, repairs.

(c) Slovak Republic no longer apply reduced rates.

Source: OECD *Consumption Tax Trends*, 2004.

Appendix table 8.1.2: VAT exemptions as at 1 January 2003 — OECD-30

Taxation of 'standard exemptions' ^(a)	
Country	Exemptions
Australia	Financial services, residential rent and premises, certain supplies of precious metals, school canteens operated by non-profit bodies, fund raising events conducted by charitable institutions.
Austria	—
Belgium	Legal services (including public notaries and bailiffs).
Canada	Child care legal aid, ferry, road and bridge tolls, standard government services.
Czech Republic	Public television and radio, supplies of enterprises.
Denmark	Passenger transport, burials, products of artistic work, travel agents.
Finland	Services of performers, copyright to literary and artistic works, certain transactions by blind people, public cemetery services, self-picked natural berries.
France	Construction, improvement, repair and maintenance work on monuments, cemeteries and graves commemorating war victims undertaken for public authorities and non-profit bodies, new industrial waste and recyclable material, commodity futures transactions carried out on a regulated market, services rendered by resource consortia to their members composed of natural or legal persons that are VAT exempt or not subject to VAT.
Germany	—
Greece	Legal services, authors' rights, artists' services, public radio and TV, supply of water by public bodies.
Hungary	Public radio and TV broadcasting, mass sports events, services rendered by intermediaries (in case of exempt supply of goods and services), lending of buildings for education, sport and cultural purposes, transfer of creditors and ownership rights, compulsory social security insurance, public administration.
Iceland	Sports, passenger transport, authors, composers, burials, travel agents.
Ireland	Passenger transport, broadcasting, supply of water by public authorities, admissions to sporting events, child care, funeral undertaking, travel agents/tour operators.
Italy	Municipal passenger transport, burials.
Japan	Social welfare services, sale of certain kinds of equipment for the physically handicapped, public services, securities.
	Domestic postal services, sporting services, cultural services excluding religious services (zero rate), insurance and reinsurance excluding health insurance (zero rate), gambling (including lottery tickets and betting), supplies of land and buildings (except certain supplies of farm land — zero rate), commercial property and new residential property (except certain supplies of commercial property where an enterprise is continuing its operation).
	Letting (private housing)
	—
	Lotteries and gambling, supply and leasing of commercial land and buildings, domestic postal services.
	Cultural services
	Theatre and cinema
	Postal services, cultural services, letting of commercial buildings in certain cases (optional).
	Letting of immovable property, full taxation for letting of developed immovable property and land for professional use, option to tax for letting of undeveloped immovable property for professional use in certain circumstances and letting of land and buildings for agricultural use, transport services for sick/injured persons in vehicles not specially equipped for this purpose and/or carried out by persons who do not have administrative certification.
	—
	Cultural services (under conditions — admission to theatres, cinemas, concerts, etc: lower rate).
	Safe transactions, dental care, transport of sick or injured person when not part of the human medical care, the letting of immovable property which is not for housing purposes is taxed at 25 per cent, supply of buildings and land is taxed if it is not for housing purposes.
	—
	Long-term letting of commercial immovable property, supply of land and buildings.
	Supply and letting of commercial land and buildings (standard rate). Residential housing taxed only when let by building enterprises (at lower rate of 10 per cent).
	Hospital and medical care, education, insurance and reinsurance, financial services, supply of land.

Appendix table 8.1.2: VAT exemptions as at 1 January 2003 — OECD-30 (continued)

Country		Taxation of 'standard exemptions' ^(a)	
Exemptions			
Korea	Certain public transport, supply of water and coal, mineral oil used for certain purposes in agriculture and fishery, funeral undertaking, certain personal services similar to labour.		Rental and supply of commercial buildings, commercial cultural services, gambling in licensed clubs.
Luxembourg	—		—
Mexico	Standard exemptions, magazines, gold and silver coins and shares, foreign currency, retailing of gold bullion, authors' rights, public transport of passengers by land, agriculture, forestry and fishing activities.		Postal and insurance services except life and agricultural insurance, letting of commercial buildings and financial services for consumer credits and personal credits.
Netherlands	Standard exemptions, burials, cremations, public broadcasting, sports clubs, the services of composers, writers and journalists.		Cultural services (mostly lower rate), letting of immovable property other than houses (only at combined request by letter and hirer), supply of immovable property (only at the combined request of supplier and purchaser), the use of sports accommodation.
New Zealand	—		Postal services, human blood, tissues and organs, hospital and medical care, transport of sick/injured persons, dental care, charitable work, certain fund raising events, education, non-commercial activities of non-profit making organisations (other than unconditional gifts), cultural services, sporting services, insurance and reinsurance (other than life insurance and reinsurance), letting of immovable property (other than residential accommodation), betting, lotteries and gambling, supply of land and buildings (other than land and buildings which have been used for the provision of residential accommodation for five years or more).
Norway	Passenger transport, burials, accommodation in hotels.		Postal services
Poland	Agricultural services, taxi services, research and development services, funeral, cremation and cemetery services, public broadcasting, public television and radio, certain veterinary services.		Pawn activity except for service provided by banks, rental or tenancy of the dwelling immovable property used for commercial purposes.
Portugal	Agriculture		—
Slovak Republic	Public television and radio.		—
Spain	Copyright to literature and works of art.		Some cultural services provided consumers pay for them.
Sweden	Public television and radio, authors' rights, public cemetery services, social services.		Postal services, most cultural services, letting of commercial buildings in certain cases (optional).
Switzerland	Taking care of children and young people under certain conditions, social services, social security services, provision of agency workers under certain conditions, certain second-hand goods.		Parking for cars unless additional to renting out of real estate, renting out of areas and individual rooms at fairs, certain bank services, provision of prosthesis and orthopaedic equipment.
Turkey	Deliveries and repairs of maritime, aircraft or railway transport vehicles used for business activities, social services, water used in agriculture.		Educational and cultural services, newspapers, books, magazines (lower rate), postal services, sale of commercial buildings, letting, radio and television broadcasting, hospitals, lotteries and gambling.
United Kingdom	Burials and cremations, sports competitions, certain luxury hospital care.		The freehold sales of new commercial buildings (standard rated for three years from completion date) and 'option to tax' for other ordinarily exempted supplies of commercial buildings, gaming machines and certain gambling in licensed clubs.

(a) 'Standard exemptions' are the following: postal services, transport of sick/injured persons, hospital and medical care, human blood, tissues and organs, dental care, charitable work, education, non-commercial activities of non-profit making organisations, sporting services, cultural services (except radio and television broadcasting), insurance and reinsurance, letting of immovable property, financial services, betting, lotteries and gambling, supply of land and buildings, supply of land and buildings, certain fund-raising events.

Source: OECD *Consumption Tax Trends*, 2004.

APPENDIX 8.2: TAXATION OF BEER

Appendix table 8.2.1: Taxation of beer — OECD-10

	Specific excise duty per hectolitre per degree Plato		Specific excise duty per hectolitre per degree alcohol		VAT rate		Excise duty on low alcohol (under 2.8 per cent alcohol by volume) beer		Other features of the excise duty system on beer	
	National currency	A\$	National currency	A\$	Per cent	National currency	A\$	Excise rates progressive by strength	Low rates for small producers	
Australia	See note		See note		10.00			Yes	Yes - see note	
Canada			27.99	30.37	7 or 15	See note		Yes	No	
Ireland			19.87	26.47	21.00	See note		No	No	
Japan			See note		5.00			No	No	
Netherlands	2.10	3.08			19.00			Yes	Yes	
New Zealand			See note		12.50	See note		No	No	
Spain	See note				16.00			No	No	
Switzerland	24.75	18.64	See note		7.60	See note		No	No	
United Kingdom			11.89	25.99	17.50			No	Yes	
United States			21.00	28.37	-			No	Yes	

Source: OECD *Consumption Tax Trends*, 2004.

Notes:

Australia

As at 1 January 2003, the excise duty rates for beer in individual containers not exceeding 48 litres are:

- (a) A\$29.36 per litre of alcohol where volume of alcohol does not exceed 3 per cent; and
 (b) A\$34.22 where volume of alcohol exceeds 3 per cent but does not exceed 3.5 per cent or exceeds 3.5 per cent.

The rates for beer in individual containers exceeding 48 litres are:

- (c) A\$5.86 per litre of alcohol where volume of alcohol does not exceed 3 per cent;
 (d) A\$18.41 where volume of alcohol exceeds 3 per cent but not 3.5 per cent; and
 (e) A\$24.09 where volume of alcohol exceeds 3.5 per cent.

Each rate is calculated on the amount by which the alcohol content (by volume) exceeds 1.15 per cent. Beer that does not contain more than 1.15 per cent by volume of alcohol is free of excise duty. Though a microbrewery pays excise duty at the required rates, refunds are available to microbreweries meeting certain requirements.

Canada

Excise duty rates are as follows per hectolitre of product:

- (a) over 2.5 per cent vol — C\$27.985;
 (b) over 1.2 per cent vol but not more than 2.5 per cent vol — C\$13.99; and
 (c) 1.2 per cent vol or less — C\$2.591.

Ireland

Excise duty rate nil below 1.5 per cent ABV.

Japan

Excise duty rates are ¥22,200 per hectolitre of product.

Netherlands

For beer that is sold usually, that is, beer of 12 degree Plato is in the range 11-15 degree Plato (€25.11: 12 = €2.10 per degree Plato).

Excise duty rates are as follows per hectolitre of product:

- (a) up to 7 degree Plato €5.50;
- (b) 7-11 degree Plato €18.84;
- (c) 11-15 degree Plato €25.11; and
- (d) over 15 degree Plato €31.40.

Rates for small breweries (annual production up to 200,000 hl) are as follows:

- (e) up to 7 degree Plato the above mentioned rate;
- (f) 7-11 degree Plato €17.43;
- (g) 11-15 degree Plato €23.23; and
- (h) over 15 degree Plato €29.05.

For beer with an alcohol content of 0.5 per cent, the VAT rate is 6 per cent.

New Zealand

The excise duty rate for beer containing more than 2.5 per cent vol is NZ\$21.647 per litre of alcohol in finished product.

The rate for beer containing more than 1.15 per cent vol but not more than 2.5 per cent vol is NZ\$32.465 per hl of product. There is no excise duty on beer containing less than 1.15 per cent vol.

Spain

Beer with an alcoholic content not exceeding 1.2 per cent vol is free of excise duty.

The rate for beer between 1.2 per cent and 2.8 per cent is €2.32 per hl; beer with an alcoholic degree > 2.8 per cent and a degree Plato < 11 = €5.34/hl; beer with a degree Plato > 11 and not > 15 = €8.38/hl; beer with a degree Plato > 15 and not > 19 = €11.43/hl; beer with a degree Plato > 19 = €0.77 per hl and per degree Plato. There is no tax on beer in Ceuta and Melilla — Spanish cities situated in the North of Africa.

Switzerland

Uniform rate for all beers from 0.5 to 15.0 degrees alcohol.

United Kingdom

Beer with an alcoholic content not exceeding 1.2 per cent vol is free of excise duty.

Reduced duty rates apply for independent breweries producing no more than 30,000 hectolitres. For breweries producing between 5,000-30,000 hectolitres an arithmetic formula is used to determine the rate.

United States

The weighted average Federal and State excise tax rate is US\$21 per hectolitre of product. The Federal tax is US\$18 per barrel (31 gallons). (26.42 US gallons = 1 hectolitre.) Small domestic brewers who produce less than 2 million barrels of beer per calendar year pay US\$7 per barrel on the first 60,000 barrels. There is no progressive rate structure based on alcohol content and no Federal VAT. However, in the majority of States, sales taxes apply.

APPENDIX 8.3: TAXATION OF WINE

Appendix table 8.3.1: Taxation of wine — OECD-10

	Still wine			Sparkling wine			Low-alcohol (still) wine (< 8.5 per cent alc)		
	Excise per hectolitre of product		VAT per cent	Excise per hectolitre of product		VAT per cent	Excise per hectolitre of product		VAT per cent
	National currency	A\$	per cent	National currency	A\$	per cent	National currency	A\$	per cent
Australia	See note		10.0	See note		10.0	See note		10.0
Canada	51.22	55.58	7 or 15	51.22	55.58	7 or 15	See note		7 or 15
Ireland	273.00	363.73	21.0	546.01	727.47	21.0	See note		21.0
Japan	5,650.00	54.86	5.0	5,650.00	54.86	5.0	90.98	121.22	
Netherlands	59.02	86.67	19.0	201.24	295.52	19.0	29.51	43.33	19.0
New Zealand	See note		12.5	See note		12.5	See note		12.5
Spain			16.0			16.0			
Switzerland			7.6			7.6			7.6
United Kingdom	154.37	337.47	17.5	220.54	482.12	17.5			
United States	45.00	60.80	-	113.00	152.66	-	See note		-

Source: OECD Consumption Tax Trends, 2004.

Notes:

Australia

No distinction is made between still, sparkling or low alcohol wine, all are taxed at 10 per cent by the Goods and Services Tax (GST) and all are liable for the Wine Equalisation Tax (WET). The WET was introduced on 1 July 2000 to replace the difference between the previous 41 per cent wholesale sales tax and the GST of 10 per cent. The WET is levied at 29 per cent of the wholesale value. The WET applies to the following alcoholic products provided they contain more than 1.15 per cent by volume of ethyl alcohol:

- (a) grape wine;
- (b) grape wine products such as marsala, vermouth, wine cocktails and creams;
- (c) fruit wines or vegetable wines; and
- (d) cider, perry, mead and sake.

From 1 October, 2004, a rebate of WET applies to the first A\$1 million of wholesale sales value of production for each producer. The State Governments will also operate separate rebate/subsidy schemes in limited circumstances for cellar door sales.

Canada

A rate of C\$0.5122 per litre applies to wine with an alcohol vol of more than 7 per cent absolute ethyl alcohol by vol. The rate is C\$0.2459 per litre on wine of more than 1.2 per cent absolute ethyl alcohol by vol, but not more than 7 per cent; and for all wine with 1.2 per cent vol or less the rate is C\$0.0205 per litre.

Ireland

The rate for low alcohol wine applies to wine with an alcoholic content of less than 5.5 per cent vol.

Netherlands

Excise duty rate for low alcohol sparkling wine is €38.16. For low alcohol wine < 5 per cent, the VAT rate is 6 per cent.

New Zealand

The excise duty rate for grape wine is NZ\$216.47 per hectolitre of product.

Spain

Intermediate products — products to which distilled alcohol has been added — and with a vol of alcoholic degree between 1.2 per cent vol and less than 22 per cent are taxed according to the following rates:

- (a) alcoholic degree > 1.2 per cent and less than 15 per cent = €27.50 per hl; and
- (b) others = €45.83 per hl.

United Kingdom

Reduced excise duty rates for lower strength drinks (wine categories) are as follows:

- (a) exceeding 1.2 per cent — not exceeding 4 per cent alcohol by vol = £47.58 per hl;
- (b) exceeding 4 per cent — not exceeding 5.5 per cent alcohol by vol = £65.42 per hl; and
- (c) low strength sparkling wine exceeding 5.5 per cent — less than 8.5 per cent = £166.70 per hl.

There is also a rate of duty in the band exceeding 15 per cent but not exceeding 22 per cent: £208.52 per hl (wine and made wine). The United Kingdom also charges excise duty on cider and perry products.

The following rates per hl applied on 1 January 2003:

- (d) exceeding 1.2 per cent but not exceeding 7.5 per cent: £25.61;
 - (e) exceeding 7.5 per cent but less than 8.5 per cent: £38.43; and
 - (f) sparkling wine and perry — exceeding 5.5 per cent but less than 8.5 per cent: £166.70.
- Any still cider product which has a strength of 8.5 per cent and over is dutied as a made wine.

United States

The weighted average Federal and State excise tax rate is US\$45 per hectolitre of product for still wine up to 14 per cent vol, and US\$113 for sparkling wine.

The Federal excise tax rates are as follows:

- (a) up to 14 per cent vol US\$1.07 per gallon;
- (b) 14 per cent — 21 per cent vol US\$1.57 per gallon;
- (c) 21 per cent — 24 per cent vol US\$3.15 per gallon;
- (d) artificially carbonated wine US\$3.30 per gallon; and
- (e) sparkling wine US\$3.40 per gallon (26.42 US gallons = 1 hectolitre.)

There is no Federal VAT, however, in the majority of States, sales taxes apply.

APPENDIX 8.4: TAXATION OF ALCOHOLIC BEVERAGES

Appendix table 8.4.1: Taxation of alcoholic beverages — OECD-10

	Excise duty		Tax per hectolitre of absolute alcohol		Small distillery rate
	National currency	A\$	VAT (per cent)		
Australia	See note		10.0		No
Canada	1,106.60	1,200.82	7 or 15		No
Ireland	3,925.00	5,229.46	21.0		No
Japan	See note		5.0		No
Netherlands	1,775.00	2,606.55	19.0		No
New Zealand	2,164.70	1,990.82	12.5		No
Spain	685.15	1,247.49	16.0		Yes
Switzerland	2,900.00	2,183.89	7.6		No
United Kingdom	1,956.00	4,275.98	17.5		No
United States	920.00	1,242.92	-		No

Source: OECD *Consumption Tax Trends*, 2004.

Notes:

Australia

As at 1 January 2003, the excise duty rate of A\$57.97 per litre of alcohol is applied to fruit brandy, whisky, rum, liquors and other excisable beverages (but not beer) of alcoholic strength exceeding 10 per cent. Brandy attracted the rate of A\$54.13 per litre of alcohol and a lower rate of A\$34.22 per litre of alcohol applied to other excisable beverages (but not beer) of alcoholic strength not exceeding 10 per cent.

Canada

Spirits are subject to excise duty at the rate of C\$11.066 per litre of absolute ethyl alcohol by volume. Spirits containing not more than 7 per cent absolute ethyl alcohol by volume are subject to excise duty at the rate of C\$0.2459 per litre.

Ireland

Reduced rate of excise duty on spirits with an alcoholic content under 5.5 per cent abolished from 5 December 2002.

Japan

Excise duty rates are as follows:

- (a) Whisky and brandy (40 per cent vol.) ¥40,900;
- (b) Spirits (37 per cent vol.) ¥36,718.8;
- (c) Shochu Group A and B (25 per cent vol.) ¥24,810.

Netherlands

For low alcohol spirits with an alcoholic content < 1.2 per cent, the VAT rate is 6 per cent.

New Zealand

For alcoholic beverages with 0-14 per cent alcoholic content, the excise duty rate is NZ\$2,164.7 per hectolitre of absolute alcohol. For alcoholic beverages above 14 per cent in alcoholic content, the excise duty rate is NZ\$3,942.6 per hectolitre of absolute alcohol (with the exception of unfortified wine and vermouth which has the rate of NZ\$216.47 per hectolitre of product).

Spain

The excise duty rate in the Canary Islands is €494.06 per hl of pure alcohol. There is a special regime for small distilleries for which the rate is €599.57 per hl (or €466.82 in the Canary Islands).

Switzerland

Weighted average rate.

United Kingdom

All drinks over 22 per cent are dutied as spirits.

United States

The weighted average Federal and State excise tax rate is US\$920 per hectolitre. The Federal excise tax rate is US\$13.50 per proof gallon in 2003. A proof gallon is a US gallon (3.785 litres) containing 50 per cent alcohol. There is no Federal VAT, however, in the majority of States, sales taxes apply.

APPENDIX 8.5: TAXATION OF CIGARETTES

Appendix table 8.5.1: Taxation of cigarettes — OECD-10

	Cigarettes			
	Specific excise per 1,000 National currency	A\$	Excise on value (per cent of RSP)(a)	VAT (per cent)
Australia	215.24	215.24	0.0	10.0
Canada	79.25	86.00	na	7 or 15
Ireland	124.94	166.46	18.5	21.0
Japan	7,072.00	68.67	0.0	5.0
Netherlands	53.27	78.23	20.5	19.0
New Zealand	263.41	242.25	0.0	12.5
Spain	3.00	5.46	54.0	16.0
Switzerland	72.00	54.22	53.8	7.6
United Kingdom	94.24	206.02	22.0	17.5
United States	See note			

(a) RSP — Retail selling price.

Source: OECD *Consumption Tax Trends*, 2004.

Notes:

Australia

The taxation of cigarettes applies a per stick rate if tobacco content per stick does not exceed 0.8g. Where the tobacco content exceeds 0.8g per stick, the excise duty rate is A\$269.05 per kg.

Canada

Provinces add their own taxes on tobacco products. For cigarettes, these range between C\$103 and C\$210 per thousand. Some provinces also apply an *ad valorem* tax.

Japan

The tax consists of a national element, a prefectural element and a municipal element.

New Zealand

The rate shown for cigarettes is the rate of 1,000 pieces not exceeding 0.8 kg in actual tobacco content. Cigarettes exceeding 0.8 kg in actual tobacco content per 1,000 are taxed as cigars. Excise duty rate for cigars is NZ\$329.27 per 1kg of tobacco content of cigars.

United States

State taxes vary widely. The weighted average of Federal and State taxes on a pack of cigarettes was US\$0.87 in 2002. Payment under the 1998 Master Settlement Agreement between tobacco companies and the individual States have been estimated to add another US\$0.45 per pack. In 2003, Federal specific excise tax rates on tobacco were: US\$19.50 per thousand for small cigarettes (no more than 3 pounds per thousand); US\$40.95 per thousand for large cigarettes. There is no Federal VAT.