

Select Committee on the Scrutiny of New Taxes

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Friday, 23 September 2011

Question: 6

Topic: Carbon price on fuel

Senator BOSWELL: They are the fiscal tables contained in the Clean Energy Future publication. Those tables include estimates that the proposed carbon tax on fuel will raise \$3.3 billion in revenue in the first three years of the scheme.

Mr Heferen: There is a table on page 131 of *Securing a clean energy future* at appendix C: Fiscal tables. Table 1, 'Plan for a clean energy future', has the fuel tax credit reductions, and they have a fiscal impact across 2012-13, 2013-14 and 2014-15 and a total over the forward estimates of \$1.86 billion. Is that the—

Senator BOSWELL: No.

Mr Heferen: Sorry, there is a qualification, because in the legislation that was introduced into the House earlier this week, in the explanatory memorandum, table 1 'Plan for a clean energy future' has fuel tax credit reductions in the lower figures: \$570 million for 2012-13 and then \$70 million for 2013-14 and \$70 million for 2014-15, with a total over the forward estimates of \$710 million.

Senator BOSWELL: I will have to go and get the specific page, but there is figure in there of \$3.3 billion. I am just wondering what Treasury based those estimates on. On what did you base your estimates of how much the proposed carbon tax on fuel will raise in the 2011-12 area?

Mr Heferen: I do not mean to be obstructionist or obtuse, Senator. I have the table in front of me, referring to the legislation as it was introduced, but I cannot find the \$3.3 billion figure.

Senator BOSWELL: Okay, I will pick that up in a minute and get back to you. How many individuals or businesses around the country will be subject to a carbon price on fuel from 1 July 2011?

Mr Heferen: Sorry, Senator, 1 July 2011?

Senator BOSWELL: Yes, how many will be subject to carbon price on fuel from July 2011?

CHAIR: 2012, I think.

Senator BOSWELL: Okay, we will make it 2012.

Mr Heferen: We would have to take that one on notice.

Answer:

Households, on-road business use of light vehicles and the agriculture, forestry and fishery industries will not face a carbon price on the fuel they use for transport.

Some businesses currently do not pay the full rate of fuel excise due to receiving fuel tax credits that cancel some or all of their fuel tax liability. Some of these will have this credit amount adjusted from 1 July 2012. There will be no changes to the fuel tax credits for heavy on-road vehicles at the commencement of the scheme. The Government intends to reduce the fuel tax credits for heavy on-road vehicles from 1 July 2014.

Domestic aviation fuel excise will be increased by an amount equivalent to the carbon price, and the automatic remission of excise on gaseous fuels will be reduced, from 1 July 2012.

It is not possible to give a precise estimate of the number of businesses which will be subject to these changed arrangements. This is due to overlaps in the activities undertaken by businesses and the nature of the liabilities for excise and customs duties and eligibility for fuel tax credits. It should also be noted that of these businesses, those businesses in sectors other than agriculture, forestry, fisheries and mining would receive a larger fuel tax credit from 1 July 2012 than they do in

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2011-12, due to the phasing up of fuel tax credits for these industries. The Government has not released any further data on this issue. The Government has also announced that from 1 July 2013, large users of specified fuels will be able to voluntarily opt to use the permit-based carbon pricing mechanism instead of the arrangements outlined above.