Special Levies: Taxes by Another Name

A facet of the Federal financial system is the Government's use of so-called special levies. These are levies used to finance specific programs with finite lives. The Government's proposal to impose a levy on domestic sugar sales to fund an industry assistance package and talk of an Iraq war levy have led to increased discussion of special levies.

This Research Note is a compendium of special levies. It excludes on-going levies such as industry research levies, the Medicare levy, cost recovery charges, and the superannuation guarantee levy.

Aircraft Noise Levy
The aircraft noise levy was announced in the 1995–96 Budget. The enabling legislation is the Aircraft Noise Levy Act 1995 and the Aircraft Noise Levy Collection Act 1995. The legislation imposes a levy on certain aircraft landings. Revenue from the levy is used to fund noise amelioration measures near airports.

The levy was first applied to Sydney (Kingsford Smith) airport. In the 1996–97 Budget, the Government announced that it would extend the period of the levy at Sydney airport from 10 to 12 years to recover the additional compensation costs associated with the re-opening of the East-West runway. In the 2000–01 Budget, the Government also applied the levy to Adelaide Airport.

At the end of June 2002, about $395 million had been expended on noise reduction measures at both airports.

Firearms Buyback
On 10 May 1996, the States agreed to introduce new laws for firearm ownership. Under the firearms buyback scheme, the Government agreed to fund the compensation of owners of firearms made illegal. Compensation ended on 30 September 1997. The enabling legislation was the National Firearms Program Implementation Act 1996.

The scheme was funded by an increase in the Medicare levy in 1996–97 from 1.5 percent to 1.7 percent, which raised about $500 million. To 30 June 2002, compensation had cost $398 million and administration $63 million.

Stevedoring Levy

As part of its reform of the stevedoring industry under the Maritime Restructuring Facilitation Scheme, the Government agreed to guarantee funds so that all redundant employees received full entitlements. To recover the cost of payments, a levy applies to the loading and unloading of containers and cars for export and import. The stevedoring companies agreed to absorb the full cost of the levy, and the Australian Competition and Consumer Commission has found that the stevedoring companies have done so.

All entitlement claims by former stevedores were finalised in 2000–01. Payments totalling $178 million were made. At the current rate of collection ($31 million in 2001–02), the levy should end in 2004–05.

Dairy Industry Adjustment Levy
The dairy industry was one of the most highly regulated and assisted industries. To assist the industry to cope with farm-gate deregulation that took effect on 1 July 2000, the Government agreed to provide adjustment assistance—the Dairy Industry Adjustment Package. To fund the Package, the Government imposed a levy of 11 cents per litre on retail sales of liquid milk. The Government later extended the period of the levy to fund additional assistance. The levy is expected to end in 2008–09.


The levy is expected to raise $1.74 billion over eight years.

Ansett Levy
On 18 September 2001, the Government announced that it would impose a levy on air passenger tickets to fund the Special Employee Entitlements Support Scheme (SEESA) for former Ansett group employees. The authorising Acts are the Air Passenger Ticket Levy (Imposition) Act 2001 and the Air Passenger Ticket Levy.
The Scheme guarantees employee entitlements, namely, all statutory entitlements such as unpaid salary, long service leave, holiday pay, and redundancy payments up to what is loosely called 'a community standard', that is, no more than eight weeks.

As of 10 September 2002, $330 million had been paid out under SEESA to almost 13,000 employees, and the levy had raised $123 million. The Minister for Transport and Regional Services has said that the levy may end within the next few months.

### Sugar Industry Levy

On 25 September 2002, the Government announced details of assistance, spread over four years, to the sugar industry. The main components of the Sugar Industry Reform Program (SIRP) are regional adjustment programs ($60 million), income support ($36 million) and industry reform measures ($10 million). The SIRP also includes provision for interest subsidies and exit assistance.

Legislation implementing the proposals is yet to be presented to Parliament.

The Government has proposed a levy of three cents per kilogram on domestic sugar sales for five years to meet a large proportion of the cost of assistance. The total cost of the package is $150 million of which the Commonwealth will contribute $120 million and Queensland $30 million.

### Comments

The precise amount the levies will raise cannot be calculated because some are still in operation. But collectively, the levies stand to raise more than $3 billion.

A feature of most of the levies is that they are, in effect, a tax on consumption in particular industries. The levies thus obviate the need to raise taxes such as personal income tax. Only the firearms buyback levy was a direct tax on income.

It is not clear why the Government chose levies to fund these programs when comparable programs—such as the relief package for policy holders suffering financial hardship resulting from the collapse of HIH Insurance—are funded directly through the Budget. The additional administrative cost of special levies may be higher than if spending were financed through increases in taxes.

A second feature is that some of the levies—dairy, Ansett and sugar—are being used to fund industry assistance packages or the consequences of business collapse.

Another feature of special levies is that they cease when their purpose is complete, whereas funding spending through increases in taxes runs the risk that the 'temporary' increases will become permanent.

Some levies, notably those on milk and sugar, may be regressive in that people on low incomes pay the same amount per litre or kilo as do high income earners. On the other hand, air travellers who pay the noise levy and the Ansett levy are generally likely to be relatively high income earners.

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