



Fuel Tax (Consequential and Transitional Provisions) Bill 2006

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Fuel Tax (Consequential and Transitional Provisions) Bill 2006

Date introduced: 29 March 2006

House: House of Representatives

Portfolio: Treasury

Commencement: Various dates as set out in clause 2.

Purpose

To amend and repeal various acts consequent to the introduction of the fuel tax credits scheme under the Fuel Tax Bill 2006.

Background

For additional background, see the Bills Digest for the Fuel Tax Bill 2006.

The Fuel Tax Bill 2006 proposes a single system of fuel tax credits. The system will replace the existing systems of grants and rebates, and will apply to fuel bought, imported and manufactured on or after 1 July 2006.

There are currently three fuel grants schemes:

- the Energy Grants (Credits) Scheme (EGCS)
- the Fuel Sales Grants Scheme, and
- the Petroleum Products Freight Subsidy Scheme.

The Fuel Sales Grants Scheme and the Petroleum Products Freight Subsidy Scheme are administered under the [Product Grants Benefits Administration Act 2000](#).

The EGCS is the main scheme. In 2005-06, expenditure is estimated to be more than \$3.7 billion under the EGCS, \$270 million under the Fuel Sales Grants Scheme, and \$3.5 million under the Petroleum Products Freight Subsidy Scheme.

Transitional and phasing measures

The reforms envisage transitional and phasing measures including:

- from 1 July 2006 to 30 June 2012, activities eligible under the EGCS will remain eligible under the fuel tax credits scheme

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- the EGCS will phase out from 1 July 2006 until 30 June 2012 and cease to apply from 1 July 2012
- grants for diesel under the EGCS used on-road or off-road apply only to purchases before 1 July 2006
- claimants have until 30 June 2007 to claim grants under the EGCS for diesel bought before 1 July 2006
- in the case of alternative fuels, which are eligible under the on-road component of the EGCS, the fuels must be bought before 1 July 2010 to be entitled to receive a grant
- the reason for the 1 July 2010 cut-off is that until 30 June 2010, effective excise rates—that is excise less fuel tax credits—on alternative fuels will be zero. On 1 July 2010, effective rates will begin to be ‘positive’. For example, from 1 July 2006 to 30 June 2011, the effective rate of excise on biodiesel will be zero; on 1 July 2011, the effective rate will be 3.8 cents per litre.¹
- from 1 July 2006, fuel tax credits can be claimed for all taxable fuels used for eligible on-road activities in vehicles with a gross vehicle mass of over 4.5 tonnes
- from 1 July 2008, fuel tax credits will be available for petrol used in an eligible off-road activities
- from 1 July 2008, eligibility for fuel tax credits will be extended to activities currently ineligible under the EGCS
 - but the claimable amount will be only 50 per cent of the fuel tax credit until 30 June 2012
 - the full credit will cut in on 1 July 2012
- from 1 July 2011, alternative fuels used off-road will be eligible for fuel tax credits, which will be gradually reduced
- entitlements under the Fuel Sales Grants Scheme will cease on 30 June 2006, that is, the Scheme will cease to apply to fuel sales and deliveries after 30 June 2006
 - the Scheme itself will cease operating on 1 January 2007
 - claimants have six months (from 1 July 2006 to 31 December 2006) in which to make claims
- entitlements under the Petroleum Products Freight Subsidy Scheme will also cease on 30 June 2006
 - the Scheme will cease on 1 July 2007.

The following summarises the excise reform timetable.

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Table: Excise reform timetable

1 July 2006	Excise on burner fuels will be removed. A full credit will be provided for all fuels used in power generation. Excise on heavy vehicles will be converted to a road user charge. Excise relief will be provided for petrol and all other taxable fuels used for business purposes in heavy vehicles. Urban-regional boundaries will be removed. Spending under the Fuel Sales Grants Scheme will be converted to road funding. The Petroleum Products Freight Subsidy Scheme will end. Access to excise credits for those claiming more than \$3 million per year will be linked to participation in the Greenhouse Challenge programme. Access to on-road credits for heavy diesel vehicles will be linked with meeting one of five emissions performance criteria designed to ensure vehicles meet the emission standard set under the Diesel National Environment Protection Measure.
1 July 2008	A 50 per cent credit will be introduced for the off-road business use of taxable fuels in activities not previously eligible for credits.
1 July 2011	Effective excise will apply to all fuels used in an internal combustion engine, including concessional excise for biodiesel, ethanol, liquefied petroleum gas, liquefied natural gas and compressed natural gas. The effective excise rates will increase over five equal annual steps, reaching their final rates on 1 July 2015.
1 July 2012	Full credit will be extended to all business use of all taxable fuels in all off-road activities.
1 July 2015	Final effective fuel excise rates will apply to all taxable fuels, including a 50 per cent discount for alternative fuels.

Source: Australian Government, *Securing Australia's Energy Future*, Canberra 2004, p. 102.

The Fuel Tax (Consequential and Transitional Provisions) Bill 2006 (the Bill) amends a number of Acts and repeals others. The amended Acts are:

- *A New Tax System (Goods and Service Tax) Act 1999*
- *A New Tax System (Luxury Car Tax) Act 1999*
- *A New Tax System (Wine Equalisation Tax) Act 1999*
- *Crimes (Taxation Offences) Act 1980, the Freedom of Information Act 1982*
- *Energy Grants (Credits) Scheme Act 2003*
- *Fuel Sales Grants Act 2000*
- *Income Tax Assessment Act 1936*
- *Income Tax Assessment Act 1997*

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- *Product Grants and Benefits Administration Act 2000*
- *States Grants (Petroleum Products) Act 1965*
- *Taxation Administration Act 1953*, and
- *Taxation (Interest on Overpayments and Early Payments) Act 1983*

The Bill 2006 also repeals the:

- [*Fuel Sales Grants Act 2000*](#) on 1 January 2007, and
- the [*States Grants \(Petroleum Products\) Act 1965*](#) on 1 July 2007.

Main provisions

Schedule 1—Amendments relating to the repeal of the Fuel Sales Grants Act 2000

Part 3 deals with the repeal of the *Fuel Sales Grants Act 2000*. **Item 8** repeals the this Act on 1 January 2007.

Schedule 3—Fuel credits arising from before 1 July 2006 and until 1 July 2012

Part 3 deals with fuel tax credit arising between 1 July 2006 and 30 June 2012. **Division 1** deals with credits arising between 1 July 2006 and 30 June 2008, while **Division 2** deals with credits arising between 1 July 2006 and 30 June 2012.

Item 10 Fuels acquired, manufactured or imported between 1 July 2006 and 30 June 2008 and **item 11** Fuel acquired, manufactured or imported between 1 July 2008 and 30 June 2012, deal with the phasing in of new credit entitlements. These items are discussed in paragraphs 3.38 to 3.45 of the Explanatory Memorandum.

Schedule 4—Other amendments

Item 2 has the effect of excluding from the definition of a ‘mining operation’ the extraction of materials used in building, road making, landscaping, construction or similar purposes. The Explanatory Memorandum notes:

3.49 After 30 June 2008, however, a broadening of the fuel tax credit eligibility criteria affords quarrying, manufacturing and construction industries a 50 per cent fuel tax credit. By 1 July 2012, when the fuel tax reforms have been fully implemented, fuel tax for fuel used in off-road business uses is fully offset by a credit.²

Schedule 5—Administrative provisions

The Explanatory Memorandum notes:

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4.8 Schedule 5 to the Fuel Tax (Consequential and Transitional Provisions) Bill 2006 applies the administrative rules applying to other indirect tax laws, to the proposed fuel tax credits scheme.³

Most of the amendments are to the [Taxation Administration Act 1953](#). In particular:

4.9 The amendments to the Taxation Administration Act 1953 incorporate a rewrite of Part VI (administration of GST, wine equalisation tax and luxury car tax) in the Tax Law Improvement Project drafting style. The rewritten version simplifies the expression of the law, making it easier to understand and comply with.⁴

Concluding comments

As its title suggests, the Bill amends several Acts in order to implement the fuel tax credits scheme. The amendments should generally simplify administration of the existing system of grants for fuel use. The move to apply the administrative rules applying to other indirect tax laws to the proposed fuel tax credits scheme should also assist administration.

Endnotes

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1. *Explanatory Memorandum*, Table 1.2, p. 14.
 2. *Explanatory Memorandum*, pp. 77–78.
 3. *Explanatory Memorandum*, p. 82.
 4. *ibid.*

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