

1985
THE PARLIAMENT OF THE COMMONWEALTH OF
AUSTRALIA

HOUSE OF REPRESENTATIVES

EXCISE TARIFF AMENDMENT BILL (NO.2) 1985

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Minister representing
the Minister for Resources and Energy,
the Hon Barry O Jones, MP)

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OUTLINE

This Bill proposes a number of alterations to the Excise Tariff Act 1921 and is to be read in conjunction with the Petroleum Revenue Bill 1985.

Under the Excise Tariff Act 1921 excise liability on crude oil and naturally occurring liquefied petroleum gas (LPG) occurs at the time of production. However, excise is not paid on crude oil or LPG until it is entered for home consumption (sold).

To those petroleum projects for which a Resource Rent Royalty (RRR) will apply, a problem is created in relation to the treatment of inventories at the commencement of the RRR agreement as the RRR agreement applies to receipts from sales of petroleum products produced after the commencement of the agreement.

While existing legislation would enable excise to be levied on these stocks it would excise them in a way which did not reflect actual annual levels of production from the project to which a RRR applies.

It becomes necessary therefore to introduce a transitional arrangement to value, for excise purposes, inventories at the commencement of a RRR agreement.

This Bill proposes to assess the excise liability on the end of year inventories for each prescribed production area separately.

The procedures for valuing inventories involve:

For Crude Oil:

- . the 1 July Import Parity Price on the operative day of the RRR agreement.
- . the average excise rate on the crude oil entered for home consumption from each prescribed production area during the pre-operative financial year
- . the closing stocks of crude oil from each prescribed production area

For LPG:

- . the 1 April excise rate in the pre-operative financial year
- . the closing stocks of excisable LPG

FINANCIAL IMPACT

- . The only project to which this legislation will immediately apply is Barrow Island.
- . Information on revenue to be received from the Barrow Island producers through the valuation of its stocks of crude oil and LPG as at 30 June 1985 is commercial-in-confidence. The arrangements will protect the Commonwealth's revenue position.

NOTES ON CLAUSES

Clause 1:

1 Formal

Clause 2: Commencement

Sub-Clause 2(1)

2 The short title and commencement provisions are to operate from the date of Royal Assent

Sub-Clause 2(2)

3 Clauses 3,4,7,8 and 9 of the Bill containing new taxation arrangements for end of year petroleum inventories, shall come into operation on a date to be fixed by Proclamation, being a day after the commencement of the Petroleum Revenue Act 1985

Sub-Clause 2(3)

4 Clause 5 which amends the definition of Import Parity Price in Section 6C of the Principal Act is deemed to come into operation on 1 July 1984

Sub-Clause 2(4)

5 Clause 6 which amends the definition of Import Parity Price in Section 6D of the Principal Act is deemed to come into operation on 23 October 1984.

Clause 3:

6 Formal

Clause 4: Interpretation

7 Amends Section 3 of the Principal Act by inserting the following definitions:

- . Sub-clause (a) defines the terms "delayed-entry LP", "delayed-entry LPG", "delayed-entry LPG rate", "delayed-entry LP rate", "delayed-entry oil" and "delayed-entry oil rate".
- . Sub-clauses (b) and (c) provide amendments to Sub-Section (1) in the definitions of "intermediate oil" and "new oil" respectively of the Principal Act.
- . Sub-clause (d) defines and inserts into the Principal Act the terms "operative day", "pre-operative year" and "prescribed source".

Clause 5: Duties of Excise on New Oil

8 Amends Section 6C of the Principal Act to clarify the definition of "Import Parity Price"

Clause 6: Duties of Excise on Intermediate Oil

- 9 Amends Section 6D of the Principal Act to clarify the definition of "Import Parity Price"

Clause 7:

- 10 Inserts into the Principal Act after Section 6D, two new Sections (6E and 6F):

- . Section 6E (1) defines the term "Import Parity Price" for the purposes of calculating the delayed-entry oil rate. Section 6E (2) defines the formula to be used to calculate the delayed-entry oil rate for delayed-entry oil (as defined in Clause 4(a)).
- . Section 6F (1) defines the terms "Import Parity Price" and "LP". Section 6F (2) defines the formula to be used to ascertain the delayed-entry LP rate that applies to delayed-entry LP (as defined in Clause 4(a)).

Clause 8: Amendment of Schedule

- 11 Sub-Clause (a) inserts after paragraph 17 (A)(1) in the Principal Act the following

"(1A) Delayed-entry oil the delayed-entry oil rate that applies to the oil";

Sub-Clause (b) inserts after paragraph 17(B)(2) in the Principal Act the following

"(2A) Delayed-entry LP the delayed-entry LP rate that applies to the liquid petroleum";

Sub-Clause (c) inserts after paragraph 17(C)(1) in the Principal Act the following

"(1A) Delayed-entry LPG the delayed-entry LPG rate that applies to the liquefied petroleum gas".

Clause 9: Application

- 12 The amendments of the Principal Act made by Clauses 3,4,7, and 8 apply to delayed-entry LP, delayed-entry LPG and delayed-entry oil, within the meaning of the Principal Act as amended by those Clauses, whether produced before or after the commencement of this Clause.

