

1985

The Parliament of the Commonwealth of
Australia

House of Representatives

Excise Tariff Amendment Bill 1985

Explanatory Memorandum

(Circulated by Authority of the Minister for Industry, Technology
and Commerce, Senator the Honourable John N. Button)

OUTLINE

This Bill proposes a number of alterations to the Excise Tariff Act 1921.

The major alteration introduces a new excise duty scale (an 'intermediate' scale) for crude oil produced from fields discovered before 18 September 1975 and not developed before 23 October 1984. The proposed excise duty scale is between the existing 'old' oil scale and the 'new' oil scale and is designed to encourage the development of 'old' oilfields which had not been developed as at 23 October 1984.

The 'intermediate' excise scale represents a concession against the existing 'old' oil excise scale, but the excise liability is greater overall than for the 'new' oil excise scale.

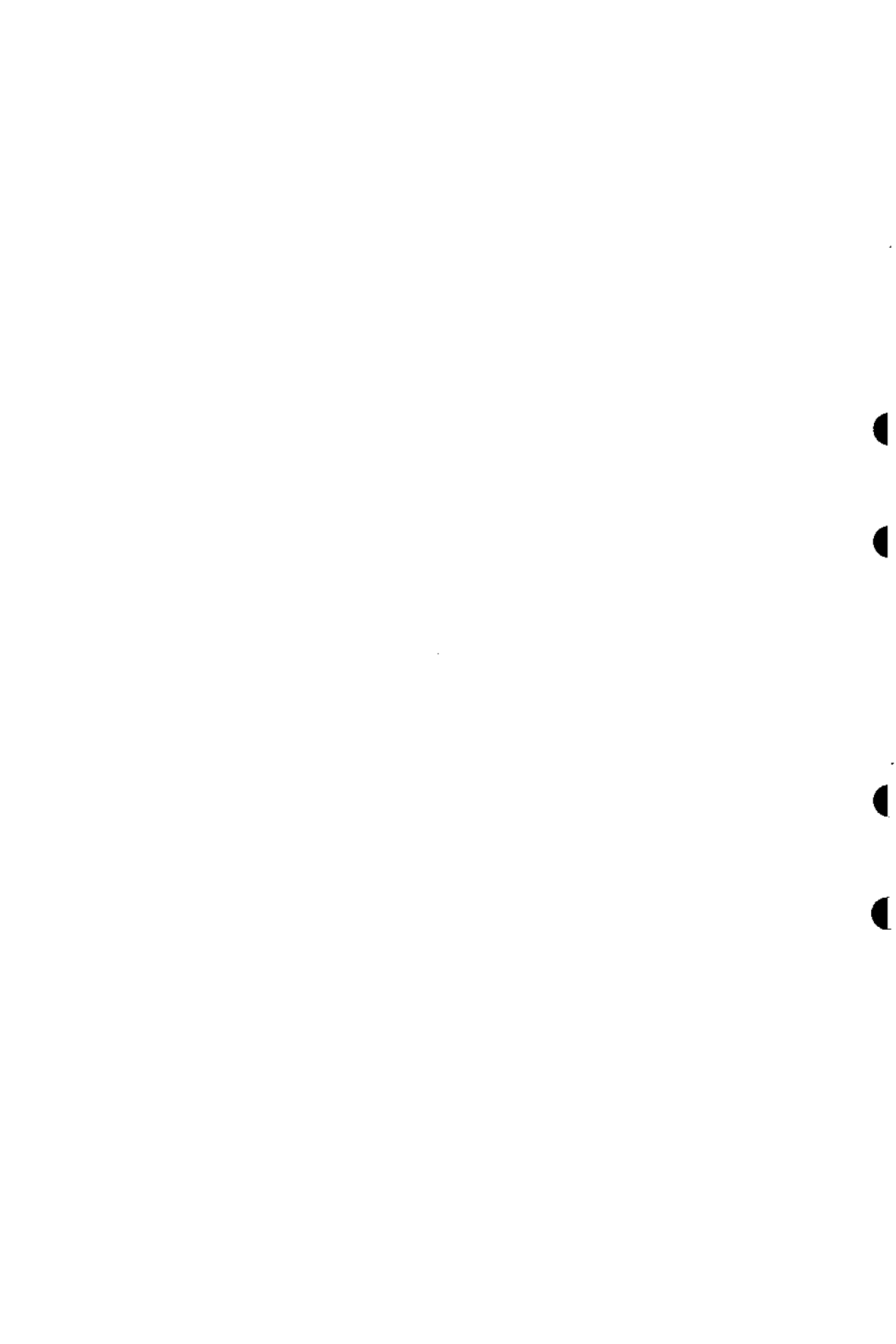
The introduction of the 'intermediate' excise scale is expected to lead to the development of a number of formally marginal fields in Bass Strait, the largest being the integrated Bream and Turrum fields.

Other alterations are made to the excise duty payable on LPG(N) between 1 July 1984 and 30 September 1984, between 1 October 1984 and 31 March 1985 and from 1 April 1985 onwards following the setting of revised average wholesale prices for LPG(N) for those periods.

Part III of the Bill proposes a technical correction to the rate of excise duty that was payable on fortifying spirit as shown in Section 8 of the Excise Tariff Amendment Act (No. 2) 1984.

Financial Impact

- . The introduction of the 'intermediate' excise scale for crude oil is expected to yield in excess of \$300 million to government revenue in net present value terms from the Bream, Turrum, Perch and Dolphin projects over the next 20 years.
- . The alterations to the excise duty on LPG(N) are expected to mean a net reduction to Government revenue of approximately \$1 million in 1984/85, compared with the budget estimates.



NOTES ON CLAUSES

Clause 1 Formal

Clause 2 Commencement provisions -

- (i) Clauses 1 and 2 containing the short title and commencement provisions are to operate from the date of Royal Assent;
- (ii) Clauses 3, 4(1), 5, 8 and 11 containing new taxing arrangements for certain crude oil are deemed to have come into operation on 23 October 1984 ie. the date upon which the Government announced the introduction of the new arrangements;
- (iii) Clause 9 which corrects the excise duty rate payable on LPG(N) between the period 1 July 1984 and 30 September 1984, is deemed to have come into operation on 1 July 1984;
- (iv) Clause 10 which alters the excise duty rate on LPG(N) from 1 October 1984, i.e. the date specified in the Gazette notification, is deemed to have come into operation on that date; and
- (v) Clause 12 which alters the Excise duty rate on LPG(N) from 1 April 1985 is deemed to have come into operation on that date; and
- (vi) Part III (Clauses 13 and 14) making a technical correction to the rate of excise duty on fortifying spirit as specified in Section 8 of the Excise Tariff Amendment Act (No. 2) 1984 is deemed to have come into operation at 8 p.m. in the ACT on 22 June 1984 ie. the time of operation of Section 8 of the Excise Tariff Amendment Act (No. 2) 1984.

PART II - AMENDMENT OF EXCISE TARIFF ACT 1921

The main purpose of this part of the Bill is to introduce a new 'intermediate' taxation scale for crude oil produced from fields discovered before 18 September 1975 and not developed by 23 October 1984. The 'intermediate' scale is a concession on the existing 'old' oil excise scale (Section 6B of the Principal Act) but is at duty rates of more than the 'new' oil excise scale (Section 6C of the Principal Act). The 'intermediate' excise scale is designed to encourage the development of 'old' oil fields that had not been developed prior to 23 October 1984, at least partly because of inadequate returns to producers under the 'old' oil excise scale.

Clause 3 Formal

Clause 4

- Sub-clause (1) defines the terms 'area', 'intermediate area', 'intermediate oil', 'old accumulation' and 'relevant accumulation' and defines when a relevant accumulation is taken to be developed for the purposes of this part (paragraph 4(1)(c) provides that a relevant accumulation (as defined) shall be taken to be developed when petroleum (as defined) is recovered from the accumulation for the purpose of -
 - (a) the sale of the petroleum; or
 - (b) the production from the petroleum of a product for sale.)
- Sub-clause (2) inserts a definition of 'new accumulation' in place of the definition of 'new area' in Section 3 of the Principal Act as a consequence of the introduction of the concept of 'relevant accumulation'.

Clause 5

Amends Section 5B of the Principal Act to provide that the provisions of that Section also apply to the crude oil produced from an 'intermediate' production area. Section 5B provides that for the purposes of ascertaining the excise duty on crude oil any mixtures of petroleum (as defined) are to be classified according to their essential character and any mixtures of stabilized crude petroleum oil and prescribed petroleum (as defined) are to be deemed to be stabilized crude petroleum oil. Section 5B also provides that for the purposes of imposing excise duty on crude oil all of the elements in a crude oil mixture may be 'back allocated' to their production areas.

Clause 6

Amends Section 6B of the Principal Act (the provisions relating to 'old' oil) as a consequence of the introduction of the term 'relevant accumulation' as proposed to be inserted by Clause 4.

Clause 7

Amends Section 6C of the Principal Act (the provisions relating to 'new' oil) as a consequence of the introduction of the term 'relevant accumulation' as proposed to be inserted by Clause 4.

Clause 8

Inserts the new provisions into the Principal Act to provide for taxing arrangements for 'intermediate oil' (as defined in Clause 4). The provisions are similar to the taxing arrangements for crude oil produced from areas discovered before 18 September 1975 ('old' oil), section 6B of the Principal Act, and from areas discovered on or after 18 September 1975 ('new' oil), Section 6C of the Principal Act, but vary the formula for

the calculation of notional duty (proposed sub-section 6D(4)) from the formula set out in sub-sections 6B(4) and 6C(4).

The major variation as contained in the 'intermediate' excise scale to the 'old' oil scale and 'new' oil scale is at proposed sub-section 6D(7). This sub-section sets out the relevant percentages for 'intermediate' oil for the purposes of the calculation of the notional duty payable on the oil. The comparative percentages for 'old' oil as set out in sub-section 6B(7) of the Principal Act vary from 5% to 87% according to the annual quantity of oil produced whereas the percentages for 'new' oil as set out in sub-section 6C(7) of the Principal Act vary from 10% to 35%. The percentages for the proposed 'intermediate' excise scale will vary from 15% to 55%.

Clause 9 Corrects the excise duty rate on liquefied petroleum gas obtained from unstabilised crude petroleum oil or from naturally occurring petroleum gas LPG(N) for the period 1 July 1984 to 30 September 1984. The rate of duty for that period should have been \$35.55 in lieu of \$36.96 per kilolitre.

Clause 10 Alters the excise duty rate on LPG(N), in accordance with Government policy, to \$34.70 from 1 October 1984. The revised rate results in a reduction of 85 cents per kilolitre from that date.

Clause 11 Amends the Schedule to the Principal Act, as a consequence of the introduction of the excise scale for 'intermediate' oil, to provide for a new sub-sub-paragraph in Item 17(A) to cover 'intermediate oil'.

Clause 12 Alters the Excise duty rate on LPG(N), in accordance with Government policy, to \$36.94 from 1 April 1985.

PART III - AMENDMENT OF EXCISE TARIFF AMENDMENT ACT (NO. 2) 1984

Clauses 13 and 14 Propose to make a technical correction to the rate of duty payable on spirit used to fortify Australian grape wine as specified in Section 8 of the Excise Tariff Amendment Act (No. 2) 1984. The rate of duty shown in Section 8 of that Act should have been \$1.50 in lieu of \$1.56. \$1.56 was the rate as indexed in accordance with Section 6A of the Excise Tariff Act 1921.

Section 8 of the Excise Tariff Amendment Act (No. 2) 1984 had the effect of removing the excise duty on the spirit from 8 p.m. on the 22 June 1984.

