

1994

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

EXCISE TARIFF AMENDMENT BILL (NO.2) 1994

EXPLANATORY MEMORANDUM

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



EXCISE TARIFF AMENDMENT BILL (NO. 2) 1994

OUTLINE

The main purpose of this Bill is to amend the *Excise Tariff Act 1921* (the Act) to incorporate Excise Tariff Proposals Nos. 2, 3 and 4 of 1994 into the Act.

Excise Tariff Proposal No. 2 of 1994 proposes a decrease in the excise duty payable on fuel oil, heating oil and kerosene of 1.977 cents per litre and a decrease in the excise duty payable on topped crude oil of 2.977 cents per litre with effect from 11 May 1994. These decreases were announced in the 1994-95 Budget. It also proposes to remove topped crude oil from the 1 cent per litre increase of 1 August 1994.

The decrease in excise duty on these products partly offsets the 3 cents per litre increase in excise duty on these products in the 1993-94 Budget. This increase was greater in proportion to the increase in excise duty on other petroleum products in the 1993-94 Budget. The proposed decrease is in response to representations from industry that the increase in excise duty on fuel oil has had significant impact on input costs of certain export oriented mining and mineral processing operations and the coastal shipping industry. Topped crude oil was subject to a further 1 cent per litre increase in excise duty on 1 February 1994, independent of indexation. The decrease in excise duty on topped crude oil, which can be used as a substitute for fuel oil, will also re-align topped crude oil with the excise duty on fuel oil.

Excise Tariff Proposal No. 2 of 1994 complements Customs Tariff Proposal No. 1 of 1994 which proposes a decrease in the customs duty payable on fuel oil, heating oil, kerosene and topped crude oil.

Excise Tariff Proposal No. 3 of 1994 proposes a decrease in the excise duty payable on aviation gasoline (avgas) of 6.327 cents per litre and an increase in the excise duty payable on aviation kerosene (avtur) of 1.194 cents per litre. The decrease in the excise duty on avgas is a net reduction being the combination of a 1.194 cents per litre increase and a 7.521 cents per litre decrease in excise duty. The 1.194 cents per litre increase is a continuation of the phasing in arrangements for cost recovery with respect to air safety regulation by the Civil Aviation Authority which commenced in the *Excise Tariff Amendment Act 1994*. The 7.521 cents per litre decrease is the result of revised costing arrangements by the Civil Aviation Authority for airways services provided for avgas powered aircraft. This decrease recognises that a large proportion of Civil Aviation Authority facilities are provided in respect of public transport operations mostly undertaken by avtur powered aircraft.

The 1.194 cents per litre increase in the excise duty on avtur is a continuation of the phasing in arrangements for cost recovery with respect to air safety regulation by the Civil Aviation Authority which commenced in the *Excise Tariff Amendment Act 1994*.

Excise Tariff Proposal No. 3 of 1994 complements Customs Tariff Proposal No. 3 of 1994 which proposes a decrease in the customs duty payable on avgas and an increase in the customs duty payable on avtur.

Excise Tariff Proposal No. 4 of 1994 proposes to exempt certain uses of stabilised crude petroleum oil and condensate from excise duty. It proposes to impose excise duty on stabilised crude petroleum oil and condensate for use as a fuel otherwise than where for use as a fuel in the recovery, production, transportation or refining of stabilised crude oil or condensate.

Financial Impact Statement

a) Excise Tariff Proposal No. 2 of 1994

The decrease of 1.977 cents per litre in the excise duty on fuel oil, heating oil and kerosene will result in a reduction of revenue of \$25 million in 1994-95 and \$25 million in 1995-96.

The decrease of 2.977 cents per litre in the excise duty on topped crude petroleum oil will result in a reduction of revenue of \$2 million in 1994-95 and \$2 million in 1995-96.

b) Excise Tariff Proposal No. 3 of 1994

The decrease of 6.327 cents per litre in the excise duty on avgas is balanced by an equivalent decrease in moneys appropriated to the Civil Aviation Authority. The financial impact is neutral.

The increase of 1.194 cents per litre in the excise duty on avtur is balanced by an equivalent increase in the moneys appropriated to the Civil Aviation Authority. The financial impact is neutral.

c) Excise Tariff Proposal No. 4 of 1994

The amendments proposed by Excise Tariff Proposal No. 4 of 1994 have no financial impact.

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NOTES ON CLAUSES

Short Title etc.

Clause 1 provides for the citation of the Act and identifies the *Excise Tariff Act 1921* as the Principal Act for the purposes of this Act.

Commencement

Clause 2 contains the commencement provisions of the Act and provides that :

- a) clauses 1 and 2 commence on the day on which the Act receives Royal Assent; and
- b) clause 4, which exempts crude oil and condensate from excise duty in respect of the all uses other than as fuel and where for use as a fuel in the recovery, production, transportation and refining of crude oil and condensate is taken to have commenced on 1 April 1994, the date of commencement of Excise Tariff Proposal No. 4 of 1994; and
- c) clauses 3 and 5, which respectively remove topped crude oil from the 1 cent per litre increase in excise duty of 1 August 1994 and decrease the excise duty payable on fuel oil, heating oil, kerosene and topped crude oil, are taken to have commenced on 11 May 1994, the date of commencement of Excise Tariff Proposal No. 2 of 1994; and
- d) clause 6, which decreases the excise duty payable on aviation gasoline (avgas) and increases the excise duty payable on aviation kerosene (avtur), is taken to have commenced on 1 July 1994, the date of commencement of Excise Tariff Proposal No. 3 of 1994.

Modification of indexation rates of duty applying to particular goods

Clause 3 amends subsection 6AAA(6) of the Principal Act by omitting the reference to "11(G)(2)" from column 1 of Table 2 in this subsection. The effect of omitting Item 11(G)(2) from Table 2 is that topped crude oil will not be subject to the 1 cent per litre increase in excise duty effective from 1 August 1994.

The Excise Tariff alteration was notified in Excise Tariff Proposal No. 2 of 1994 which was tabled in the House of Representatives on 10 May 1994.

Amendment of Schedule having effect from 1 April 1994

- Clause 4 amends the Schedule to the Principal Act by omitting and substituting sub-items 11(H) and 11(J). The effect of this amendment is to impose excise duty on stabilised crude petroleum oil and condensate only where for use as a fuel otherwise than where for use as a fuel in the recovery, production, transportation or refining of stabilised crude oil or condensate.

The Excise Tariff alteration was notified in Excise Tariff Proposal No. 4 of 1994 which was tabled in the House of Representatives on 29 June 1994

Amendments of Schedule having effect from 11 May 1994

- Clause 5 decreases the excise duty payable on fuel oil, heating oil, kerosene and topped crude oil with effect from 11 May 1994. This clause decreases the excise duty payable on fuel oil, heating oil and kerosene by 1.977 cents per litre to \$0.06586 per litre. It also decreases the excise duty payable on topped crude oil by 2.977 cents per litre to \$0.06586 cents per litre. These reductions are in response to representations from certain industries that the increase in excise duty on these products in the 1993-94 Budget has had significant impact on input costs.

The Excise Tariff alteration was notified in Excise Tariff Proposal No. 2 of 1994 which was tabled in the House of Representatives on 10 May 1994.

Amendments of Schedule having effect from 1 July 1994

- Clause 6 decreases the excise duty payable on gasoline for use in aircraft (avgas) and increases the excise duty payable on kerosene for use in aircraft (avtur) both with effect from 1 July 1994.

This amendment decreases the excise duty payable on avgas by 6.327 cents per litre to \$0.16810 per litre. This is a net reduction in excise duty and is the combination of a 1.194 cents per litre increase and a 7.521 cents per litre decrease in the excise duty payable on avgas. The 1.194 cents per litre increase is a continuation of the phasing in arrangements for cost recovery with respect to aviation safety regulation which commenced in the *Excise Tariff Amendment Act 1994*. The 7.521 cents per litre decrease is attributable to revised costing arrangements for services provided to operators of avgas powered aircraft by the Civil Aviation Authority. This decrease recognises that a large proportion of Civil Aviation Authority facilities are provided in respect of public transport operations mostly undertaken by avtur powered aircraft.

This amendment also increases the excise duty payable on avtur by 1.194 cents per litre to \$0.01460 per litre. This increase is a continuation of the phasing in arrangements for cost recovery with respect to aviation safety regulation which commenced in the *Excise Tariff Amendment Act 1994*.

The Excise Tariff alteration was notified in Excise Tariff Proposal No. 3 of 1994 which was tabled in the House of Representatives on 29 June 1994.

