



Carbon Pollution Reduction Scheme (CPRS Fuel Credits) (Consequential Amendments) Bill 2009

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Carbon Pollution Reduction Scheme (CPRS Fuel Credits) (Consequential Amendments) Bill 2009

Date introduced: 14 May 2009

House: House of Representatives

Portfolio: Treasury

Commencement: The main operative sections (Schedule 1) commence when section 2-1 of the proposed Carbon Pollution Reduction Scheme (CPRS Fuel Credits) Act 2009 commence. All other sections commence on the day of Royal Assent.

Links: The [relevant links](#) to the Bill, Explanatory Memorandum and second reading speech can be accessed via BillsNet, which is at <http://www.aph.gov.au/bills/>. When Bills have been passed they can be found at ComLaw, which is at <http://www.comlaw.gov.au/>.

Purpose

To amend the *Fuel Tax Act 2006*, the *Income Tax Assessment Act 1997* and the *Taxation Administration Act 1953* consequent to the introduction of the proposed Carbon Pollution Reduction Scheme (CPRS) fuel credits scheme.

Background

The implementation of the CPRS is likely to result in a rise in the price of fuels such as petrol and diesel. To help businesses adjust to the price rises, the government pledged to provide temporary assistance. This will take the form of a reduction in fuel excise, which will offset the expected rise in fuel prices.

Under the *Fuel Tax Act 2006*, eligible businesses receive ‘fuel tax credits’ which offset, fully or in part, the excise on fuel that they use. These businesses would not, therefore, benefit from the proposed excise reductions. To assist these businesses, the government proposes to establish the ‘CPRS fuel credit’ program. This will provide credits, equal to the excise reductions, to offset the expected rise in fuel prices. These businesses will, therefore, receive both the fuel tax credit and the CPRS fuel credit.

Liquid petroleum gas (LPG), liquid natural gas (LNG) and compressed natural gas (CNG) will incur an emissions unit obligation. These fuels are now not subject to excise so they,

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too, would not benefit from the excise reductions applying to other fuels such as petrol and diesel. To ensure price relativities are maintained, that is, so that no fuel is advantaged or disadvantaged relative to other fuels by the excise reductions, LPG, LNG and CNG will also be eligible to receive CPRS credits.

For details of the CPRS fuel credits scheme, see the [Bills Digest](#) for the Carbon Pollution Reduction Scheme (CPRS Fuel Credits) Bill 2009.

The Carbon Pollution Reduction Scheme (CPRS Fuel Credits) Bill 2009 implements the CPRS fuel credits scheme. The Carbon Pollution Reduction Scheme (CPRS Fuel Credits)(Consequential Amendments) Bill 2009 (the Bill) implements consequential amendments to three Acts—the [Fuel Tax Act 2006](#) (Fuel Tax Act), the [Income Tax Assessment Act 1997](#) (ITAA 1997), and the [Taxation Administration Act 1953](#) (TAA 1953)—needed to ensure that the CPRS fuel credits scheme can go into effect.

Basis of policy commitment

The government announced that it would provide assistance to the agriculture, fishing, and heavy on-road transport industries in its White Paper, *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future*.¹

Committee consideration

The Bill has been referred to the Senate Economics Legislation Committee for inquiry and report by 15 June 2009. Details of the inquiry are at http://www.aph.gov.au/senate/Committee/economics_ctte/cprs_2_09/index.htm

Position of significant interest groups/press commentary

See the Bills Digest for the Carbon Pollution Reduction Scheme Bill 2009.

Financial implications

The Bill itself does not have any direct financial implications. However, in so far as it supports the implementation of the CPRS fuel credits scheme, it indirectly will reduce revenue from excise and increase expenses under the 'fuel and energy' functional category.

1. Department of Climate Change, *Carbon Pollution Reduction Scheme: Australia's Low Pollution Future*, December 2008, pp. 17–16 and 1717, viewed 29 May 2009, <http://www.climatechange.gov.au/whitepaper/report/index.html>

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Standing appropriations

The Bill is not a special appropriation and does not appropriate funds.

Main provisions

The Explanatory Memorandum notes:

The measures in the CPRS Fuel Credits (Consequential Amendments) Bill are mechanical in nature, necessary to update the Fuel Tax Act, the ITAA 1997 and the TAA 1953 for the introduction of the CPRS Fuel Credits Bill and the administrative arrangements announced by the Government.²

Schedule 1—Amendments

Items 1 to 17 amend the Fuel Tax Act.

Item 4 repeals the formula for the ‘net fuel amount’ in subsection 60-5(1) while **item 5** substitutes a new formula in subsection 60-5(1) which incorporates both the fuel tax credits and the CPRS credits. **The new formula is:**

$$\begin{array}{rcccc} \text{Total} & & \text{Sum of} & & \text{Sum of total} & & \text{Sum of total} \\ \text{fuel tax} & - & \text{total fuel} & + & \text{increasing fuel tax} & - & \text{decreasing fuel tax} \\ & & \text{tax credits} & & \text{adjustments and} & & \text{adjustments and} \\ & & \text{and total} & & \text{total increasing} & & \text{total decreasing} \\ & & \text{CPRS fuel} & & \text{CPRS fuel credit} & & \text{CPRS fuel credit} \\ & & \text{credits} & & \text{adjustments} & & \text{adjustments} \end{array}$$

This amendment is necessary because applicants are entitled to claim both the fuel tax credits and CPRS credits.

Concluding comments

See the [Bills Digest](#) for the Carbon Pollution Reduction Scheme (CPRS Fuel Credits) Bill 2009.³

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2. Explanatory Memorandum, Carbon Pollution Reduction Scheme (CPRS Fuel Credits)(Consequential Amendments) Bill 2009, p. 26, viewed 4 June 2009, http://parlinfo/parlInfo/download/legislation/ems/r4122_ems_fc41154c-a33f-4a8c-8bb5-b3284980f8a7/upload_pdf/329345.pdf;fileType=application%2Fpdf
 3. Richard Webb, ‘Carbon Pollution Reduction Scheme (CPRS Fuel Credits) Bill 2009’, Bills Digest no. 161, 2008–09, Parliamentary Library, Canberra, 2009. <http://www.aph.gov.au/library/pubs/bd/2008-09/09bd161.pdf>

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