

# GUIDE TO CALCULATING TOBACCO EXCISE FOR GROCERY STORES

## SALE AND SUPPLY OF ALCOHOL AMENDMENT REGULATIONS 2017

The Sale and Supply of Alcohol Amendment Regulations 2017 that came into force on 14 September 2017 change how grocery stores prepare statements of annual sales revenue to meet licensing requirements under the Sale and Supply of Alcohol Act 2012. Grocery stores now must **exclude** tobacco excise from their annual sales revenue. This factsheet provides guidance and examples on how to do this.

---

### What is a grocery store?

Under section 32 of the Sale and Supply of Alcohol Act 2012 (the 'Act'), an off-licence can be issued for premises that are determined to be a grocery store.

Under section 33 of the Act, a grocery store is defined as a shop that:

- has the characteristics normally associated with grocery stores

AND

- comprises premises where:
  - a range of food products and other household items is sold

BUT

- the principal business carried on is or will be the sale of food products

In determining whether a shop is a grocery store and can be issued an off-licence, a District Licensing Committee (DLC) or Alcohol Regulatory and Licensing Authority (ARLA):

- must consider:
  - the size, layout and appearance of the premises
  - a statement of the premises' annual sales revenue (or projected annual sales revenue) produced in accordance with the Sale and Supply of Alcohol Regulations 2013 (the 'Regulations')
  - the number, range, and kinds of items on sale (or expected to be on sale) on the premises.

The DLC or ARLA may also consider any other matter it thinks relevant. The DLC or ARLA may decide that the shop does not have the characteristics of a grocery store.

More information about the Act is available at [www.legislation.govt.nz](http://www.legislation.govt.nz)

---

### What is principal business?

'Principal business' is ascertained under the Regulations based on which category of the gross annual sales revenue from the business is the highest (regulations 6 and 7). After excluding GST and lottery revenue (and now tobacco excise), the remaining revenue is categorised into food product sales, alcohol sales, tobacco sales, convenience food sales, and other sources of revenue. If the highest category of sales revenue is food products, that would be the principal business.

To assist the DLC or ARLA in determining principal business, applicants must prepare statements of annual sales revenue in accordance with the Regulations (regulations 12 and 13). Statements must also have been verified by a chartered accountant.

More information about the Regulations is available at [www.legislation.govt.nz](http://www.legislation.govt.nz)

## Sale and Supply of Alcohol Amendment Regulations 2017

The Sale and Supply of Alcohol Amendment Regulations 2017 (the 'Amendment Regulations') correct the unintended consequences of tobacco excise increases on grocery store off-licences.

These increases meant that some grocery stores' main source of revenue was not food but tobacco products. This meant these stores could no longer hold an off-licence.

The Amendment Regulations provide for tobacco excise to be excluded from the calculation of a grocery store's gross annual sales revenue for the purposes of ascertaining its principal business. This means grocery stores must exclude tobacco excise when preparing statements of annual sales revenue.

This change came into force on 14 September 2017.

## How to exclude tobacco excise from annual sales revenue

Tobacco excise rates change each year on 1 January.

### 2017 TOBACCO EXCISE RATES

The following tobacco excise rates applied between 1 January and 31 December 2017 for manufactured cigarettes and loose tobacco:

Tobacco product	Excise rate (excl. GST)
Manufactured cigarettes	\$738.13 per 1,000 cigarettes
Smoking tobacco, homogenised or reconstituted tobacco	\$1,051.83 per kilo tobacco content (KTC)

The full table of 2017 tobacco excise rates is available at [www.customs.govt.nz/about-us/news/important-notices/new-excise-duties-rates-for-tobacco-and-tobacco-products](http://www.customs.govt.nz/about-us/news/important-notices/new-excise-duties-rates-for-tobacco-and-tobacco-products)

### 2018 TOBACCO EXCISE RATES

The following tobacco excise rates apply from 1 January 2018 for manufactured cigarettes and loose tobacco:

Tobacco product	Excise rate (excl. GST)
Manufactured cigarettes	\$826.58 per 1,000 cigarettes
Smoking tobacco, homogenised or reconstituted tobacco	\$1,177.87 per kilo tobacco content (KTC)

The full table of 2018 tobacco excise rates is available at [www.customs.govt.nz/about-us/news/important-notices/new-rates-for-tobacco-and-tobacco-products](http://www.customs.govt.nz/about-us/news/important-notices/new-rates-for-tobacco-and-tobacco-products)

### HOW TO CALCULATE TOBACCO EXCISE

#### 1. Confirm the total revenue from the sale of tobacco (excluding GST)

**Note:** Statements of annual revenue must cover a period of 12 months ending no more than 90 days before the time you apply for a new off-licence or to renew an existing off-licence.

#### Example:

##### 1. Exclude GST and lottery revenue:

Total gross annual sales revenue (for all products) = \$1,750,000

GST = \$228,000 (approximately)

Lottery revenue = \$50,000

Annual sales revenue (excluding GST and lottery revenue) = \$1,472,000

##### 2. Assign remaining revenue into specific categories:

Food products = \$470,000

Alcohol = \$45,000

**Tobacco = \$400,000**

Convenience foods = \$292,000

Other revenue = \$265,000

## 2. Confirm the quantity of tobacco product sold during 12-month period

To ensure calculations are accurate, using your sales records, you need to determine the volume and type of tobacco product sold during this period. This is because tobacco excise is calculated based on volume of product (eg per cigarette or per gram of loose tobacco) not price.

If you find, based on your sales records, that you have difficulty calculating the tobacco excise, you should contact your accountant.

### **Example:**

Total number of 20 pack cigarettes = 4,600

Total number of 25 pack cigarettes = 1,840

Total number of 30 pack cigarettes = 1,530

**Total number of cigarettes (number per pack multiplied by total number of packs) = (20 x 4,600) + (25 x 1,840) + (30 x 1,530) = 183,900 cigarettes**

Total number of 30-gram tobacco pouches = 3,070

Total number of 50-gram tobacco pouches = 920

**Total number of grams (number of grams multiples by total number of pouches) = (30 x 3,070) + (50 x 920) = 138,100 grams**

## 3. Calculate tobacco excise using quantities of tobacco product sold and tobacco excise rates for correct period

**Note:** tobacco excise rates change every year on 1 January due to increases. You can check the Customs website ([www.customs.govt.nz](http://www.customs.govt.nz)) for the latest rates. You should ensure your sales records are set out chronologically and separated by year so the correct excise rate is applied.

### **Example:**

*Statement of annual sales revenue covers period 1 April 2017 to 31 March 2018*

Total number of cigarettes sold (between 1 April 2017 and 31 December 2017) = 137,925 cigarettes

2017 Excise rate for manufactured cigarettes = \$738.13 per 1,000 cigarettes (approximately \$0.74 per cigarette)

2017 Total excise for cigarettes ( $\$0.74 \times 137,925$ ) = \$102,064.50 **(A)**

Total number of grams sold (between 1 April 2017 and 31 December 2017) = 103,575 grams

2017 Excise rate for loose tobacco = \$1,051.83 per kilo tobacco content (approximately \$1.05 per gram)

2017 Total excise for loose tobacco ( $\$1.05 \times 103,575$ ) = \$108,753.75 **(B)**

Total number of cigarettes sold (between 1 January 2018 and 31 March 2018) = 45,975 cigarettes

2018 Excise rate for manufactured cigarettes = \$826.58 per 1,000 cigarettes (approximately \$0.83 per cigarette)

2018 Total excise for cigarettes ( $\$0.83 \times 45,975$ ) = \$38,159.25 **(C)**

Total number of grams sold ((between 1 January 2018 and 31 March 2018) = 34,525

2018 Excise rate for loose tobacco = \$1,177.87 per kilo tobacco content (approximately \$1.18 per gram)

2018 Total excise for loose tobacco ( $\$1.18 \times 34,525$ ) = \$40,739.50 **(D)**

**Total excise for all products sold 1 April 2017 – 31 March 2018 (A+B+C+D) = \$289,717**

## 4. Deduct total excise from total tobacco product revenue

### **Example:**

Total tobacco product revenue (excluding GST) = \$400,000

Total excise = \$289,717

Show this as a deduction from gross annual sales revenue (like for GST and lottery revenue, but for tobacco excise) on your annual revenue statement

**Total tobacco product revenue excluding excise = \$110,283**

**Show this as tobacco sales revenue on your annual revenue statement**

## Contact

If you have any questions, please contact the Ministry of Justice by emailing [alcohol@justice.govt.nz](mailto:alcohol@justice.govt.nz)