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**Excise Tax Harmonisation in Australia at  
Federation**

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## Excise Tax Harmonisation in Australia at Federation

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### Abstract

The constitutional changes imposed on the States at the time of Federation in Australia required the harmonisation of the excise tax rates of the former colonies as well as the harmonisation of rates of tariff duty. Each Colony had its own excise rate system. Excise rates were a major source of revenue for the Colonies and for the Commonwealth but the harmonisation of the excise duty rates has not been studied. This paper outlines the excise tax systems of the Colonies before Federation and that of the Commonwealth after Federation. Estimates are made of the consumer tax equivalent rates and of the rates of protection which were implicit in the excise cum tariff systems in each Colony before Federation and in the Commonwealth after Federation. I find that the Commonwealth government harmonised the excise tax rates of the colonies at about the mid-points of the rates of the Colonies. The implicit rates of protection, however, increased after Federation because the higher customs duty rates were combined with the constant excise duty rates. The paper also traces how the Commonwealth excise tax system evolved from the colonial systems of excise taxation.

Key Words: harmonisation, consumer tax equivalents, implicit rates of protection, Federation

JEL Code: N1, H1, H2, H7

## 1. Introduction

The constitutional changes imposed at the time of Federation in 1901 on all of the six States of the Commonwealth of Australia included the harmonisation of the tariff rates of the former six Colonies, accompanied by the abolition of tariffs on trade between the States. These two changes are described as the formation of a customs union. Economic historians have analysed these events in Australia in terms of the formation of a customs union (for example, Forster, 1977 and Irwin, 2006). They were a major part of the constitutional changes at that time.

The harmonisation of tax rates, however, extended to the harmonisation of excise taxes<sup>1</sup> as the Commonwealth gained exclusive power over these taxes too. This harmonisation is important as it determined the levels of the excise taxes which were to apply in the Commonwealth. Excise taxes were a major source of revenue for the Colonies and the Commonwealth and the level of these taxes was a part of the calculation of the combined tariff and excise revenue which was required to finance the expenses of the Commonwealth and State Governments after Federation. Yet, there has been no description at all of the harmonisation of excise rates. We do not even know if the rates were harmonised upwards or downwards. In addition, there are important interactions between the tariffs and excise duties on individual commodities which affected the level of protection provided by tariffs at the time of Federation and the revenues collected from customs and excise duties.

This paper seeks to describe the harmonisation of excise taxes among the Colonies at the time of Federation and to analyse its effects. Section 2 outlines the excise tax systems in each of the six colonies before Federation. This Section also examines the interactions between the tariff system and the excise taxation system of each Colony. Estimates are made of the rates of protection on excisable goods which were imported into each Colony before Federation and of the consumer tax equivalent rates. Section 3 examines the change in excise rates at Federation. Estimates are again made of the rates of protection on excisable goods which were imported into the Commonwealth and the consumer equivalent tax rates. The tax

revenues from the excise system itself are re-evaluated. Finally, Section 4 traces how the Commonwealth excise systems evolved from the colonial systems of excise taxation.

## 2. The excise tax systems of the Colonies

From 1800 onwards, first in New South Wales and Van Diemen's Land<sup>2</sup> (Tasmania), tariffs on certain imports were introduced as a major source of revenue (LaNauze, 1948). The main items subject to tariffs were spirits and beer but tobacco and some other products were also taxed. New South Wales introduced an excise tax on spirits produced locally ("colonial spirits") in 1819. This tax applied also to the areas of Victoria, Queensland and Tasmania which were then part of the Colony of New South Wales. South Australia introduced an excise tax on spirits in 1842<sup>3</sup>. Tasmania and Western Australia were the last colonies to introduce excise taxes and then only on beer<sup>4</sup>. Tasmania did so in 1880 and Western Australia in 1898, shortly before Federation. The high rates of import duty in all colonies had encouraged local production of beer and spirits and later tobacco and tobacco products to set up. Excise taxes were presumably introduced to prevent the tariff revenue from being undermined. The commodity coverage of products subject to excise taxation increased as domestic production of goods expanded in the Colonies. Hence, at the time of Federation, each of the six Colonies had its own distinct excise rate system.

Table 1 sets out the products subject to excise taxation in each of the colonies and the excise tax rates in 1900, immediately before Federation. Across all of the colonies, only two product groups were subject to excise taxation; alcoholic beverages, and tobacco and tobacco products. These taxes were revenue taxes, levied on two product groups which were regarded as luxuries. This system was borrowed from the taxation of these goods by means of excise taxes levied on the producers in Great Britain where it had operated for centuries<sup>5</sup>. In the alcoholic beverages group, beer and individual spirits were subject to different rates in each Colony. No excise duties were imposed on wine in any of the colonies, although wine was produced in all of the colonies except Tasmania at that time. In this respect too the colonies appear to have followed practice in Great Britain, which was not at the time a wine producer. In the Tobacco and Tobacco Products group, rates also varied among the products. All of the tax rates were specific.

New South Wales and Victoria had the most comprehensive commodity coverage of goods subject to excise taxation. Western Australia, South Australia and Tasmania levied no excise on Tobacco and Tobacco Products as there was no production of tobacco or tobacco products in these colonies. Western Australia and Tasmania levied no excise on spirits.

While the rates, where they existed, varied from colony to colony, they were within a moderately narrow range. The rates on beer ranged from twopence in South Australia and Western Australia to four pence in Tasmania. The rates on spirits ranged from eight shillings in South Australia to 14 shillings in New South Wales. In the group of Tobacco and Tobacco Products, the rates on cigarettes, the main source of revenue within the group, ranged from 1 shilling and sixpence in Victoria to two shillings and sixpence in New South Wales. New South Wales had the highest rates in all three headings, apart from the extra one penny on beer in Tasmania.

When a good is subject to an excise tax, the like good when imported is subject to a customs tariff. This system of excise cum customs taxation imposes a set of taxes that are based on quantities consumed of the products. However, the rates of customs duties which were levied on imported products were generally higher than the rates of excise duties levied on the home-produced product.

Table 2 sets out for each Colony the customs duties levied on imports of those products which were subject to excise duties in the year 1900. Each Colony had its own set of tariff rates on these products, as on other products. In each Colony these rates applied to imports from other Colonies and from other countries alike, except that in South Australia the rates of duty on beer and spirits imported from other Colonies were substantially less than the rates on imports from other countries.

One can compare the rates of customs duty with the rate of excise duty in each Colony for those products which were subject to excise taxation. The descriptions of tariff items differ in many cases from the descriptions of the excise items but, with only minor discrepancies, the items can be matched. With only one exception, the rates of customs duty were higher than the corresponding rates of excise duty. The exception is the taxation of spirits in New South Wales where the rates of excise duty and customs duty were the same. In no case was the rate of customs duty less than the corresponding rate of excise duty.

When the rate of customs duty is higher than the rate of excise duty on the like product, the difference is a margin of protection for the local producers in that Colony over producers in other countries and in other colonies.<sup>6</sup> This protective margin can be converted to an ad valorem equivalent of the specific duty by dividing the margin per unit of quantity in the year concerned by the unit value (price) of the imports in the same year. These rates measure the deviations of prices from free trade prices in percentage terms and they are comparable to ad valorem customs duty rates.

Table 3 reports these calculations for the year 1900 for all Colonies. This table shows these excisable products in general received substantial but variable rates of protection from the operation of the excise/tariff system. The notable exception is Spirits in New South Wales.

The tariff rates can also be converted into consumer tax equivalents which show, in ad valorem terms, the rates of taxes paid by consumers resulting from the systems of specific tariff rates. The ad valorem consumer tax rates are defined as the specific tariff duty divided by the price (unit value) of the imported product in the same year. These are the ad valorem equivalents of the customs duties on excisables. Ex-factory prices of goods subject to excise duty are not recorded and, therefore, one cannot calculate directly the ad valorem equivalent rates of the excise duties. However, the ad valorem equivalents of the tariff rates may be regarded as a good proxy for the ad valorem equivalents of the excise rates because the locally-produced and imported goods are close substitutes.<sup>7</sup> As the tariff rates were higher than the corresponding excise duty rates, it is presumed that the price of a locally-made product was increased to the landed price of imports plus the duty.

Table 4 records the consumer tax equivalents of the tariff rates for all colonies. This table shows that consumers of excisables paid hefty taxes, especially for Spirits and Manufactured Tobacco and Cigars and Cigarettes. The rates are similar between New South Wales and Victoria but much higher in Western Australia and Tasmania.

We need now to look at the revenue collections of the excise tax system and the customs tax system together. Table 5 reports statistics of the revenues collected from excise duties and from tariffs in each of the Colonies for the year 1900. Comparing the total revenue collected from tariffs with those collected from excise duties in columns (1) and (2), we see that the tariffs were a much important source of revenue than excise duties. A large component of the tariffs is the rates which match the excise rates on corresponding items.

Column (3) reports the calculations for each colony of the matching revenue component of the tariff revenues. This was obtained by calculating for each tariff item what the tariff revenue would have been if the tariff duty rate were the excise duty rate rather than the actual tariff rate. The values are then aggregated for all items in each colony and for all colonies together. Of the total six-Colony tariff revenue of £6,806,809, some £1,408,912 or 20.7 per cent is derived from the excise-matching components of the tariff rates on excisables. The percentage is much higher in New South Wales, 65.6 per cent, partly because tariff rates on products other than excisables were low in this Colony and partly because the customs rates for imports of spirits, the main revenue item in both the tariff and excise systems, is equal to the excise duty rates on spirits. These calculations confirm that average rates of tariff duty derived from statistics of total tariff revenue exaggerate the protective component of tariff rates.

### 3. The Commonwealth excise tax system

The constitution of the new Commonwealth provided that “uniform duties of customs shall be imposed within two years after the establishment of the Commonwealth”. The Constitution also provided that, upon the imposition of uniform customs duties, the



Commonwealth gained exclusive power to impose excise taxes and that the excise duty rates must be uniform among the States.<sup>8</sup> In fact, the Commonwealth moved swiftly to enact legislation providing for uniform customs and excise taxes. The need for revenue to finance the activities of the States previously funded by colonial excise customs and excise taxes and to finance the new tier of government at the Commonwealth level was urgent, and the States were eager to put the new trade regime in place as quickly as possible in order to secure adjustment of commercial relations to the new regime. The Customs Act 1901 and the Beer Excise Act 1901, which provided the machinery for the collection of these taxes, were Acts No. 6 and 7 respectively of the new Commonwealth Government. The Customs Tariff Act 1902 introduced the uniform rates of customs duties in all States. This was passed in the House of Representatives on 7 October 1902. This Act was to be read in conjunction with the Customs Act 1901 and consequently the Commonwealth tariffs applied from 8 October 1901.<sup>9</sup> The Excise Tariff Act 1902 introduced the uniform rates of excise on excisable commodities from 8 October 1901, the same time as the application of new tariff duties. These excise rates were revised in 1906, following the report of the Tariff Commission.<sup>10</sup>

Table 6 records the excise duty rates on the goods subject to excise taxation by the Commonwealth in the year 1903. 1903 is the first full year in which the tariff rates as laid down finally in the Customs Tariff Act 1902 applied. It is also the first year for which statistics of overseas trade and customs duties collected are available. Consequently, 1903 is taken as the post-Federation year that can be compared with the pre-Federation year 1900.

Explanation relating to the structure of excise duties introduced by the Government of the time is extremely sparse. The Minister of Customs and Excise had the responsibility for tabling the Tariff and Excise Bills in Parliament. When introducing the Tariff Bill he gave a lengthy explanation of the structure of the tariff rates in the bill and the reasons for it but no such explanation was provided when the Excise Bill was introduced.

The excise duty rates, along with the customs tariff rates, were devised by the Treasurer and the Minister of Customs and Excise, aided by officials. It appears that the excise duty rates were fixed before the fixing of tariff rates was completed.<sup>11</sup> They were then submitted to Cabinet and to Parliament, along with the tariff rates in the Budget session of 1902. In Parliament, the excise duty rates but more particularly the tariff rates were debated hotly and

at length. With minor changes, the excise rates were passed, coming into effect on 8 October 1902.

In debate on the Excise Tariff Bill in the House of Representatives, the Minister for Customs and Excise stated the principle that the Commonwealth did not wish to introduce excise taxes on any new commodities as it did not wish to introduce a new impost on Australian industries, with the special exception of the sugar excise (which is discussed below) (Commonwealth Parliamentary Debates, House of Representatives, 6 February 1902, vol. 5, p. 9787.) Essentially the same goods were subject to excise taxation in the Commonwealth as had been subject to excise taxation in the Colonies. They also stated that the uniform Commonwealth excise duties were to take effect at the same time as the uniform customs duties (Commonwealth Parliamentary Debates, House of Representatives, 22 April 1902, vol. 9, p. 11887). These principles were followed.

Concerning the rates of duty in the first Commonwealth excise rate introduced in 1901, Beer had two rates. The lower rate of 2d per gallon applied to beer brewed from barley malt and hops exclusively and the higher rate of 3d applied to other beers. The reason for the lower rate was that “beer brewed from malt and hops exclusively is considered to be a purer beer and therefore to be encouraged” (Commonwealth Parliamentary Debates, Vol. 8, p. 9774.) In adopting two rates, the Commonwealth followed the distinction between these two beers in the excise system of the Colony of Victoria.<sup>12</sup> For Spirits, the structure of the taxes also followed that in Victoria rather than the other Colonies, with a differentiation between brandy and other spirits taxed at a higher rate. The structure of the rates for Tobacco and Tobacco Products was uniform across the Colonies before Federation and this structure was adopted by the Commonwealth. An excise duty was introduced by the Commonwealth on Starch but it collected little duty and was abolished in 1927. An excise was also levied on domestic production of manufactured sugar. Unlike the other duties, this was not a revenue duty. It was a levy on domestic producers of manufactured sugar in order to pay a bounty on all sugar cane delivered for manufacture in the production of which white labour only was employed. This bounty was an inducement to Queensland to join the Federation as most of the cheap Melanesian labourers (“kanakas”) that had been used in the Queensland cane fields were repatriated after Federation. These two duties are ignored in the subsequent discussion.<sup>13</sup>

These initial Commonwealth excise duty rates in Table 6 can be compared with the pre-Federation rates in the six colonies in Table 1. For beer, ignoring the very small amounts collected for beer brewed exclusively from barley and hops, the Commonwealth rate (threepence) is the same as that levied in the more populous Colonies of New South Wales, Victoria and Queensland, with South Australia and Tasmania levying a duty of one penny less and Tasmania a duty of one penny more. Hence the rate is about equal to the average Colonial rate. For spirits other than brandy, which collected the great bulk of the revenue from spirits, the Commonwealth rate of 13 shillings per proof gallon is lower than the New South Wales rate (14 shillings) but higher than the rates in Victoria (10 shillings), Queensland (12 shillings) and South Australia (8 shillings). On the other hand, the rate for brandy (11 shillings) is in the middle of the Colonial rates applying to this liquor. For the group as a whole, again, the Commonwealth rates are about the same as the average of the colonial rates. For Tobacco and Tobacco Products, the Commonwealth rates for Manufactured Tobacco and for Cigars and for Cigarettes are all in the middle of the range for the three Colonies that levied excise on these products.

Over all three product groups, one can conclude that the Commonwealth harmonised the rates at about the mid-point of the colonial rates that were applied just before Federation. This must have been a deliberate policy but I have found no reference to it. The harmonisation of excise rates at the pre-federation levels is in sharp contrast with the tariff rates which I have estimated to be about 34 per cent on average after federation than they had been in the colonies (see Lloyd, 2014).

One can now compare the Commonwealth rates of excise duty with the Commonwealth rates of customs duty that were applied to imports of excisable products, as was done for the colonies in the previous Section. Table 7 records the customs duty rates on imports of excisable goods into the Commonwealth. These rates were set out in the first Customs Tariff Act with effect from 8 October 1901. The Tariff remained until 1906 when the rates applied to imports of harvesters and agricultural implements and machinery were amended and preferences were introduced on imports on certain imports from South Africa in 1906. The margins of protection were regarded as important by Australian producers of the excisable products. See, for example, the statements of distillers to the Royal Commission on Customs and Excise Tariffs (Royal Commission 1906, Report No.2, "Spirits and the Distillation of Spirits").

At the time of the introduction of Commonwealth excise duties, there was lengthy debate in Parliament about the levels of tariff duty being above the levels of excise duty for corresponding items. (See Commonwealth Parliamentary Debates [Hansard], House of Representatives, 6 February 1902, vol. 5, pp. 9771-9813). This was opposed by representatives from the State of New South Wales who wished the tariff duty rates to be set at the same levels as the excise duty rates, as they had been in pre-Federation New South Wales, but the Government wished to have a margin of protection for excisables, as there had been in Colonies other than New South Wales. This was part of the Government's policy of maintaining protection for existing industries and the principle was adopted by Parliament.

The actual ad valorem equivalent rates of protection for excisable products in the Commonwealth for the year 1903 are reported in Table 8. They were calculated in the same manner as were the rates of protection in the colonial period reported in the previous Section. These figures show that the Commonwealth system of excise and customs taxation has given implicit protection to Australian producers of excisables from the beginning of the system.<sup>14</sup> The rates of protection for beer and spirits are substantial. Those for tobacco products are very high, reflecting the fact that the customs duties on these products were multiples of the corresponding excise duty rates.

Table 9 reports the ad valorem equivalent consumer tax rates for 1903. These too are calculated in the same manner as the rates for the Colonies in the previous section. All of the consumer tax rates are high, especially those for Spirits and Tobacco and Tobacco Products.

Next, we can compare the ad valorem equivalent rates of protection in the Commonwealth period with those in the colonial period and do likewise for the ad valorem equivalent consumer tax rates. The ad valorem equivalent consumer tax rates were higher in the commonwealth period because the new customs duty rates levied by the Commonwealth Government were generally higher than those levied on average across the colonies. The ad valorem equivalent rates of protection in the Commonwealth period were considerably higher than those in the colonial period because the higher customs duty rates combined with the constant excise duty rates increased the margins of protection.

While the changes in the excise duty rates resulting from the Commonwealth harmonisation of duties, and the associated changes in the relative consumer and producer prices, are generally small, they were enough to cause substantial shifts in production in some Colonies. One example was noted by the Royal Commission on Customs and Excise Tariffs: "... since the passing of the Commonwealth Tariff there has been a total cessation of whisky distillation in Victoria, resulting in the closure of three large and important distilleries... one cause of the stoppage of Victorian distilleries has been the relative increase of excise duties and the consequent reduced protection by 3 shillings per gallon on malt whisky and 1 shilling per gallon on blended whisky" (Royal Commission, Report no. 2 (1906)). These changes are confirmed by the fall in the implicit rate of protection for whisky distillers in Victoria in Tables 3 and 8.

Finally, we need to look at the revenue collections of the Commonwealth excise tax system and the Commonwealth customs tax system together. Table 10 reports the statistics of the revenues collected from excise taxes and customs duties for the year 1903. These results are very similar to those reported for the excise/customs system of the Colonies in the previous Section. (For ease of comparison the corresponding figures for all six Colonies have been repeated from Table 5.) The excise-matching component of the tariff revenue is again larger than the revenue raised directly by the excise system itself. The excise-matching component is 23.8 per cent of total tariff revenue, a little higher than the corresponding percentage for all colonies in 1900 (20.7 per cent).

#### 4. The evolution of the Commonwealth excise tax system

The comparison in the previous Section of the Commonwealth excise tax system with the excise tax systems of the Colonies shows that the Commonwealth excise system replicated all of the main features of the colonial systems. The commodity coverage is the same, apart from the introduction of the very minor Commonwealth excise duty on starch and the excise duty on manufactured sugar which was not a revenue duty. Thus, the Commonwealth levied excise for revenue purposes only on two product groups only: alcoholic beverages (with the notable exemption of all wines) and manufactured tobacco products. The Commonwealth harmonised the colonial rates on these two groups at the average of the colonial rates. The Commonwealth also replicated the feature that the rates of customs duty on excisable products were uniformly higher than the rates of excise duty on the corresponding product,

thus giving a margin of protection for all excisable products. The ad valorem equivalent rates of protection introduced by the Commonwealth were considerably higher than those in the colonial period because the higher customs duty rates were combined with the constant excise duty rates. The increase in the customs duty rates levied by the Commonwealth Government also meant that the ad valorem equivalent consumer tax rates on excisable products were higher.

Most of the essential features of the excise tax system have continued until the present time. The commodity coverage of the excise system has been remarkably stable. The Commonwealth has added a few other commodities to the list of goods subject to excise duty in the colonial era. These include starch in the 1902 excise list and later, at different times, duties on playing cards, matches, coal tar, radio valves, fortified wines and cathode ray tubes, but these duties were applied only for short periods. During the Second World War special excise duties were levied on a few products as a wartime revenue measure. An excise duty was levied on canned fruit in 1963 but this was a tax to fund an export development scheme for the canned fruit industry. The alcoholic beverage and manufactured tobacco products groups have remained subject to excise duties. Moreover, the products within these two groups have remained unchanged, except that a tax on cigarette tubes, paper and papers was introduced in 1932 so that the smoker rolling his own cigarettes would pay as much duty as the smoker of ready-made cigarettes.

The big addition is the group of petroleum products. Motor Spirits were added in 1929. The excise duty on Motor Spirits has continued to the present time but unlike the excise on alcoholic beverages and tobacco products this revenue has been hypothecated to road construction. By this date motor vehicle usage had expanded in Australia, necessitating new measures to finance associated road infrastructure. Aviation fuels were added in 1957 and this tax continues to the present time but again these taxes were introduced as a fiscal measure to fund airport facilities. Thus the present day system has three product groups; alcoholic beverages, manufactured tobacco products and refined petroleum products (motor spirits and aviation fuels).

All of the consumer tax equivalents remain high in ad valorem terms. In the alcoholic beverages group, the exemption of wines from excise taxation and the lower rates for brandy continue.

One feature of the excise system which has changed is the implicit protection given through the excise/tariff tax system to Australian producers of excisables. This feature continued for more than 80 years after Federation. It ended in the 1980s and 1990s when all the tariff rates on excisable goods were reduced to the excise rates applying to the corresponding excisable goods, thus ending this implicit form of protection.

Consequently, with this exception and the addition of the third product group of Petroleum Products, the principal features of the present day system of excise taxes in Australia derive from the Commonwealth excise duties introduced after Federation and beyond that to systems of excise taxation that existed in the six Colonies before Federation.

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Colony	Beer (per liquid gallon)	Spirits (per proof gallon)	Tobacco & Tobacco Products (per lb)
New South Wales	3d	All spirits 14/-	Tobacco 1/3 Cigars 2/6 Cigarettes 2/6
Victoria	Brewed from: Malt and hops 2d Other 3d	Whisky 8/- Other spirits 10/-	Manufactured and snuff 9d Cigars 9d Cigarettes 1/6
Queensland	3d	All spirits 12/- Methylated colonial spirits 2/-	Tobacco 1/- Cigars 2/- Cigarettes 2/- Snuff 1/-
South Australia	2d	Spirits 8/- Fortified wines 6d	

**Table 1. Excise Duty Rates in the Colonies, 1900**

		Perfumed spirits	1/-
Western Australia	2d		
Tasmania	4d		

Source: Statistical Registers for each Colony.

Notes. 1. The classification of products and their definitions differ among the Colonies.

In some cases the descriptions of goods have been altered to make comparisons across Colonies easier.

**Table 2. Customs Duty Rates on Imports of Excisable Products in the Colonies, 1900**

Colony	Beer (per liquid gallon)	All Spirits (per proof gallon)	Tobacco & Tobacco Products (per lb)
New South Wales	Draught 6d Bottled 9d	All Spirits 14/- Bitters & essences, etc: According to strength <sup>1</sup> at 3/6, 7/-, 10/6, 14/-	Unmanufactured 1/- Manufactured & snuff 3/- Cigars 6/- Cigarettes 6/-
Victoria	Draught 10d Bottled (not lager) 1/3 Lager 1/6	All spirits 12/- Perfumed spirits 24/- Methylated spirits 1/-	Unmanufactured 1/- Manufactured & snuff 3/- Cigars 6/- Cigarettes 6/-
Queensland	Draught 1/3 Bottled 1/6	All spirits 14/- Perfumed 20/- Methylated spirits 5/-	Unmanufactured 2/- Manufactured 4/- Cigars 6/- Cigarettes 6/- Snuff 5/-
South Australia	Draught 1/2 Bottled 1/2 Colonial 2d	All spirits 15/- Colonial distilled: 6d, 1/-, 9/4 Methylated spirits 4/-	Unmanufact. 1/7½ Manufactured 2/9 Cigars 6/3 Cigarettes 6/3 Snuff 6/-
Western Australia	Draught 1/3 Bottled 1/6	All spirits 16/- Methylated spirits 2/-	Unmanufact. 1/10½ Manufactured 3/- Cigars 6/- Cigarettes 6/- Snuff 6/-
Tasmania	Draught 1/- Bottled 1/6	All spirits 15/-	Unmanufactured 3/- Manufactured 3/- Cigars 7/- Cigarettes 7/- Snuff 7/-

Source: Statistical Registers for each Colony.

Notes. 1. Bitters, Essences and other sprits were taxed according to the four strengths: <25 per cent, < 50 per cent, < 75 per cent and overproof.

2. The classification of products and their definitions differ among the Colonies.

In some cases the descriptions of goods have been altered to make comparisons across Colonies easier; for example, in all Colonies other than Victoria draught beer is “beer”.

**Table 3. Ad Valorem Equivalent Rates of Protection for Excisable Products, All Colonies, 1900**

Per Cent

Colony	Beer	Spirits	Tobacco & Tobacco Products
New South Wales	Draught 14.5 Bottled 12.2	All spirits 0.0	Manufactured 58.3 Cigars 34.5 Cigarettes 29.2
Victoria	Draught 20.3 Bottled 28.7 Lager 29.2	Whisky 58.1 Other spirits <sup>1</sup> 23.3	Manufactured 99.1 Cigars 39.9 Cigarettes 32.7
Queensland	Draught 57.6 Bottled 35.0	All spirits 26.8	Manufactured 205.5 Cigars 72.5 Cigarettes 69.9
South Australia	Draught 24.5 Bottled 24.9	All spirits 45.9	
Western Australia	Draught 88.3 Bottled 42.1		
Tasmania	Draught 39.8 Bottled 31.0		

Source: Author's own calculations.

Note 1. "Other spirits" and "All spirits" exclude Perfumed spirits and Methylated spirits

**Table 4. Ad Valorem Equivalent Consumer Tax Rates for Excisable Products, All Colonies, 1900**

Per Cent

Colony	Beer	Spirits	Tobacco & Tobacco Products
New South Wales	Draught 28.8 Bottled 18.5	All spirits 148.4	Manufactured 114.6 Cigars 59.2 Cigarettes 49.7
Victoria	Draught 28.9 Bottled 35.9 Lager 35.0	Whisky 181.6 Other spirits <sup>1</sup> 156.0	Manufactured 235.7 Cigars 45.6 Cigarettes 43.6
Queensland	Draught 72.0 Bottled 42.2	All spirits 187.9	Manufactured 274.1 Cigars 108.7 Cigarettes 104.8
South Australia	Draught 28.5 Bottled 29.1	All spirits 98.5	
Western Australia	Draught 101.8 Bottled 47.3		
Tasmania	Draught 148.9 Bottled 128.6		

Source: Author's own calculations.

Note 1. "Other spirits" excludes Perfumed Spirits and Methylated Spirits

**Table 5. Excise and Tariff Revenue in the Colonies, 1900**

£

Colony	Tariff revenue	Excise Revenue	Excise-matching Revenue in Tariff	Tariff Revenue less Excise-matching Revenue in Tariff
New South Wales	1,421,763	357,620	932,970	488,793
Victoria	1,980,379	340,678	382,289	1,598,090
Queensland	1,424,279	139,665	57,095	1,367,184
South Australia	570,419	40,176	26,464	543,955
Western Australia	944,746	31,664	8,752	935,994
Tasmania	465,223	24,698	1,342	463,881
Six Colonies	6,806,809	934,501	1,408,912	5,397,897

Sources: Columns (1) and (2): *Statistical Registers* of each Colony

Columns (3)-(4): Author's calculations

Note. The excise and tariff revenue figures in all Colonies are net of Drawbacks and Refunds.

**Table 6. Excise Rates in the Commonwealth, 1903**

Item	Rate (Per cent)
Beer (per liquid gallon)	
Brewed from barley & hops	2d
Other	3d
Spirits (per proof gallon)	
Brandy	11/-
Other spirits	13/-
Methylated spirits	6d
Tobacco & Tobacco Products (per lb)	
Manufactured	1/-
Cigars	1/6
Cigarettes	2/-

Source: Excise Tariff Act 1902

**Table 7. Customs Duty Rates on Imports of Excisable Items into the Commonwealth, 1903**

Item	Rate (Per cent)
Beer (per liquid gallon)	
Draught	1/-
Bottled	1/6
Spirits (per proof gallon)	
All Spirits	14/-
Bitters, essences, etc. According to strength	3/6, 7/-, 10/6, 14/-
Perfumed	25/-
Methylated spirits	1/-
Tobacco & Tobacco Products (per lb)	
Unmanufactured (for home consumption)	1/6
Manufactured	3/3
Cigars	6/3 and 15%
Cigarettes	6/6
Snuff	6/6

Source: Customs Tariff Act 1902 and *Overseas Trade Bulletin No.1, 1903*.



**Table 8. Ad Valorem Equivalent Rates of Protection for Excisable Products in the Commonwealth, 1903.**

Item	Rate
Beer (per liquid gallon)	
Draught	38.1
Bottled	35.8
Spirits (per proof gallon)	
Brandy	32.9
Other Spirits	20.1
Tobacco & Tobacco Products (per lb)	
Manufactured	129.7
Cigars	105.3
Cigarettes	90.4
Snuff	182.6

Source: Author's own calculations.

Note. "Other spirits" excludes Perfumed spirits, Methylated spirits, Essences, Tinctures and Extracts and other spirits which were subject to customs duties at rates other than 14/- per proof gallon.

**Table 9. Ad Valorem Consumer Equivalent Tax Rates for Excisable Products in the Commonwealth, 1903**

Item	Rate
Beer (per liquid gallon)	
Draught	50.8
Bottled	43.0
Spirits (per proof gallon)	
Brandy	153.7
Other Spirits	280.8
Tobacco & Tobacco Products (per lb)	
Manufactured	187.7
Cigars	123.8
Cigarettes	130.6
Snuff	215.8

Source: Author's own calculations.

Note. "Other spirits" excludes Perfumed spirits, Methylated Spirits, Essences, Tinctures and Extracts and other spirits which were subject to customs duties at rates other than 14/- per proof gallon.

**Table 10. Excise and Tariff Revenue in the Commonwealth, 1903 and the Colonies, 1900**

Colony	Tariff revenue	Excise Revenue	Excise-matching Revenue In Tariff	Tariff Revenue less Excise-matching Revenue
Commonwealth 1903	7,720,143	1,220,487	1,840,822	5,879,321
Six Colonies 1900	6,806,809	934,501	1,408,912	5,397,897

Source: Row (1): Columns (1) and (2) : Commonwealth Bureau of Census and Statistics, *Overseas Trade Bulletin* No. 1, 1903.

Row (2): Table 5 above.

Notes. 1. All Tariff and excise revenue figures are net of Drawbacks and Refunds.

2. The total for excise revenue in the Commonwealth excludes the revenue from the sugar excise duty which was hypothecated, and revenue from licenses for tobacco manufacturers and brewers and spirit distillers.

3. The Excise-matching Revenue in the Tariff has been calculated using gross Customs revenue with no deduction for Drawbacks and Refunds on these revenues as there is no breakdown of Drawbacks and Refunds by excise item. This figure is, therefore, overstated but the error is small as Drawbacks and Refunds were around 1 per cent of gross revenues.

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<sup>1</sup> The Commonwealth also gained exclusive power over bounties but these had been unimportant in the colonies.

<sup>2</sup> Van Diemen's Land did not become a separate Colony until 1825.

<sup>3</sup> The only account I have found of excise taxation in the colonies is the Joint Committee of Public Accounts (1966, Appendix 2, "A Brief Colonial History of Customs and Excise Collections in Australia") and this devoted most of its space to customs duties.

<sup>4</sup> Tasmania had legislated a duty on Cigars and Cigarettes but no duty was collected in 1900.

<sup>5</sup> Adam Smith called these a tax on "luxuries" and describes the British system in Smith (1776, Book V, Chapter II, "On Taxes upon Consumable Commodities").

<sup>6</sup> There is a second source of protection of domestic manufacturers in the tariff structure for the group of Tobacco and Tobacco Products. Three colonies produced products in this group; New South Wales, Victoria and Queensland. In all three colonies, there is escalation of tariff rates within the group. Unmanufactured tobacco, which is used in the production of domestically- manufactured cigarettes, cigars, and other products for home consumption, are taxed at lower rates than the manufactured products.

<sup>7</sup> In the case of spirits, there was a belief in the distilling industry that the imported products were of inferior quality (Royal Commission, 1906, "Spirits and the Distillation of sprits", Parliamentary Paper No. 3).

<sup>8</sup> Uniformity is not specifically required of excise duties, as it was of customs duties under Section 88. Uniformity of excise duties is required indirectly, by virtue of the Sections 51(ii) and 99 which prohibit the Commonwealth from discriminating in its laws and regulations among the States.

<sup>9</sup> In the interval between the passage of the Customs Act 1901 and the Customs Tariff Act 1902, the Commonwealth tariff rates applied were those under the Customs Tariff Proposal which was adopted by Parliament in October 1901. A few tariff rates in the Customs Tariff Act 1902 were changed from those in the 1901 Tariff Proposal.

In the interval between the inception of the federation on 1 January 1901 and the adoption of the Customs Act 1901, the Customs Act of the several States were administered and applied by Executive government of the Commonwealth, under section 86 of the Constitution.

<sup>10</sup> The excise duty rate for Sugar was increased the previous year from 3 to 4 shillings.

<sup>11</sup> "...in connection with the Tariff it is proposed to finish Division VI, and then deal with excise duties. This is proposed on account of the necessity of defining as early as we can what is to be done with reference to sugar." (Hansard, 31 January 1902, vol 7, p. 9853).

<sup>12</sup> Beer brewed exclusively from barley malt and hops was, however, only a very small proportion of the total brewed. The distinction was abandoned in 1918 to simplify the "bookkeeping" (Hansard, Vol. 85, p. 6360), that is, in modern parlance, to reduce the costs of compliance.

<sup>13</sup> In fact, more revenue was collected from the sugar excise tax than paid out to sugar growers in bounty (see Commonwealth, 1908, pp. 325-26, 647).

<sup>14</sup> The present author erred in stating that the protection of beer producers implicit in this system began in 1906 (Lloyd, 2008, p. 114).