THE SENATE

BILLS

Excise Tariff Amendment (Fuel Indexation) Bill 2014, Customs Tariff Amendment (Fuel Indexation) Bill 2014, Fuel Indexation (Road Funding) Special Account Bill 2014, Fuel Indexation (Road Funding) Bill 2014

Second Reading

SPEECH

Thursday, 26 June 2014

BY AUTHORITY OF THE SENATE
That these bills be now read a second time.

I seek leave to have the second reading speeches incorporated in *Hansard*.

Leave granted.

The speech read as follows—

**EXCISE TARIFF AMENDMENT (FUEL INDEXATION) BILL 2014**

This Bill amends the *Excise Tariff Act 1921*. It is part of a package of Bills that will give effect to the Government's commitment to ensure that the rate of fuel excise duty applying to all fuels, with the exception of aviation fuel, crude oil and condensate, will be biannually indexed by reference to the consumer price index.

Excise has applied to domestically produced petrol since 1929. From its introduction up until 1983, changes to the excise rate were largely made in an *ad hoc* manner. Indexation of excise was introduced by the Hawke Labor government in August 1983 in order to maintain the real value of excise collections and to provide more stability for business and consumers.

Since March 2001, the excise rate applying to petroleum products has been frozen, leaving the excise rate on petrol at its current level of 38.143 cents per litre.

The re-introduction of fuel excise indexation will provide a predictable and growing source of revenue which will be used to assist the Government to deliver road infrastructure projects.

The Bills will establish the Fuel Indexation (Road Funding) special account. This account will ensure that the net revenue raised through the re-introduction of fuel duty indexation is spent on road infrastructure. Its balance will be reported in Budget Paper No. 4.

Consequential amendments will also be made to the *Excise Tariff Act 1921* in order to simplify the burden on businesses by rounding the applicable duty rate of indexed fuels from three decimal places in the cent to one decimal place. On the current rate for petrol, this would have the effect of reducing the excise and excise-equivalent customs duty rate from 38.143 cents per litre to 38.1 cents per litre. However, indexation will apply in each indexation period to the three decimal places.

In the 2014-15 Budget, the Government has committed around $26 billion over the forward estimates period to fund new road projects. The indexation of fuel excise and excise-equivalent customs duty will contribute to their funding by raising approximately $2.2 billion over the same time frame.

By indexing fuel excise with the consumer price index, the cost of petrol and diesel will increase by approximately 0.9 cents per litre for consumers in 2014-15. This would mean that fifty litres of fuel per week would cost around $0.45 extra or around $24 extra per annum.

This measure will not increase input costs for businesses using fuel in off-road operations or operating a vehicle with a gross vehicle mass in excess of 4.5 tonnes. This is because these businesses are able to receive fuel tax credits to offset the fuel excise paid. For off-road activities, this is the full reimbursement of fuel excise while for on-road vehicles with a gross vehicle mass in excess of 4.5 tonnes this is equivalent to the excise rate minus the road user charge.
This Government is committed to budget repair and putting the nation’s finances back on to a sustainable path. Indexation of fuel excise will assist the Government to build the road infrastructure for a 21st century economy.

Full details of the measure are contained in the explanatory memorandum.

CUSTOMS TARIFF AMENDMENT (FUEL INDEXATION) BILL 2014

This Bill is part of a package of Bills that will give effect to the Government’s commitment to re-introduce biannual indexation of fuel excise and excise-equivalent fuel duties.

Specifically, this Bill amends the Customs Tariff Act 1995 so that the rate of fuel excise-equivalent customs duty applying to all fuels, with the exception of aviation fuel, crude oil and condensate, will be biannually indexed by reference to the consumer price index.

Consequential amendments will also be made to the Customs Tariff Act 1995 in order to simplify the burden on businesses by rounding the applicable duty rate of indexed fuels from three decimal places in the cent to one decimal place. On the current rate for petrol, this would have the effect of reducing the excise and excise-equivalent customs duty rate from 38.143 cents per litre to 38.1 cents per litre. However, indexation will apply in each indexation period to the three decimal places.

Full details of this Bill are contained in the explanatory memorandum.

FUEL INDEXATION (ROAD FUNDING) SPECIAL ACCOUNT BILL 2014

This Bill is part of a package of Bills that will give effect to the Government’s commitment to re-introduce biannual indexation of fuel excise and excise-equivalent fuel duties.

Specifically, this Bill amends the Financial Management and Accountability Act 1997 to establish the Fuel Indexation (Road Funding) special account.

The Treasurer will be responsible for making a determination to allocate funds to the special account. The Deputy Prime Minister and Minister for Infrastructure and Regional Development will be able to direct that amounts be transferred from the special account in order to provide funding to the states and territories for road infrastructure investment.

This account will ensure that the net revenue raised through the re-introduction of fuel duty indexation is used to assist the Government in building the road infrastructure for a 21st century economy and will be reported in Budget Paper No. 4.

Full details of this Bill are contained in the explanatory memorandum.

FUEL INDEXATION (ROAD FUNDING) BILL 2014

This Bill is part of a package of Bills that will give effect to the Government’s commitment to re-introduce biannual indexation of fuel excise and excise-equivalent customs duties.

Specifically, this Bill amends the Fuel Tax Act 2006 to ensure the fuel tax credits scheme continues to provide the appropriate credit.

The Bill also makes consequential amendments to the Fuel Indexation (Road Funding) Special Account Bill 2014 to ensure its operation once the Public Governance, Performance and Accountability Act 2013 comes into effect.

The Bill also makes consequential amendments to the Energy Grants (Cleaner Fuels) Scheme to ensure it continues to function correctly.

Full details of this Bill are contained in the explanatory memorandum.

Ordered that further consideration of the second reading of these bills be adjourned to 26 August 2014, in accordance with standing order 111.