To amend the Excise Tariff Act 1921 (the Principal Act) to incorporate changes introduced in Excise Tariff Proposals and announced in the Budget.

Background

Excise tariffs can be changed either through amendment to the Principal Act or the introduction of Excise Tariff Proposals which are subsequently incorporated into the Principal Act.

A number of the amendments contained in this Bill relate to excise on petroleum products and can be divided into three groups. The first group of changes relate to the import parity pricing (IPP) of crude. With the fall in world oil prices earlier this year, the government announced that excise on petroleum products would be increased to maintain revenue from petroleum products. This policy was first reflected in the 1 March IPP adjustment and subsequent adjustments in the IPP have also been accompanied by changes in the excise rate to protect revenue. Largely as a result of the increased rates of excise, revenue from the excises on refined petroleum products in 1986-87 is expected to increase by 95.9% over 1985-86.[1]

The second group of changes relate to the introduction of a Resources Rent Tax on new fields. As a result of this policy, crude produced from the Jabiru project will be excluded from the normal excise requirements. The third group comprise changes announced in the Budget. The major change is the increase in the
petroleum products excise by 14.365% (equivalent to 3 cents per litre for motor spirit and diesel) which is estimated to raise an additional $625 million in 1986-87.[2]

Another amendment contained in this Bill relates to the excise on liquefied petroleum gas (LPG). Under the LPG excise scheme, excise is adjusted twice a year on 1 April and 1 October. The rate of excise is determined by reference to prices and quantity sold and the determined wholesale price. On 1 April the rate of excise was increased from $94.13 per tonne to $95.04 per tonne.[3]

The final major amendment contained in this Bill relates to the Budget decision to increase the rate of excise on manufactured tobacco to align the rate of excise with that on cigarettes and cigars. The increase in excise was foreshadowed in the 1983-84 Budget and the changes contained in this Bill will complete the alignment.

Main Provisions

Section 3 of the Principal Act will be amended by clause 4 to insert a definition of excepted area. This will be the area of the Territory of the Ashmore and Cartier Islands.

Clause 7 will amend the Schedule to the Principal Act to incorporate changes to the excise on certain refined petroleum products. The amendment will apply from 15 March 1986, the day after the relevant Excise Tariff Proposal was introduced into the House of Representatives (sub-clause 2 (3)).

The Schedule to the Principal Act will be amended by clause 8 to increase the rate of excise on LPG. This amendment will apply from 1 April 1986 (sub-clause 2(4)).

Clauses 9 to 13 will amend the Schedule to the Principal Act to incorporate various changes to the rate of excise on certain refined petroleum products contained in various Excise Tariff Proposals. The amendments relate to changes in the IPP for crude oil.

The Schedule to the Principal Act will be amended by clause 14 to increase the rate of excise on certain refined petroleum products and manufactured tobacco. The amendments introduce the increases announced in the Budget and will operate from 8 p.m. on 19 August 1986 (sub-clause 2(10)).
Clause 15 will amend the Schedule to the Principal Act to reflect changes to the IPP. The amendment will operate from 13 September 1986 (sub-clause 2(11)).

Clause 16 will amend the Schedule to the Principal Act to exclude oil and naturally occurring LPG produced from the exemption area from excise.

For further information, if required, contact the Economics and Commerce Group.

References
1. 1986-87 Budget Paper No. 1, p.299.
2. Ibid., p.299.
3. Ibid., p.320

This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.