Excise Tariff Amendment Bill 1988

Date Introduced: 29 April 1988
House: House of Representatives
Presented by: The Hon. Barry Jones, M.P., Minister for Science, Customs and Small Business

Digest of Bill

Purpose
To amend the Excise Tariff Act 1921 (the Principal Act) to incorporate recently tabled excise tariff proposals.

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.

This amendment Bill seeks to incorporate Excise Tariff Proposals relating to:

1. alterations to petroleum products excises;
2. alterations to the excise on neutrally occurring LPG
3. a reduction in the top marginal rate of crude oil excise on 'old' oil; and
4. a mechanism to permit the collection of a duty differential on certain manufactured goods.

The Government derives revenue from oil primarily through the crude oil excise and petroleum products excise. Receipts from crude oil excise vary with the international price of oil: the higher the price of oil, the greater the revenue generated by the crude oil excise.

Since 1985, the large fall in international oil prices has significantly reduced forecast crude oil excise receipts. Since March 1986, the Government has protected its total oil revenues by changing petroleum products excises to offset changes in crude oil excises. Accordingly, the transmission of changes in international oil prices to Australia is muted. For example, if world prices increase, the government crude oil excise receipts increase and petroleum products excise are reduced to maintain total oil revenues.

Successive Australian Governments have sought to encourage the use of LPG, a resource which is plentiful, but at present under utilised in
Australia as an alternative fuel. Increased utilisation of LPG reduces Australian oil dependence, improves our balance of payments and long-term energy security situation. In this context, successive Governments have sought to encourage the use of LPG in areas where it has a premium value such as automotive use.

In October 1986, the Government announced a new pricing formula to apply from 1 November 1986. Under the new arrangements the maximum wholesale price of both naturally occurring and refinery produced LPG for automotive and traditional industrial, residential and commercial use is adjusted on 1 April and 1 October every year.

The price is determined at $20 a tonne above the average export parity price of Bass Strait propane for previous six month period.

The excise rate is based on negotiated prices and quantity weights over the same six month period as for the pricing arrangements, and the administered wholesale price determined for the next six month period. The formula for the excise rate is 60% of the excess of the weighted average of domestic and export prices over $147 per tonne.

LPG pricing arrangements have been intended to ensure that domestic prices more closely reflect international prices while at the same time providing producers with an incentive to meet domestic demand and maintaining short-term price stability. Since 1 April 1986 the domestic price of LPG has fallen from $267.41 to $205.50 per tonne.

From 1 August 1986, the top marginal rate of crude oil excise payable on ‘old’ oil sold under the allocation arrangements was reduced from 87% to 80%. This concession, together with other excise concessions on free market sales of oil, encouraged the Bass Strait producers to maintain production above the domestic allocation placement of 350,000 barrels per day.

Permission may be given for the use of imported goods upon which customs duty has not been paid to be used in the manufacture of excisable goods.

This would lead to a revenue loss for the Government only if the customs duty avoided is larger than the excise ultimately payable on the good in which the imported (duty-free) component is eventually incorporated.

To cover against the possibility of such a revenue loss, the Bill prescribes extra duty on the imported component equal to the amount by which the rate of excise duty on the final product is exceeded by the rate of customs duty that would have been payable on the imported component.
Main Provisions

Clause 3 will amend Section 6B of the Principal Act to reduce the top marginal rate of excise on 'old' oil from 87% to 80%.

Clause 4 will insert a new section 6G into the Principal Act. The proposed section will provide the mechanism for the collection of a duty differential (see explanatory memorandum for details).

Clauses 5, 7 and 11 prescribe changed rates of excise on naturally occurring LPG.

Clauses 6, 8, 9 and 10 alter the excise duties on certain refined petroleum products as a consequence of changes to the Import Parity Price of crude oil.

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

28 April 1988

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

© Commonwealth of Australia 1988

Except to the extent of the uses permitted under the Copyright Act 1968, no part of this publication may be reproduced or transmitted in any form or by any means, including information storage and retrieval system, without the prior written consent of the Department of the Parliamentary Library. Reproduction is permitted by Members of the Parliament of the Commonwealth in the course of their official duties.