



Justice – a legal cannabis scheme for Australia	
Party:	Australian Greens
<p>Summary of proposal:</p> <p>The proposal would legalise the production and sale of recreational cannabis in Australia through a tightly regulated model and by establishing the Cannabis Australia National Agency (CANA).</p> <p>The market will exclude any existing tobacco, pharmaceutical or alcohol suppliers and be structured to be primarily based on not-for-profits, small businesses, co-operatives and sole traders.</p> <p>Households would be permitted to grow up to 6 plants for personal use without needing a licence or paying tax.</p> <p>The proposal would start on 1 July 2025.</p>	
<p>Additional information (based on further advice provided):</p> <ul style="list-style-type: none">• The CANA would:<ul style="list-style-type: none">– be established to oversee the legalisation and regulation of recreational cannabis– act as the sole wholesaler between producers and retail outlets– set the wholesale price of cannabis, based initially on the Australian street price of cannabis and which would then fluctuate according to market forces– be responsible for issuing production licences to cultivators and sale licences to private retail outlets.• The CANA’s departmental costs would be fully recovered by the application fees for production and retail licences.• Sales of recreational cannabis would be restricted to individuals over 18 years of age, with no restrictions on the amount individuals could purchase.• Penalties would apply for the sale of cannabis by retail outlets to individuals under 18 years of age at similar rates to the penalties for the sale of alcohol to individuals under 18 years of age.• Sales of recreational cannabis to overseas visitors would be permitted.• Imports of cannabis into Australia would remain illegal.• Sales of recreational cannabis would attract the Goods and Services Tax (GST) as well as an excise of 15% on GST-inclusive sales.	

Costing overview

The proposal would be expected to increase the fiscal balance by around \$2.4 billion and underlying cash balances by around \$2.3 billion over the 2025-26 Budget forward estimates period (see Table 1). This impact reflects an increase in excise tax and licencing revenue, a decrease in Medical Benefits Schedule (MBS) expenses partially offset by an increase in departmental expenses.

The fiscal and underlying cash balances differ because of the difference in timing between when tax revenue is recognised and when tax receipts are collected.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2035-36 is provided at Attachment A.

The departmental expenses of this costing include an increase in expenditure for establishing the CANA and for it to regulate the recreational cannabis market under the proposal. There is also an increase in departmental expenses for the Australian Taxation Office (ATO) reflecting the upfront cost of updating systems and procedures, engaging with and educating registered sellers, as well as ongoing administrative costs associated with cannabis excise and other relevant taxes.

Table 1: Justice – a legal cannabis scheme for Australia – Financial implications (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	Total to 2028-29
Fiscal balance	334.9	634.7	700.4	709.4	2,379.4
Underlying cash balance	293.9	612.7	700.4	708.4	2,315.4

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

Uncertainties

There is a high level of uncertainty in this costing as there is limited information available in Australia to estimate cannabis production, consumption and market price.

There is also uncertainty around how production, consumption and price would change over the period to 2035-36. In particular, the take-up by new users after legalisation as well as the proportion of existing consumers who would switch to this new legal source. Assumptions are based on recent research in Australia and evidence in Canada and Colorado, where legalisation on recreational cannabis has been enacted. The actual outcomes may differ significantly due to differences in policy specifications and market characteristics between Australia and overseas. The costing estimates could vary significantly with changes in the assumptions.

Additionally, there is uncertainty about the ability to have the policy fully operational by the start date of 1 July 2025. An allowance of 4 months has been built into the estimates to facilitate the setup of CANA and update ATO systems to account for another form of excise. Delays in meeting that timeframe would lead to reductions in the impacts to the budget estimated here.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

Demand

- The Australian Institute of Health and Welfare (AIHW) National Drug Strategy Household Survey 2022-23 report¹ indicates that around 11.5% of the Australian population (14 and over) has recently consumed recreational cannabis (last 12 months).
 - On average, individual adult recreational cannabis consumers would purchase around 2.8 grams per week. This is calculated as a weighted average based on users consuming, every day, once a week or more, once a month, every few months, or once or twice a year.
- Legalising cannabis would see a behavioural response resulting in a 15% increase in demand for cannabis products.
- Demand would grow in line with adult population growth.

Sales

- Sales of recreational cannabis to overseas visitors would account for around 10% of total sales.
- The pre-tax price of recreational cannabis set by the CANA would be around \$11.20 per gram in 2025-26.
- Recreational cannabis prices and the profit margin of producers would decline as supply increases under the proposal. The average income tax rate of producers is 25%.
- Around 50% of recreational cannabis users would purchase cannabis from a legal source in 2025-26 (based on the take-up rate in Canada after legalisation) and would grow to around 80% over 10 years (based on the Colorado market share after 10 years of legalisation).
- Consumption would fluctuate over the medium term in line with observed price elasticity of international markets.
- Legalising cannabis would have no impact on alcohol and tobacco excise revenue.
- Penalties for the sale of cannabis to individuals under 18 years of age would be administered by state and territory governments.

Production

- Both indoor and outdoor production methods would be adopted. The average harvest per square metre of cannabis plant canopy would be around:
 - 1,709 grams for indoor production
 - 180 grams for outdoor production.
- The weighted average cost of producing cannabis in Australia would be around \$1.20 per gram in 2025-26, based on data from Canada and the United States and would grow in line with the consumer price index (CPI).
- The profit margins of recreational cannabis retailers would be similar to the profit margins of retailers in the tobacco industry and be subject to average income tax rates of 25%.

¹ [National Drug Strategy Household Survey 2022–2023: Cannabis in the NDSHS - Australian Institute of Health and Welfare](#)

Other assumptions

- It would take around 4 months for the policy to ramp up to revenue generation, from 1 July 2025 the CANA would sell growing and distribution licenses and growers will begin and expand Australian production.
- The Australian Federal Police (AFP) would retain the current cannabis-related resources to combat the black market and associated crimes after legalisation, noting that most resources currently directed at cannabis law enforcement lie within state level jurisdictions. Hence, there would be no savings to the AFP under the proposal.
- No patients would switch from the PBS-listed medicinal cannabis, cannabidiol (Epidyolex), to recreational cannabis.
- 50% of patients currently accessing other unapproved medicinal cannabis in Australia via the Special Access Scheme (SAS) and Authorised Prescribers (AP) would be affected by the proposal.

Methodology

GST

The GST impact was estimated by applying the GST rate of 10% to the pre-tax annual sales of recreational cannabis through legal sources.

The pre-tax annual sales of recreational cannabis through legal sources in 2025-26 was estimated by multiplying the initial average pre-tax price set by the CANA by total grams of recreational cannabis sold through legal sources in 2025-26, which was assumed to be 52% of total initial demand.

Total initial demand was calculated by multiplying the expected number of cannabis users in 2025-26 by the estimated average amount consumed by each user in 2025-26, adjusted for behavioural responses identified above.

The initial pre-tax annual sales of recreational cannabis through legal sources were projected to 2035-36 based on demand and sales assumptions above. The first year (2025-26) sale were adjusted to account for when CANA would be operational.

The increase in GST revenue would be offset by an equivalent increase in GST payments to the States and Territories.

Cannabis excise

The financial impact of the proposed cannabis excise was estimated by applying 15% to total GST-inclusive sales of recreational cannabis.

Total GST-inclusive sales of recreational cannabis were derived by grossing up the pre-tax annual sales of recreational cannabis through legal sources by the GST rate of 10%.

Cannabis excise and GST would be paid on a monthly basis.

Company tax

The company tax impact was calculated by applying the base rate entity company tax rate (25%) to the estimated total net profits of producers and retailers.

PBS Saving

This proposal would have no impact on the government cannabidiol subsidies. This is mainly because Cannabidiol is mainly used for the management of severe myoclonic epilepsy in infancy (Dravet

syndrome), a rare and lifelong form of epilepsy. It is highly unlikely to be easily substituted by recreational cannabis.

MBS Saving

The impact of this proposal on MBS Benefits were calculated by multiplying the average MBS benefit per visit, the assumed switch ratio from medicinal cannabis in Australia to recreational cannabis of equivalent medicinal effect and number of visits.

- The average MBS benefits per visit were estimated based on outpatient benefits for consulting chronic pain, anxiety and sleep disorder, which are the top three indications under the SAS stream.
- The number of visits per year was estimated based on information from Department of Health and Aged Care.

Departmental expenses

Departmental expense estimates for the CANA were based on the staff profile published in the *2020-21 Annual Report of the Australian Pesticides and Veterinary Medicines Authority (APVMA)* and calculated using the PBO's departmental calculator including startup costs. The size of the CANA was adjusted to reflect fewer regulatory functions compared to APVMA.

Departmental expense estimates for the ATO were based on the departmental profile of a similar measure *Small Business – technology investment boost* in 2022-23 Budget (March) to establish and administer a new tax with system changes and then indexed to CPI.

Financial implications were rounded consistent with the PBO's rounding rules.²

Data sources

Australian Bureau of Statistics (2024) [Population Projections, Explorer](#), accessed 15 May 2025.

Australian Bureau of Statistics (2020) 8165.0 – [Counts of Australian Businesses, including Entries and Exits](#), accessed 15 May 2025.

Australian Criminal Intelligence Commission (2021) [Illicit Drug Data Report 2020-21](#), accessed 15 May 2025.

Australian Institute of Health and Welfare (2023) [National Drug Strategy Household Survey 2022-23](#), accessed 15 May 2025.

Australian Pesticides and Veterinary Medicines Authority (2021) [Annual Report 2020-21](#), accessed 15 May 2025.

Cannabis Business Times (2021) [State of the Cannabis Cultivation Industry Report 2021](#). Readex Research, accessed 15 May 2025.

Caulkins, J., (2010) [Estimated cost of production for legal cannabis](#). RAND, Drug Policy Research Center, accessed 15 May 2025.

Clements, K. (2004) [Three facts about marijuana prices](#). Perth: The University of Western Australia, accessed 15 May 2025.

² <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Clements, K., Lan, Y. & Zhao, X. (2010) [*The demands for marijuana, tobacco and alcohol: inter-commodity interactions with uncertainty*](#). *Empirical Economics*, 39(1), pp. 203-239, accessed 15 May 2025.

Colorado Department of Revenue (2024). [*Marijuana Sales Reports*](#). Denver: State of Colorado, accessed 15 May 2025.

Commonwealth of Australia (2010) [*Budget 2022-23 Small Business – technology investment boost*](#), accessed 15 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025*, Commonwealth of Australia.

CSIMarket.com (2024) [*Tabacco Industry Profitability*](#). CSI Market Company, accessed 15 May 2025.

KOUW (2022) [*Taking stock of WA state's decade of legal cannabis, and what to expect next*](#). NPR Network, accessed 15 May 2025.

Reserve Bank of Australia (2024) [*Historical Data: Exchange Rates*](#), accessed 15 May 2025.

Transform Drug Policy Foundation (2020) [*Capturing the market: Cannabis regulation in Canada*](#). Transform Drug Policy Foundation, accessed 15 May 2025.

The Department of Health and Aged Care provided data on medicinal cannabis.

Attachment A – Justice – a legal cannabis scheme for Australia – Financial implications

Table A1: Justice – a legal cannabis scheme for Australia – Fiscal balances (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Revenue													
Administered tax													
<i>Cannabis excise</i>	305.0	472.0	469.0	477.0	481.0	529.0	578.0	610.0	664.0	719.0	748.0	1,723.0	6,052.0
<i>Cannabis GST</i>	187.0	282.0	290.0	295.0	300.0	314.0	343.0	372.0	400.0	426.0	456.0	1,054.0	3,665.0
<i>Cannabis Company tax</i>	-	142.0	216.0	217.0	218.0	217.0	237.0	257.0	278.0	300.0	324.0	575.0	2,406.0
Total – administered tax	492.0	896.0	975.0	989.0	999.0	1,060.0	1,158.0	1,239.0	1,342.0	1,445.0	1,528.0	3,352.0	12,123.0
Administered non-tax													
<i>Cannabis licence fees</i>	16.3	16.6	16.7	16.9	17.1	17.3	17.4	17.6	17.8	18.0	18.0	66.5	189.7
Total – administered non-tax	16.3	16.6	16.7	16.9	17.1	17.3	17.4	17.6	17.8	18.0	18.0	66.5	189.7
Total – revenue	508.3	912.6	991.7	1,005.9	1,016.1	1,077.3	1,175.4	1,256.6	1,359.8	1,463.0	1,546.0	3,418.5	12,312.7
Expenses													
Administered													
<i>Cannabis GST payments to states and territories</i>	-171.0	-274.0	-290.0	-295.0	-300.0	-313.0	-341.0	-370.0	-398.0	-424.0	-453.0	-1,030.0	-3,629.0
<i>Cannabis MBS savings</i>	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	66.4	182.6
Total – administered	-154.4	-257.4	-273.4	-278.4	-283.4	-296.4	-324.4	-353.4	-381.4	-407.4	-436.4	-963.6	-3,446.4
Departmental													
<i>Cannabis Australia National Agency</i>	-16.3	-16.6	-16.7	-16.9	-17.1	-17.3	-17.4	-17.6	-17.8	-18.0	-18.0	-66.5	-189.7
<i>Australian Taxation Office – Cannabis</i>	-2.7	-3.9	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3	-1.4	-1.4	-1.5	-9.0	-18.5
Total – departmental	-19.0	-20.5	-17.9	-18.1	-18.4	-18.6	-18.7	-18.9	-19.2	-19.4	-19.5	-75.5	-208.2
Total – expenses	-173.4	-277.9	-291.3	-296.5	-301.8	-315.0	-343.1	-372.3	-400.6	-426.8	-455.9	-1,039.1	-3,654.6
Total (excluding PDI)	334.9	634.7	700.4	709.4	714.3	762.3	832.3	884.3	959.2	1,036.2	1,090.1	2,379.4	8,658.1

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

- Indicates nil.

Table A2: Justice – a legal cannabis scheme for Australia – Underlying cash balances (\$m)^(a)

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
Receipts													
Administered tax													
<i>Cannabis excise</i>	280.0	458.0	469.0	476.0	481.0	525.0	574.0	608.0	659.0	715.0	746.0	1,683.0	5,991.0
<i>Cannabis GST</i>	171.0	274.0	290.0	295.0	300.0	313.0	341.0	370.0	398.0	424.0	453.0	1,030.0	3,629.0
<i>Cannabis Company tax</i>	-	142.0	216.0	217.0	218.0	217.0	237.0	257.0	278.0	300.0	324.0	575.0	2,406.0
Total – administered tax	451.0	874.0	975.0	988.0	999.0	1,055.0	1,152.0	1,235.0	1,335.0	1,439.0	1,523.0	3,288.0	12,026.0
Administered non-tax													
<i>Cannabis licence fees</i>	16.3	16.6	16.7	16.9	17.1	17.3	17.4	17.6	17.8	18.0	18.0	66.5	189.7
Total - administered non-tax	16.3	16.6	16.7	16.9	17.1	17.3	17.4	17.6	17.8	18.0	18.0	66.5	189.7
Total – receipts	467.3	890.6	991.7	1,004.9	1,016.1	1,072.3	1,169.4	1,252.6	1,352.8	1,457.0	1,541.0	3,354.5	12,215.7
Payments													
Administered													
<i>Cannabis GST payments to states and territories</i>	-171.0	-274.0	-290.0	-295.0	-300.0	-313.0	-341.0	-370.0	-398.0	-424.0	-453.0	-1,030.0	-3,629.0
<i>Cannabis MBS savings</i>	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	16.6	66.4	182.6
Total – administered	-154.4	-257.4	-273.4	-278.4	-283.4	-296.4	-324.4	-353.4	-381.4	-407.4	-436.4	-963.6	-3,446.4
Departmental													
<i>Cannabis Australia National Agency</i>	-16.3	-16.6	-16.7	-16.9	-17.1	-17.3	-17.4	-17.6	-17.8	-18.0	-18.0	-66.5	-189.7
<i>Australian Taxation Office - Cannabis</i>	-2.7	-3.9	-1.2	-1.2	-1.3	-1.3	-1.3	-1.3	-1.4	-1.4	-1.5	-9.0	-18.5
Total – departmental	-19.0	-20.5	-17.9	-18.1	-18.4	-18.6	-18.7	-18.9	-19.2	-19.4	-19.5	-75.5	-208.2
Total – payments	-173.4	-277.9	-291.3	-296.5	-301.8	-315.0	-343.1	-372.3	-400.6	-426.8	-455.9	-1,039.1	-3,654.6
Total (excluding PDI)	293.9	612.7	700.4	708.4	714.3	757.3	826.3	880.3	952.2	1,030.2	1,085.1	2,315.4	8,561.1

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

Table A3: Justice – a legal cannabis scheme for Australia – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	Total to 2028-29	Total to 2035-36
<i>Fiscal balance</i>	7.0	27.0	57.0	91.0	126.0	165.0	208.0	256.0	309.0	368.0	433.0	182.0	2,047.0
<i>Underlying cash balance</i>	5.0	22.0	50.0	82.0	118.0	155.0	197.0	244.0	295.0	353.0	417.0	159.0	1,938.0

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary³.
- (b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

³ [Online budget glossary – Parliamentary Budget Office \(pbo.gov.au\)](https://pbo.gov.au/online-budget-glossary)