EXCISE TARIFF AMENDMENT BILL 1984

Date Introduced: 9 May 1984
House: House of Representatives
Presented by: Hon. Barry O. Jones, M.P., Minister for Science and Technology

Short Digest of Bill

Purpose

To amend the Excise Tariff Act 1921 in order to allow the number of decimal places in an excise duty rate, when changed by indexation, to extend beyond the number that existed before 23 November 1983.

Background

The 1983-84 Budget introduced discretionary increases in nominal excise rates for beer, potable spirits, tobacco products and certain petroleum products to apply from 23 August 1983, and removed excise rates on amyl alcohol, fusel oil, playing cards, cigarette papers and tubes, and matches. Excise tariff alterations to aviation gasoline, aviation kerosene, motor spirit, diesel fuel and LPG applied from 1 July 1983.

Because discretionary increases in the traditional excise rates were not sufficiently frequent or adequate to offset the effects of inflation, the real rates tended to decline over time. To counter the effects of inflation, the traditional excise rates are now indexed six-monthly by movements in the Consumer Price Index (CPI), applying each 1 February in respect of CPI increases in the preceding September and December quarters, and each 1 August in respect of CPI increases in the preceding March and June quarters. The initial indexation increase, which applied from the Budget on 23 August 1983, was 4.3 per cent, followed by 4.1 per cent on 1 February 1984. The indexation arrangements do not apply to excises on crude oil and liquid petroleum gas (LPG).

The Excise Tariff Amendment Act (No. 2) 1983, assented to on 23 November 1983, introduced provisions into the Excise Tariff Act 1921 to allow for the automatic indexation of certain traditional excise duty rates. Under one of the provisions (paragraph 6A(4)(b)), when indexation of an excise duty rate occurs, the duty rate is to be
rounded to the same number of decimal places in that rate that existed before 23 November 1983.

Outline

When indexation occurs, this Bill provides for the number of decimal places in an excise duty rate to extend beyond the number that existed before 23 November 1983.

In addition, the Bill proposes to increase the excise duty rate on LPG from $48.57 per kilolitre to $49.23 per kilolitre, with effect from 1 January 1984.

Main Provisions

Clause 4 provides for the change in the requirement for a certain number of decimal places in an excise duty rate.

Clause 5 amends the Schedule to the Principal Act in accordance with Excise Tariff Proposals No. 1 (1984) as moved in the House of Representatives on 1 March 1984 to increase the excise duty rate on LPG.

Remarks

The proposed change to the legislation, which will no longer require the rounding of an excise duty rate to a certain number of decimal places, will overcome a distortion in the rates that occurs particularly when an excise duty rate is rounded upwards continuously. For example, the pre 1983-84 Budget excise on beer was $0.60 per litre. Following the 4.3 per cent indexation on Budget night, the excise was $0.6258 per litre (1.043 x 60). Under current legislation, the rate is to be maintained at two decimal places. Hence the post-Budget excise duty rate was $0.63 per litre. The application of the 4.1 per cent indexation to $0.63 per litre on 1 February 1984 increased the excise to $0.65583 per litre (1.041 x 0.63), or $0.66 rounded to two decimal places. However, had the rounding not occurred, the excise duty rate would have been $0.6258 per litre following the first increase, and $0.6514578 per litre (1.041 x 0.6258) as a result of the second indexation, which is almost one cent less than the current rate. After future successive biannual indexations, followed by rounding of the excise duty rate to the appropriate number of decimal places, the distortion would be compounded as both the rate and the "error" are being indexed.

For further information, if required, contact:

30 May 1984
Economics and Commerce Group
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