Date Introduced: 13 September 1984
House: House of Representatives
Presented by: Hon. J.J. Brown, M.P., Minister
Assisting the Minister for Industry
and Commerce

Short Digest of Bill

Purpose

To implement proposals in the 1984/85 Budget for new taxing arrangements and excise rates for beer and increased excise on aviation fuels and tobacco; and to enact several earlier proposals, including the imposition of excise duty on 'new' oil, announced on 18 April 1984.

Background

Excise is levied on 'old' oil, defined as oil from fields discovered on or before 17 September 1975. New oil, oil obtained from fields discovered since that date, was initially exempt from excise. It was announced on 18 April 1984 that excise would be imposed on new oil from 1 July 1984, but at a substantially lower rate than that applied to old oil. An annual excise-free allowance of over 3 million barrels leaves most new onshore fields exempt from levy. Total receipts from the new oil levy in the 1984/85 financial year are projected to be $317m, offsetting a projected decline of $253m in total levy receipts from old oil.[1]

The April announcement that excise would be imposed on new oil also indicated that those offshore fields which have not yet reached the development stage ('greenfields' projects) would be subject to a resources rent tax but exempt from excise and royalties.[2]

Also with effect from 1 July 1984, the excise rate on naturally occurring LPG is reduced by $12.27, reflecting the "soft" state of the world LPG export market. Future adjustment in the LPG excise rate on 1 April and 1 October in each year, simultaneously with changes in the LPG price, was also announced.[4]

The 1983-84 Budget announced an excise on grape spirit used for fortifying wines of $2.61 per litre. When
eventually introduced by legislation a rate of $1.50 per litre was substituted [Excise Tariff Amendment (No. 2) 1983, section 6], applicable from 23 August 1984. The 1984-85 Budget announced the introduction of sales tax on wines. The excise on spirit used in fortifying wine is discontinued and all excise already collected will be refunded.[5]

Effective from 18 July 1984, the Bill removes an outdated requirement that Australian gin be made only from grape, grain or fruit spirit. A similar requirement in respect of imported gin was removed earlier.

Restriction of excise rates to a number of whole cents (i.e. restricting dollar rates to 2 decimal places) introduces a progressively greater rounding error with successive 6-monthly indexations. Extension of the rate for beer to 5 decimal places will minimize this distortion, in accordance with the earlier enacted section 6A, as amended (see Bills Digest for Excise Tariff Amendment Bill 1984).

The 1984-85 Budget announced a variation of excise rates according to the alcoholic strength of beer. A rate of $0.58 per litre is introduced for beer of alcohol content over 1.15 per cent but not over 3.8 per cent by volume. Very low alcohol· beer (1.15 per cent or less) is free of excise. Beer is defined to exclude liquor produced for non-commercial purposes or otherwise than at a brewery.

The amendments to apply from 8 p.m. on 21 August 1984 also increase the excise rate on manufactured tobacco by $5 per kilogram, reducing the difference between this item and cigarettes and cigars. The change is expected to yield $5m in a full year.[6]

An increase in excise on aviation gasoline and aviation kerosene is expected to yield $3m in a full year.[7]

Main Provisions

Excise on new oil is levied by new section 6C, deemed to have commenced on 1 July 1984. The amount of duty payable in any period is divided into duty components in various production ranges. On a full-year basis, duty is not payable on production up to 500 megalitres, but duty is thereafter levied at the following rates under sub-section 6C(7).

<table>
<thead>
<tr>
<th>Range</th>
<th>Rate</th>
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<tbody>
<tr>
<td>500+ - 600 megalitres</td>
<td>10%</td>
</tr>
<tr>
<td>600+ - 700 megalitres</td>
<td>20%</td>
</tr>
<tr>
<td>700+ - 800 megalitres</td>
<td>30%</td>
</tr>
<tr>
<td>800+ megalitres</td>
<td>35%</td>
</tr>
</tbody>
</table>
This percentage rate is applied ad valorem, the oil being valued at Import Parity Price.[3] Provision is made for proportionment where the Import Parity Price is varied or where production is commenced during a duty period. Clause 9 amends the Schedule to the Excise Tariff Act 1921 consequently, and further reduces the excise rate for LPG from $49.23 to $36.96 per kilolitre.

New oil is defined by addition of an interpretation section, section 3 (clause 2).

Clause 4 adds, with deemed effect from 1 July 1983, a section 5B for notional components of a mixture of oil to be ascribed to the particular production area from which that proportion of the mixture was derived. The section will assist calculation of duty.

Amendments to the Excise Act 1921 in 1983 provided for indexation of excise rates to the CPI. Sub-section 6A(4) provides that the Act "has effect as if" an indexed rate were substituted for the previous effective rate, at the start of each 6 month period. The augmentation factor is the ratio of the CPI index for the prior quarter to that of two quarters earlier. Since factors less than 1 are ignored, a mathematical relationship of indexation of the absolute value of excise rates only exists if the CPI does not fall. Amendment to section 6A ensures that indexation of absolute rates is maintained where a period of declining CPI changes is followed by further CPI increases, since the factor is to be calculated by reference to the highest CPI index earlier reached. Negative CPI changes will not reduce the excise rate, but will eventually be deducted from a later increase.

Budget changes are implemented by clause 11, with effect from 8 p.m. on 21 August 1984.

For further information, if required, contact:

2 October 1984

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References

1. Estimates of Receipts 1984-85, Statement No. 4, 1984-85 Budget Paper No. 1, p.300. See also Appendix II - Crude Oil and LPG: Pricing and Levy Arrangements.


7. Ibid.