



Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006

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Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006

Date introduced: 11 May 2006

House: House of Representatives

Portfolio: Treasury

Commencement: Various dates as set out in the table in clause 2.

Purpose

To main purpose is to repeal the current Excise Tariff and replace it with a new one.

Background

Excise is levied under the *Excise Tariff Act 1921* (the Excise Tariff Act) and the *Excise Act 1901*. The rates payable are listed in the Excise Tariff, which is Schedule 1 to the Excise Tariff Act.

On 15 June 2004, the Government released the energy white paper titled [Securing Australia's Energy Future](#). As part of the reforms proposed in the energy white paper, the Government decided to remove the excise on burner fuels. This gave rise to a review of the Excise Tariff. As the Australian Taxation Office (ATO) has noted:

The decision to remove the effective excise on burner fuels as part of the fuel excise reforms presented the Australian Government with an opportunity to review the entire schedule to the *Excise Tariff Act 1921*.

The review, announced in June 2005, was aimed at reducing compliance costs for excise manufacturers and other excise stakeholders, importers and administering authorities.

Overall, the changes resulting from the review are designed to:

streamline the schedule and make it more user friendly

make excise law clearer and less complex, and

improve the integrity of the excise system.¹

The review was contained in the Treasury paper titled [Review of the Schedule to the Excise Tariff Act. Industry Discussion Paper](#). The review proposed wide-ranging

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changes to the Excise Tariff Act, principally to the Excise Tariff. The Excise Tariff Amendment (Fuel Tax Reform and Other Measures) Bill 2006 (the Bill)—is the outcome of the review, which was the most comprehensive for many years.

The Explanatory Memorandum contains the following comparison of the current and proposed Excise Tariff.

<i>New law</i>	<i>Current law</i>
The excise tariff is streamlined, incorporating a simpler, two-tier numbering system.	The excise tariff has a complex numbering system, a number of disaggregations which are not necessary for tax policy reasons, often with prospective use of products as a basis for classification.
Concessional rates of excise duty for burner fuels and free rates of duty for fuels used otherwise than as fuel are no longer available.	Concessional rates of excise duty are available for burner fuels and free rates of duty fuels are available on fuels for use otherwise than as fuel (such as solvents).
Duty-free treatment for products for use by certain parties is no longer delivered by free rates in the excise tariff.	The excise tariff provides for free rates of duty where products are for use by certain parties.
Fuel from various non-petroleum sources is captured by the excise tariff and a certain product which is recycled for own use is excluded.	Fuel from various non-petroleum sources is not expressly captured by the excise tariff.
The tobacco rate applies to all tobacco products not in stick form, including snuff tobacco.	Snuff tobacco is subject to a lower rate of excise than other tobacco.
Certain definitions are clarified and redundant definitions and indexation provisions are omitted.	There are several redundant definitions in the commencing note to the excise tariff and certain redundant indexation provisions in the Excise Tariff Act.

Source: Explanatory Memorandum, paragraph 1.9, pp. 9–10.

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Some fuels—such as liquefied petroleum gas—are not subject to excise. The energy white paper proposed bringing all fuels that can be used in an internal combustion engine into the excise net, irrespective of the material from which the fuel is manufactured or how the fuel is manufactured:

The Government's policy is that all fuels which can be used in an internal combustion engine should be subject to fuel tax. On this basis, the excise tariff captures liquid fuels irrespective of their production method or feedstock.²

Based on this principle, the new Excise Tariff extends the excise net to additional fuels. In particular, as the Minister noted in his second reading speech, the new Excise Tariff recognises:

... that fuels can now be manufactured from sources other than petroleum, oil shale or coal.

The Bill changes the definitions of fuels as summarised in the following table.

<i>New item</i>	<i>Current item</i>
<p>There is a class of liquid hydrocarbon products derived through a recycling, manufacturing or other process included in the fuel item. (This means that all liquid hydrocarbon products derived through a recycling process are included in the fuel item.)</p> <p>Liquefied petroleum gas and bitumen are general exclusions from the fuel item.</p> <p>Refined or semi-refined liquid products derived from petroleum are included. However, if these products are for use in refining petroleum condensate or stabilised crude petroleum oil (other than in an internal combustion engine) they are excluded from this product class.</p>	<p>Refined or semi-refined liquid petroleum or shale oil products are included.</p> <p>Diesel fuel produced or manufactured by the process of refining waste oil and gasoline or diesel fuel recovered by a recycling process other than refining are expressly identified as being included within the refined or semi-refined liquid petroleum or shale oil product class.</p> <p>Liquefied petroleum gas, lubricating oils (including lubricant base oils), hydraulic oils, transformer oils, bitumen oils and recycled products other than those specified as inclusions are expressly identified as being excluded from the refined or semi-refined liquid petroleum or shale oil product class.</p> <p>Coal tar, coke oven distillates, aromatic hydrocarbons and light oils consisting principally of aromatic hydrocarbons (not being petroleum, shale oil or recycled products) are included.</p>
Topped crude oil is expressly included.	There is no express mention of topped crude oil.

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<i>New item</i>	<i>Current item</i>
<p>Petroleum condensate and stabilised crude petroleum oil is included.</p> <p>Products are excluded from this product class and the fuel item, where they are for use in the recovery, production, pipeline transportation, or refining of petroleum condensate or stabilised crude petroleum oil and as feedstock at a factory specified in a licence granted under Part IV of the Excise Act.</p>	<p>Petroleum condensate and stabilised crude petroleum oil products are included.</p> <p>Products are excluded from this product class where they are for use as a petroleum refinery feedstock (ie, in recovery, production, transportation or refining of stabilised crude oil or condensate) at a factory specified in a licence granted pursuant to Part IV of the Excise Act.</p>
No change.	Denatured ethanol for use in an internal combustion engine (fuel ethanol) is specifically included.
The definition of 'biodiesel' is amended to exclude the requirement that the fuel is made for use in an internal combustion engine.	Biodiesel means fuel for use in an internal combustion engine that is manufactured from animal fats or vegetable oils to form mono-alkyl esters.
Blends of one or more goods in the fuel item (with or without other substances) are included, unless they are excluded by an identified section of the Excise Act.	There is no express mention of blends in the fuel item. (Blends are covered by a separate item.)
<p>All products classified to item 15 of the excise tariff are excluded. (These products are certain oils and lubricants which are subject to a levy as part of the Product Stewardship (Oil) Programme.)</p> <p>This exclusion excludes lubricating oils (including lubricant base oils), hydraulic oils and transformer oils.</p>	Petroleum products classified to item 15 of the excise tariff are excluded.
Waxes (which have properties on the margin between liquid and solid) are excluded to provide certainty.	There is no express mention of waxes.

Source: Explanatory Memorandum, paragraph 1.47, pp. 17–18.

See also the Bills Digest for the related Excise Laws Amendment (Fuel Tax Reform and Other Measures) Bill 2006.

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Main provisions

Schedule 1 Amendments

Excise Tariff Act 1921

Item 2 repeals the current definition of biodiesel and substitutes a new definition.

Item 45 of **Schedule 1** is the central feature of the Bill. Item 45 repeals the current excise tariff in the *Excise Tariff Act 1921* and replaces it with a new table. The new table lists all the goods subject to excise, describes the goods, and the relevant excise rate.

Concluding comments

The new Excise Tariff simplifies the current Excise Tariff, and brings additional fuels into the excise net. While the simplification proposals will lead to additional expense for business in the short term, over the long term, simplification should ease compliance and administrative costs for business and the Australian Taxation Office. The extension of the excise net to additional fuels should improve economic efficiency: the energy white paper noted that exclusion had resulted in economic inefficiency. Failure to pass the Bill would result in a cost to the revenue because of the excise forgone on the additional fuels.

Endnotes

1. Australian Taxation Office website at:
<http://www.ato.gov.au/businesses/content.asp?doc=/content/74398.htm> .
Accessed 17 May 2006.
2. *Explanatory Memorandum*, paragraph 1.45, p. 16.

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