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News release

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Abolish duty free, says Institute

Duty-free purchases in Australia result in a revenue loss to the Commonwealth of at least \$300 million each year and should be closed down, according to a new report by public interest think tank The Australia Institute.

The report says that international travellers can buy 'duty-free' cigarettes and spirits for around half of the normal retail price because they are exempted from excises and GST. Australians in the wealthiest 20 per cent of households spend five times more on overseas holidays than those in the lowest 20 per cent of households.

"There is no good reason for persisting with the archaic duty free system other than propping up privatised airports with a tax break paid for by the rest of the community", said Institute Executive Director Dr Clive Hamilton.

"Other countries are doing away with this tax lurk and so should we.

"Wealthy Australians benefit most from the duty free system. Cheap cigarettes and alcohol are not available to those who cannot afford to travel overseas."

The report notes that unlike other tax concessions the cost to the budget of duty free tax arrangements are not included in Federal Treasury's annual tax expenditure statement, part of the Charter of Budget Honesty. But drawing on a number of sources the Institute estimates that the system of duty free and other tax concessions for Australian and international travellers is estimated to result in \$300 million in lost revenue each year.

The report says that the current duty-free arrangements, and the newer Tourism Refund Scheme under which goods taken out of Australia can have the GST on them reimbursed, are inequitable and open to abuse. They are also inconsistent with the health objectives of tobacco taxes.

"The Australian Government encourages smokers to buy cigarettes for half price on a Qantas plane, but has made smoking them illegal", said Dr Hamilton.

The report says that duty-free concessions should be abolished for Australian passport holders and that the Australian Government consider implementing a series of bi-lateral agreements with countries around the world to reduce the extent of duty-free shopping.

The new report can be read under What's New at the Institute's website

www.tai.org.au