



AUSTRALIAN INSTITUTE OF PETROLEUM

Committee Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Committee Secretary

**INQUIRY INTO THE TAX AND SUPERANNUATION LAWS AMENDMENT (2014 MEASURES NO. 6) BILL 2014**

I am writing in response to the Committee's invitation for interested organisations to make submissions to the Inquiry into the *Tax and Superannuation Laws Amendment (2014 Measures No.6) Bill 2014*.

Thank you for the opportunity to provide our views to the Committee through this Submission on behalf of the Australian Institute of Petroleum (AIP). AIP was established in 1976 as a non-profit making industry association. AIP's mission is to promote and assist in the development of a sustainable, internationally competitive petroleum products industry, operating efficiently, economically and safely, and in harmony with the environment and community standards.

AIP is pleased to present this Submission to the Senate Economics Legislation Committee on behalf of AIP's core member companies:

BP Australia Pty Ltd  
Caltex Australia Limited  
Mobil Oil Australia Pty Ltd  
Viva Energy Australia Ltd.

AIP member companies operate across all or some of the liquid fuels supply chain including crude and petroleum product imports, refinery operations, fuel storage, terminal and distribution networks, marketing and retail. As a result, AIP member companies play a very significant role in delivering the majority of bulk fuel supply to the Australian market.

- In relation to conventional petroleum fuels, AIP member companies operate all major petroleum refineries in Australia and supply around 90% of the transport fuel market with bulk petroleum fuels.
- In relation to gaseous fuels, AIP member companies are the major suppliers of bulk LPG to the domestic market, representing around two thirds of the market.
- In relation to biofuels, AIP member companies are the largest suppliers of ethanol and biodiesel blend fuels to the Australian market.

AIP member companies are also very significant fuel excise/duty collectors for the Government – totalling over \$16 billion per year.

Given this background and their significant role in the Australian fuels supply chain and broader economy, AIP member companies have a very strong interest in Inquiries and policy and taxation settings which can directly impact on the downstream petroleum industry, including the industry's ongoing operation, competitiveness and transparency, and also on the costs of doing business in Australia.

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## INTRODUCTION

In this Submission, AIP makes only high level comments on those provisions in the Bill related to the *Fuel Tax Act 2006* and *Energy Grants (Cleaner Fuels) Scheme Regulations 2004* which are aimed at ensuring that changes to the amount of excise and excise-equivalent customs duty payable as a result of tariff proposals (indexation) are taken into account in calculating fuel tax credits and the cleaner fuels grant for biodiesel and renewable diesel.

## AIP FUEL TAX PRINCIPLES

From a tax policy perspective, AIP supports a tax system for transport fuels that:

- is efficient (causes minimum distortions), equitable (fair) and simple (easily understood);
- is practical/workable and minimises compliance and administration costs for business and government;
- supports clarity, consistency and stability in policy settings relevant to the transport fuels industry.

AIP supports the principle that all fuel used for transport use - including liquid fuels (conventional fuels and biofuels) and gaseous fuels (LPG, LNG and CNG) - should be taxed on a comprehensive and neutral basis, to ensure the most efficient and robust tax system for road transport fuels.

- AIP supports all road transport fuels being brought within the fuel excise system (as they are now) so that all fuels (equitably) need to meet compliance obligations underpinning the integrity of the fuel excise system and also comply with relevant fuel quality and environmental performance standards.
- AIP supports energy content as an appropriate and neutral basis for taxing all transport fuels, and so as to not distort the allocation of resources and producer or consumer choices.
- AIP supports the principle that the point at which excise/duty should be imposed should be at the highest point in the supply chain to ensure the most compliant fuel excise system.

AIP also supports relief from the burden of excise being provided for 'business inputs' to production, and has therefore supported the policy intent of the *Fuel Tax Credits* system.

- If indirect taxes paid by producers are not credited or rebated, it distorts relative prices and therefore production and consumption decisions and patterns due to the uneven incidence of effective tax rates, particularly for industries that use fuel more intensively. This is the justification for businesses being provided with an input tax credit for GST paid on intermediate goods and services (business inputs).
- Consequently, AIP argues that any excise (or excise-equivalent customs duty) levied on liquid or gaseous fuel used for non-transport purposes should be eligible for a Fuel Tax Credit (FTC) and that business can claim FTCs for eligible transport uses.
- We note that AIP member companies themselves are small FTC claimants compared to companies in fuel intensive industries.

## AIP POSITION ON THE BILL

Consistent with the AIP principles noted above, AIP supports the relevant provisions in the Bill as ensuring that the increase in fuel excise as a result of indexation is fully offset by fuel tax credits and the cleaner fuels grants for eligible business uses.

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Thank you for the opportunity to provide our views to the Committee through this AIP Submission.

AIP is happy for our submission to be made publicly available on the Committee's website.

Yours sincerely

Nathan Dickens  
**General Manager – Policy**

*14 November 2014*