

1984

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

EXCISE TARIFF AMENDMENT BILL (NO 2) 1984

EXPLANATORY MEMORANDUM

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

OUTLINE

The main purpose of this Bill is to amend the Excise Tariff Act 1921 to incorporate into that Act Excise Tariff Proposals Nos 2 and 3 (1984) which were tabled in the Parliament on 21 August 1984.

Excise Tariff Proposals No 2 (1984) -

- . with effect from 8 pm standard time in the A.C.T. on 22 June 1984 and as announced by the Treasurer on that date, remove the \$1.56 per litre of alcohol excise duty on spirit used to fortify Australian grape wine (Clause 8);
- . impose an excise duty on "new" oil from onshore and existing offshore projects on and from 1 July 1984. This proposal gives effect to the new excise duty arrangements for indigenous crude oil announced jointly by the Treasurer and the Minister for Resources and Energy on 18 April 1984. The term "new oil" refers to crude oil produced from areas discovered after 17 September 1975 (clauses 3, 4(2), 6(2), 7 and (9)(a));
- . decrease the excise duty on naturally occurring liquefied petroleum gas from \$49.23 to \$36.96 per kilolitre on and from 1 July 1984 in accordance with Government policy and as announced by the Minister for Resources and Energy (Clause 9(b)); and
- . increase, with effect from 18 July 1984, the number of decimal places in the excise duty rate for beer and remove the requirement that Australian gin must be made only from grape, grain or fruit spirit (clause 10).

Excise Tariff Proposals No 3 (1984) in clause 11 of the Bill, and with effect from 8 PM standard time in the A.C.T. on 21 August 1984--

- . redefine the term "beer" in the Schedule to the Excise Tariff Act 1921 as a consequence of the revised taxing arrangements for beer announced by the Treasurer in the 1984/85 Budget;
- . amend the excise duty rates for beer; and
- . increase the excise duty rates on tobacco, aviation gasoline and aviation kerosene.

The opportunity has been taken to include in the Bill two other measures -

- . the insertion of a provision in the indexation provisions of the Excise Tariff Act 1921 so that CPI decreases are taken into account in a similar manner to the treatment of pensions and benefits under the Social Security Act 1947 (Clause 5). This action was announced by the Treasurer in the 1984/85 Budget speech; and
- . the insertion of a provision clarifying that the provisions of sections 6B and proposed 6C of the Excise Tariff act 1921 extend to the "back allocation" of elements in a crude oil mixture for the purposes of imposing excise duty on "new" and "old" oil (Clause 4 (1)).

Financial Impact

- . the excise on "new oil" is expected to yield about \$317 million in 1984/85
- . the reduction in the LPG excise is expected to reduce revenue from this source by \$24 million in 1984/85
- . refunds of excise on fortifying spirits between 21/8/84 and 22/6/84 are expected to be about \$5 million
- . the excise alterations on beer are expected to reduce revenue by \$10 million in 1984/85 and \$12 million in a full year
- . the increase in the excise on tobacco is expected to yield \$4 million in 1984/85 and \$5 million in a full year
- . increases in the excise on aviation fuels are expected to yield \$3 million in 1984/85 and a full year
- . the modified indexation arrangements are expected to decrease excise revenue in 1984/85 by \$4 million. This cannot, however, be regarded as a reliable estimate.

NOTES ON CLAUSES

- Clause 1 Short title.
- Clause 2 Provides for the provisions of the Act to commence at certain specified times.
- Clause 3 Defines the terms "new area" and "new oil" for the purposes of the new taxing arrangements as proposed by Clause 7 of the Bill. For the purposes of the Act, "new oil" is to mean certain oil discovered after 17 September 1975. This provision (and Clause 7) is to commence on 1 July 1984.
- Clause 4 Is a declaratory provision to make it clear that for the purposes of the taxing arrangements for "old oil" (section 6B of the Principal Act) and "new oil" (section 6C of the Principal Act as proposed to be inserted by clause 7 of this Bill) 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. The clause further 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 original production areas. This provision is deemed to operate on 1 July 1983, the date upon which the taxing arrangements for "old oil" (section 6B of the Principal Act) came into force and results from legal advice which indicates that the provisions of section 6B of the Principal Act might not provide a legal basis for payment of duty arising out of the procedure to back allocate all elements in a crude oil mixture to their production origin. The retrospective operation of this declaratory provision will not have the effect of imposing additional duties or liabilities upon producers.
- Clause 5 Inserts a new provision into the Principal Act to enable C.P.I. decreases to be taken into account for the purposes of the indexation of excise duty rates. This proposal was announced by the Treasurer in the 1984/85 Budget Speech and is to operate on the day of Royal Assent.

- Clause 6 Contains amendments of a drafting nature to section 6B of the Principal Act.
- Clause 7 Inserts new provisions into the Principal Act to provide for taxing arrangements for "new oil" (as defined in Clause 3) and as announced by the Treasurer on 18 April 1984 to operate from 1 July 1984. The provisions are along similar lines to the excise scheme for crude oil produced from fields discovered on or before 17 September 1975 ("old oil") as set out in section 6B of the Principal Act.
- Provision is made for the excise duty rates for new oil to be adjusted automatically in accordance with movements in the import parity price of Bass Strait crude oil (as determined in accordance with section 6B).
- Similar to the scheme for "old oil" the provisions of proposed section 6C of the Act provide for increases in excise rates as the annual production from a field increases (as to which see proposed sub-section 6C(7)).
- Provision is also made for the scheme to cater for more than one import parity price change in a financial year (proposed sub-section 6C(6)) and for "new oil" fields which commence production in a financial year (proposed sub-section 6C(9)).
- Clause 8 Amends the Schedule to the Principal Act to remove the excise duty on spirit used to fortify Australian grape wine. This provision is to operate at 8 pm in the A.C.T. on 22 June 1984. Removal of the duty was announced by the Treasurer on that date.
- Clause 9 Amends, with effect from 1 July 1984, the Schedule to the Principal Act to alter Item 17 in that Schedule as a consequence of the taxing arrangements for "new oil" and reduces the exciseduty rate on naturally occurring liquefied petroleum gas in accordance with the Government's pricing policy.
- Clause 10 Amends, with effect from 18 July 1984, the Schedule to the Principal Act to increase the number of decimal places in the excise duty rate for beer and alters Item 2(H) in the Schedule to remove the requirement that Australian gin must be made only from grape,

grain or fruit spirit. The increase in the excise duty rate on beer is intended to alleviate repeated roundings upward on the rate as a result of the application of indexation. The imposition on Australian gin is being removed following a review of wines and spirits legislation by the National Health and Medical Research Council. The review identified that the requirement imposes unnecessary costs and is outdated.

Clause 11

Proposes to enact the excise tariff alterations which have had effect from 8 pm on Budget Night (21 August 1984). Such alterations apply to beer, tobacco, aviation gasoline and aviation kerosene. The tobacco increase represents a further step in aligning the excise on that product with that applying to cigarettes and cigars. Increases in the excise on fuels are being made as a cost recovery measure.

