

Parliament of the Commonwealth of Australia

AUSTRALIAN SENATE

ECONOMICS LEGISLATION COMMITTEE

**CONSIDERATION OF LEGISLATION
REFERRED TO THE COMMITTEE**

Taxation Laws Amendment Bill (No.9) 1999

November 1999

Commonwealth of Australia

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for inquiry into A New Tax System (Tax Administration) Bill 1999

* *for inquiry into the Taxation Laws Amendment Bill (No. 8) 1999*

+ *for inquiry into the Diesel and Alternative Fuels Grants Scheme (Administration and Compliance) Bill 1999*

** *for inquiry into the Taxation Laws Amendment Bill (No. 9) 1999*

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REPORT

Background to the inquiry

1.1 Taxation Laws Amendment Bill (No.9) 1999 was introduced into the House of Representatives on 2 September 1999. The Bill was referred to this Committee following a report by the Selection of Bills Committee on 20 October 1999, for examination and report by 30 November 1999.¹

1.2 In its report the Selection of Bills Committee requested that the Committee consider the following:

Impact of forestry of Government's diesel rebate proposal in arrangements with the Democrats to facilitate passage of the GST legislation.

1.3 The committee secretariat contacted a number of interested parties and received 2 submissions to the inquiry (Appendix 1 refers). A public hearing on the Bill was conducted in Canberra on 18 November 1999. A list of witnesses who gave evidence at the hearing appears in Appendix 2, and the full transcript of the hearing is available at the internet address of <http://www.aph.gov.au/hansard>.

Background to the Bill

1.4 This Bill is a result of the modification made to the overall ANTS package following negotiations between the Government and the Australian Democrats.

1.5 The relevant part of the Government/Australian Democrats agreement was to exclude the forestry industry from receiving the full diesel rebate. This decision meant that for the first time parity was broken between the various primary production sectors. Consequently, the forest and timber industries pay 8 cents per litre more for off-road use of fuel than other agriculture industries.

1.6 The Government has since advised that it always intended for the forest industry to receive the same rebate amount as other industries. TLAB9 makes the necessary amendments to the *Customs Act 1901* and the *Excise Act 1901* to ensure parity is returned.

1.7 The forest industry will receive the full rebate for fuel purchased after 1 July 2000.

¹ Selection of Bills Committee report No. 18 of 1999, dated 20 October 1999.

ISSUES RAISED IN EVIDENCE

Support for the Bill

1.8 The Australian Forest Growers (AFG) and the joint submission from the National Association of Forest Industries and Plantations Australia (NAFI&PA) both expressed support for the bill to pass unamended.

Unjustifiable Discrimination

1.9 The Australian Forest Growers (AFG) and the joint submission from the National Association of Forest Industries and Plantations Australia (NAFI&PA) submitted that the legislation amended by this bill discriminated against the forest industry because it creates a distinction between forestry and other forms of primary production.

1.10 They stated that the recent amendments to the *Customs Act 1901* and the *Exercise Act 1901* treated forestry operators differently to other primary producers for the first time. According to them, the impact on the industry if TLAB9 was not passed would result in:

- Disincentive to invest in an industry that is already having difficulty attracting capital;
- Perceptions that forestry is not a desirable and worthwhile industry compared to other primary productions;
- Plantation owners would replace their regrowth forests with other enterprises such as crops and livestock; and
- Reduction in the forest industry's already substantial contribution to the environment, regional development and the economy.

1.11 Mr Stanton, Executive Officer, Plantations Australia advised the Committee that the Bill removes the unjustified discrimination against the forest industry by allowing farmers to determine how best to use their land.

If a landowner with an area of forest were considering how they should use that forest in the future, they might consider the alternative of clearing the forest and putting it into agricultural production or, alternatively, managing it on a sustainable basis to produce timber. Many factors would go into that decision, but one factor that they might now consider—if the current situation were allowed to prevail—is that there would be some incentive to clear that forest rather than maintain it for timber production.²

1.12 When asked by the Committee why he felt the forest industry was being discriminated against, Mr Stanton replied:

We see it as discrimination, particularly because—if we are looking at the use of a given area of land and we are saying, 'How should we use that land? Should it be used for forestry production or for any of the alternative types of production that land can be used for?'—as a result of this arrangement there is increased incentive to direct people away from investing in forestry, to investing in other forms of

primary production. Our industry has been identified for some reason—which is quite unclear, of course—as not entitled to the same benefits as other users of land.³

The current law is an administrative nightmare

1.13 Both AFG and the NAFI&PA advised the Committee that in their opinion, the current law is impractical, unworkable and administratively onerous for forestry operators, who are generally small, often family-owned, contracting businesses and farmers. These small businesses are involved in a range of activities, which under the current law, will attract different rates of diesel rebate. The Australian Forestry Growers provided the following example to illustrate this point:

A farmer doing several kilometres of riplines and weed spraying for a three-row shelterbelt to protect the lambing and off-shears paddocks can claim the maximum off-road diesel rebate, as long as that's the only purpose of the shelterbelt.

But if the farmer decides that the shelterbelt should comprise a mix of commercial species that can be selectively harvested in, say, thirty years, the farmer is then in the business of forestry, and technically, under the current law, is entitled to claim only the reduced diesel rebate for the forestry component.

So when claiming the diesel rebate, our farmer would have to make separate calculations (no better than estimates?) of, on the one hand, the diesel used for the riplines and weed control related to the commercial forestry component of the shelterbelt and, on the other hand, the diesel use related to the shelter/conservation component of the shelterbelt.⁴

1.14 According to both organisations the high cost of compliance would be an additional burden for these business already facing other new tax arrangements in the near future.

Reduction in Fuel Consumption

1.15 The NAFI and the PA advised the Committee that the forest industry has a policy of reducing fuel consumption on economic and environmental grounds. Over the past decade the industry has achieved significant reductions in fuel consumption by investing in new equipment such as single grip harvesters which have replaced two machines used previously, and logging trucks with higher payloads. One large forestry company has reported a 15% reduction in fuel usage in plantation harvesting and a 19% reduction in fuel usage in road transport.

1.16 Mr Stanton informed the Committee:

Diesel fuel, whether we get a full excise or not, is a significant cost to the industry, and therefore we have made significant efforts to reduce diesel use by adopting new technology, more efficient harvesting machinery, et cetera.⁵

3 Evidence pE14-15

4 Submission No.2, p.2-3

5 Evidence p. E13.

Conclusion

1.17 The Australian Forest Growers and the joint submission from the National Association of Forest Industries and Plantations Australia strongly support the proposed amendments in the Bill.

1.18 According to the evidence presented by these organisations there is a strong case to restore the parity between the forestry industry and other primary production in respect of the diesel rebate scheme. They believe the forest industry requires the assistance of the diesel rebate scheme to ensure the industry's remains a viable industry in the Australian economy.

1.19 The Bill reinstates the equal treatment of the forestry and other primary productions and according to Mr Stanton will assist to attract further investment into sustainable forest management and timber production.⁶

Recommendation

1.20 The Committee recommends the Senate pass the Bill unamended.

Senator the Hon. Brian Gibson
Chairman

6 Evidence pE13.

LABOR SENATORS' MINORITY REPORT

Labor Senators reserve their position on this legislation.

Senator the Hon Nick Sherry

Senator George Campbell

MINORITY REPORT AUSTRALIAN DEMOCRATS

After careful consideration of the evidence before the Committee on this Bill, the Australian Democrats are still of the view that it should be opposed.

We urge the Labor Party to oppose it also.

Senator Brian Greig

Australian Democrats

Appendix 1

List of Submissions

- No. 1 National Association of Forest Industries and Plantations
Australia**
- No. 2 Australian Forest Growers**

Appendix 2

List of Witnesses

National Association of Forest Industries and Plantations Australia

Mr Richard Stanton