

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

CUSTOMS TARIFF LEGISLATION AMENDMENT BILL 1995

SUPPLEMENTARY EXPLANATORY MEMORANDUM

(Amendments to be moved on behalf of the Government)

(Circulated by the Authority of the
Minister for Industry, Science and Technology
Senator the Honourable Peter Cook)

GENERAL OUTLINE

The purpose of these amendments to the Customs Tariff Legislation Amendment Bill 1995 are to amend the duty treatment of topped crude petroleum oils used otherwise than as refinery feedstock.

FINANCIAL IMPACT STATEMENT

This change has the potential revenue impact saving of \$100 million per annum.

AMENDMENTS TO THE CUSTOMS TARIFF LEGISLATION AMENDMENT BILL 1995

NOTES ON SECTIONS

Section 1 - Date of Commencement - 11 October 1995

Section 2 - Provides that the amendments in Schedule 4A shall operate on and from 11 October 1995

- . Covers - This alteration was formally notified in Special Commonwealth Gazette S386 of 10 October 1995.

Schedule 4 of this Bill provides an amendment to the treatment of light fuel oil previously classified in 2710.30.00 of the *Customs Tariff Act 1987* by means of an Additional Note to Chapter 27. That definition effectively removes light fuel oil from the definition of fuel oil, with the consequential effect of making light fuel oil dutiable at the higher diesel fuel rate (currently \$0.33513/L) rather than the lower fuel oil rate (currently \$0.06954/L). The decision was driven primarily to close down a revenue loophole estimated up to \$100 million per annum (collectively in excise and customs duties) as a result of duty differentials. Light fuel oil was used as a substitute for diesel fuel to take advantage of the duty rate on light fuel oil.

Since the 1 July 1995 change to fuel oil, the production of light fuel oil has decreased dramatically. Coinciding with this, topped crude petroleum oils of subheading 2710.00.19 are increasingly being used as substitutes for diesel fuel in the same way as light fuel oil was used. The loophole closed in one area, therefore, might well be opened in another (with a potential revenue impact of the same magnitude) if a similar amendment to topped crude oil is not made.

This amendment provides a change to Additional Note 1 to Chapter 27 by determining the physical characteristics of topped crude petroleum oils which will continue to be eligible for the lower rate of duty. Subheading 2710.00.19 has been split into 2710.00.12 to cover topped crude oil which has the physical characteristics outlined in Additional Note 1. This oil will attract the lower rate of duty. The second tariff subheading will be 2710.00.19 which will attract the diesel fuel rate of duty.

Section 26 of the Principal Act provides the legal provisions to apply the Consumer Price Index (CPI) adjustments to certain excise equivalent goods. Those goods are listed according to their tariff subheading in the Table to subsection 26(1). A consequential amendment has been made to this Table to show the current listing of subheadings to which CPI adjustments apply.



9 780644 342537

ISBN 064 342536