

1993

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

SENATE

**EXCISE TARIFF (DEFICIT REDUCTION) BILL 1993**

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Industry, Technology and Regional Development, the Honourable Alan Griffiths MP)

THIS MEMORANDUM TAKES ACCOUNT OF AMENDMENTS MADE BY THE HOUSE OF REPRESENTATIVES TO THE BILL AS INTRODUCED.

## EXCISE TARIFF (DEFICIT REDUCTION) BILL 1993

### OUTLINE

The main purpose of this Bill is to amend the *Excise Tariff Act 1921* (the Act) to incorporate the Excise Tariff (Deficit Reduction) Proposal 1993 into the Act which:

- i) increases the duty payable on tobacco and petroleum products effective from 18 August 1993; and
- ii) proposes further increases in the excise duty on those products to occur at the same time as indexation pursuant to section 6A of the Act.

As part of the Government's deficit reduction program, increases in the excise payable on certain commodities have been proposed. The commodities affected by the proposed increases are tobacco and tobacco products and certain petroleum products. These increases will occur in stages according to formulae specified in the proposed Bill.

The excise duty for tobacco and tobacco products is to rise by 3% effective from 18 August 1993, with a further 4 rises of 5% in February and August 1994 and February and August 1995.

The excise duty for petroleum products subject to excise duty (with the exception of aviation fuels) is to rise by 3 cents per litre effective from 18 August 1993. Those products with a lead content exceeding 13 milligrams per litre will be subject to 2 further increases in February and August 1994 of 2 cents each. Those products with a lead content not exceeding 13 milligrams per litre will be subject to 2 further increases in February and August 1994 of 1 cent each. This differentiation implements the Government's policy to reduce the consumption of leaded fuel by introducing at least a 2 cent per litre differential by August 1994.

#### Financial Impact Statement

The increases in the duty on tobacco and tobacco products are expected to result in increased duty collections (including customs duty) of \$55 million in 1993/94 and \$175 million in 1994/95.

The increases in duty on petroleum products are estimated to result in additional duty collections (including customs duty) of \$790 million for 1993/94 and \$1375 million for 1994/95.

# EXCISE TARIFF (DEFICIT REDUCTION) BILL 1993

## NOTES ON CLAUSES

### **Short title etc.**

- Clause 1 provides for the citation of the Act and identifies the *Excise Tariff Act 1921* as the Principal Act for the purposes of this Act.

### **Commencement**

- Clause 2 provides for the Act to commence on Royal Assent with the exception of clause 3, which is taken to have commenced on 18 August 1993 (the date of commencement of Excise Tariff (Deficit Reduction) Proposal 1993).

### **Amendments of Act having effect from 18 August 1993**

- Clause 3 amends the Principal Act with effect from 18 August 1993. The amendments are set out in the Schedule as follows:

#### **Schedule**

#### **Subsection 6A(1) (definition of "relevant period")**

- Item 1 omits this definition from the Principal Act

#### **Subsection 6A(1)**

- Item 2 inserts a definition of "indexation period" which replaces the previous definition of "relevant period" as it is considered that "indexation period" more accurately reflects the desired concept.

#### **Subsections 6A(4) and (4A)**

- Item 3 Omits the existing subsections 6A(4) and (4A) and replaces them with new subsections (4A), (4B), (4C) and (4D). The purpose of the amendments is to simplify the present provisions relating to rounding up and rounding down of duty rates after indexation.

New subsection 6A(4) provides that upon indexation, which usually occurs on 1 February and 1 August each year, a new rate (incorporating the indexation factor) is substituted for the existing rate, provided that the indexation factor is more than 1.

Whilst indexation usually occurs on 1 February and 1 August subsection 6(6) of the Principal Act provides that where the Statistician does not publish the CPI at least 5 days prior to 1 February or 1 August, the day of indexation will be the day 5 days after the CPI is published.

New subsections 6A(4A), (4B) and (4C) provide the mechanism to round up or round down the new rate provided for in new subsection 6A(4) above. The thrust of the previous rounding up and rounding down provisions have been preserved, however, the proposed amendments are intended to simplify the mechanism.

New subsection 6A(4D) simply restates the previous subsection 6A(4A) taking into account the modifications in duty rates that may occur because of the new section 6AAA.

#### **Subsection 6A(5)**

Item 4 amends subsection 6A(5) of the Principal Act to take into account the new section 6AAA.

#### **Subsection 6A(6)**

Item 5 amends subsection 6A(6) of the Principal Act to take into account the new section 6AAA.

#### **Subsection 6A(7)**

Item 6 amends subsection 6A(7) of the Principal Act to take into account the new section 6AAA.

#### **Subsection 6A(8)**

Item 7 amends subsection 6A(8) of the Principal Act to take into account the new section 6AAA.

#### **After section 6A**

Item 8 amends the Principal Act by inserting a new section 6AAA as follows:

#### **Modification of indexation of rates applying to particular goods**

New section 6AAA provides the formulae for calculating increases in excise duty for tobacco and tobacco products and certain petroleum products which will take effect from the indexation periods commencing 1 February 1994, 1 August 1994, and where applicable, 1 February 1995 and, 1 August 1995. The increases in excise duty are cumulative and will be determined by adding the additional amount specified for the period to the previous rate, plus, where appropriate, the increase stemming from indexation based on movements of the consumer price index.

New subsection 6AAA(1) of the Act outlines the purpose of the new section and links the proposed increases with section 6A to provide that the timing of the proposed increases is to coincide with the present operation of 6A. That is, the proposed increases are to take effect from the beginning of the indexation periods specified above. It should be noted that for all increases covered by new section 6AAA, the additional increase will be added onto the new indexed rate, ie. to calculate a new rate, indexation of the existing rate will be calculated first and then the additional amount will be added on.

New subsections 6AAA(2) and (3) provide the formulae for calculating the increases in excise duty for tobacco and tobacco products. New subsections 6AAA(4) and (5) provide the formulae for calculating the increases in excise duty for petroleum products which have a lead content level exceeding 13 milligrams per litre. New subsections 6AAA(6) and (7) provide the formulae for calculating the increases in excise duty for petroleum products which have a lead content not exceeding 13 milligrams per litre.

New subsection 6AAA(2) of the Act provides that where indexation will take effect (ie. where the indexation factor is more than 1), the increase in excise duty on tobacco and tobacco products for any of the relevant periods will be 5% of the product of the rate that last applied to those goods and the rate of indexation as published by the Statistician.

New subsection 6AAA(3) of the Act provides that where indexation will not take effect (ie. where the indexation factor is equal to or less than 1), the increase in excise duty on tobacco and tobacco products will be 5% of the rate that last applied to those goods.

New subsection 6AAA(4) of the Act provides that where indexation will take effect, the increase in excise duty for petroleum products with a lead content exceeding 13 milligrams per litre will be the product of the rate that last applied to those goods and the rate of indexation as published by the Statistician plus the amount specified in Table 1 in subsection 6AAA(4) of the Act.

New subsection 6AAA(5) of the Act provides that where indexation will not take effect, the increase in excise duty for petroleum products with a lead content exceeding 13 milligrams per litre will be the sum of the rate that last applied to those goods and the amount specified in Table 1 in subsection 6AAA(4) of the Act.

New subsection 6AAA(6) of the Act provides that where indexation will take effect, the increase in excise duty for petroleum products with a lead content not exceeding 13 milligrams per litre will be the product of the rate that last applied to those goods and the rate of indexation as published by the Statistician plus the amount specified in Table 2 in subsection 6AAA(6) of the Act.

New subsection 6AAA(7) of the Act provides that where indexation will not take effect, the increase in excise duty for petroleum products with a lead content not

exceeding 13 milligrams per litre will be the sum of the rate that last applied to those goods and the amount specified in Table 2 in subsection 6AAA(6) of the Act. New subsection 6AAA(8) of the Act defines "indexation period" and "relevant rate" for the purposes of new section 6AAA.

### **Items 6, 7 and 8 of the Schedule**

Item 9 amends items 6, 7 and 8 of the Schedule to the Principal Act (ie. tobacco and tobacco products) to increase the excise duty by 3% effective from 18 August 1993.

### **Subparagraph 11(A)(3)(b) of the Schedule**

Item 10 amends paragraph 11(A)(3) of the Schedule to the Principal Act (ie. gasoline) by omitting subparagraph (b) and introducing new subparagraphs (b) and (c) to introduce the differentiation between leaded and unleaded gasoline and providing for an increase in the excise duty of 3 cents per litre for both.

### **Paragraph 11(B)(3) of the Schedule**

Item 11 amends paragraph 11(B)(3) of the Schedule to the Principal Act (ie. mineral turpentine) to increase the excise duty by 3 cents per litre.

### **Paragraph 11(C)(2) of the Schedule**

Item 12 amends paragraph 11(C)(2) of the Schedule to the Principal Act (ie. coal tar distillates suitable for use as gasoline substitutes) by omitting paragraph (2) and introducing 2 new subparagraphs (b) and (c) to introduce the differentiation between leaded and unleaded coal tar distillates and providing for a 3 cent per litre increase in the excise duty for both.

### **Paragraphs 11(E)(2) and 11(E)(3) of the Schedule**

Item 13 amends paragraphs 11(E)(2) and 11(E)(3) of the Schedule to the Principal Act by providing for a 3 cent per litre increase in the excise duty for automotive diesel oil, industrial diesel fuel, marine diesel fuel, fuel oil, heating oil, lighting kerosene and power kerosene.

### **Sub-item 11(F) of the Schedule**

Item 14 amends item 11 of the Schedule to the Principal Act by omitting sub-item (F) and substituting a new sub-item (F) which reflects the amendment in respect of gasoline to provide for different classifications for leaded and unleaded gasoline and ensures this amendment applies to the gasoline component of the blend of gasoline and ethanol. The

amendment also ensures that the 3 cent per litre increase applying to gasoline is reflected for the gasoline component in this blend.

**Paragraph 11(G)(2) of the Schedule**

Item 15 amends paragraph 11(G)(2) of the Schedule to the Principal Act by increasing the excise duty on topped crude petroleum oil by 3 cents per litre.



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