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No. 149 2003–04

Customs Tariff Amendment (Fuels) Bill 2004

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Bills Digest
No. 149 2003–04

Customs Tariff Amendment (Fuels) Bill 2004

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Law and Bills Digest Section
2 June 2004

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Customs Tariff Amendment (Fuels) Bill 2004

Date Introduced: 1 April 2004

House: House of Representatives

Portfolio: Justice and Customs

Commencement: The individual parts of the *Customs Tariff Amendment (Fuels) Bill 2004* have various commencement dates which are indicated in the Main Provisions section of this Bills Digest.

Purpose

The Customs Tariff Amendment (Fuels) Bill 2004 (the Bill) proposes the following changes to the *Customs Tariff Act 1995*:

- The implementation of a different customs duty rate for ultra low sulfur diesel (ULSD) and high sulfur diesel (HSD),
- An increase of the customs duty rate on aviation fuel to provide additional funding to the Civil Aviation Safety Authority,
- The imposition of a customs duty on biodiesel, bringing this currently untaxed fuel into the existing customs and excise duty system.

Background

See the comments in relation to the distinction between ULSD and HSD, the introduced rate on aviation fuels and the imposition of a duty on Biodiesel in the Bills Digest for the Excise Tariff Amendment (Fuels) Bill 2004.¹

Warning:

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

Main Provisions

Customs duty on ultra low sulphur diesel (Part 1, Schedule 1)

Item 1 to Item 10 imposes customs duties for diesel and other fuels such as kerosene or heating oil, with the customs duty rate to be determined by reference to the sulfur content of the fuel.

From 1 July 2003, the proposed amendment increased the customs duty rate for fuels with a sulfur content above 50 parts per million (“ppm”) by one cent, from \$0.38143 to \$0.39143 per litre. From 1 January 2004, the proposed amendments increased the customs duty rate for fuels exceeding the 50 ppm threshold by a further one cent, from \$0.39143 per litre to \$0.40143 per litre. The customs duty for diesel fuels with a sulphur content of 50 ppm of sulphur or below, is \$0.38143 per litre

ULSD and the *Singapore Australia Free Trade Agreement* (Part 2, Schedule 1)

Part 2 of Schedule 1 of the Bill applies the different customs duty rates for ULSD and high sulfur diesel to products imported from Singapore, which are not subject to the *Singapore Australia Free Trade Agreement* (“the SAFTA”). This part has taken effect on 28 July 2003, the day the SAFTA took effect in Australia.

Customs duty on aviation fuels (Part 3, Schedule 1)

Part 3, Schedule 1 of the Bill increases the customs duty rate for aviation fuels. This part took effect on 1 July 2003. **Item 32 to Item 37** impose an increased customs duty rate for aviation gasoline and kerosene of \$0.03114 and 0.03151 respectively.

Aviation fuels and the *Singapore Australia Free Trade Agreement* (Part 4, Schedule 1)

Schedule 4, Part 1 of the Bill applies the increased customs duty rates to aviation fuels imported from Singapore which are not subject to the SAFTA. This part has taken effect on 28 July 2003, the day the SAFTA took effect in Australia.

Customs duty on biodiesel (Part 5, Schedule 1)

Part 5 of Schedule 1 of the Bill imposes a customs duty rate for biodiesel. Note that the Bill applies the new customs duty rates to biodiesel imported from Singapore which is not subject to the SAFTA.

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The definition

Item 44, Item 46 and **Item 51** provide the definition for the term ‘biodiesel’. The definition is identical with the definition proposed for biodiesel under the Excise Duty Amendment (Fuel) Bill 2004.

Pure biodiesel

Item 45 introduces a customs duty rate for pure biodiesel derived from

- animal fats and oils and their fractions (subheading 1516.10), and
- vegetable fats and oils and their fractions (subheading 1516.20).

Oils and fats that are not used as fuel for internal combustion engines do not attract customs duty. Those products would fall into the category ‘Other’, free of customs duty.

Biodiesel blends: biodiesel with more than 70%, by weight, of petroleum products

The bill makes provision for biodiesel blends that contain more than 70%, by weight, of other petroleum products. **Item 47** to **Item 50** cover the following blends:

- pure biodiesel and, by weight, more than 70%, by weight, of light petroleum oils and preparations (**Item 47**).
- pure biodiesel and, by weight, more than 70%, by weight, of heavy petroleum oils and preparations (**Item 48**), and
- pure biodiesel and, by weight, more than 70%, by weight, of petroleum oils and preparations that qualify as waste oils (**Item 49, Item 50**).

The customs duty imposed upon the pure biodiesel component is \$0.38143 per litre. The duty payable for the petroleum product component in the biodiesel blend is determined in accordance with the sulfur content of the petroleum product.

Sulfur content of the petroleum product	Customs duty for the petroleum product	Date
< 50 parts per million	\$0.38143 per litre	1 July 2003
> 50 parts per million	\$0.39143 per litre	1 July 2003
> 50 parts per million	\$0.40143 per litre	1 January 2004

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Biodiesel blends: biodiesel with less than 70%, by weight, of petroleum products

Biodiesel blends containing, by weight, less than 70% of other substances, are caught by **Item 52**. This item imposes the same regime as set out above for blends with more than 70%, by weight, of petroleum products.

Biodiesel blends containing ethanol (Part 2, Schedule 2 of the Bill)

Part 2 of Schedule 2 of the Bill makes further changes to the customs duty regime applicable to biodiesel blends where those blends contain ethanol. As the *Customs Tariff Amendment Act (No.1) 2004* has commenced, this part will take effect from 18 September 2003.

Item 2 to **Item 17** make amendments applicable to biodiesel blends with more than 70%, by weight, of petroleum products that also contain ethanol. The bill determines \$0.38143 per litre as the customs duty for the ethanol component. The incorporation is in line with the introduction of ethanol as an element into the formulae stipulated in the Excise Duty Amendment (Fuel) Bill 2004.²

Item 18 to **Item 21** will effect identical changes to biodiesel products with less than 70%, by weight, of petroleum products.

Concluding Comments

See the comments in the Bills Digest for the *Excise Tariff Amendment Bill (Fuels) 2004*.

Endnotes

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- 1 See: *Bills Digest* 149, 2003–04, 'Excise Duty Amendment (Fuel) Bill 2004', <http://www.aph.gov.au/library/pubs/bd/2003-04/04bd149.pdf>.
 - 2 See: *Bills Digest* 149, 2003–04, 'Excise Duty Amendment (Fuel) Bill 2004', <http://www.aph.gov.au/library/pubs/bd/2003-04/04bd149.pdf>.

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