

Petroleum fuels

IMPOSSIBLE
TO DO EQUITABLY

Excises on petrol and diesel to be reduced at the time of the GST's introduction so that pump prices need not rise.

Businesses to pay less for petrol and diesel because they will be able to claim an input tax credit on the GST payable on fuel used for business purposes — businesses will save around 7 cents per litre relative to what they pay now.

7c is only tax
if petrol is
permanent entry

A new comprehensive diesel fuel credit delivered through the GST system to be introduced for registered businesses, removing the need for the Diesel Fuel Rebate Scheme, with the effect that:

70.0c
+ 7.0 GST
77.0 RETAIL PRICE

- effective excise payable on diesel fuel used in heavy transport and rail to be reduced from around 43 cents per litre to 18 cents per litre; and

THE ANSWER:

- all other off-road use of diesel (including marine business use) to qualify for a full credit of all diesel excise.

NO REDUCTION IN
EXCISE ON PETROL.

The overall cost of petroleum fuel measures in the new tax system to be around \$3½ billion.

NO GST ON PETROL.

EXCISE REBATE TO
ALL BUSINESS USERS.

Alternative fuels to remain excise free on the introduction of the GST.

Alcoholic beverages

Wine, and beverages consisting primarily of wine, to become subject to a Wine Equalisation Tax to replace the difference between the current 41 per cent wholesale sales tax and the proposed GST, with the concessional taxation treatment of the alcohol content of cask wine to be preserved.

Changes in the excise on beer to be limited so that the retail price of a carton of full strength beer need only increase by the estimated general price increase associated with indirect tax reform. The retail price of a carton of low alcohol beer should not increase and in some cases may fall slightly.

Tobacco

A 'per stick' excise on cigarettes to be introduced from 1 July 1999 without reduction in tobacco excise — a reform long advocated by health experts.

Luxury car tax

A retail tax of 25 per cent on luxury cars (above a GST inclusive \$60,000 threshold) to be applied after the introduction of the GST to ensure that

of up to \$10 million. The ACCC will report to the Government on a regular basis. Those reports will be made publicly available.

Reforming excise duties

Reducing excises on petroleum fuels

The Government's reforms will significantly reduce the cost of fuel to all businesses, but particularly heavy transport, marine transport, and rail.

IMPOSSIBLE TO
DO THIS EQUITABLY.

At the time of the introduction of the GST, the government will reduce excises on petrol and diesel so that the pump price of these commodities for consumers need not rise. This approach recognises that, although petroleum fuels are exempt from wholesale sales tax, they currently bear significant tax in the form of excises and the GST ought not to be used to increase that burden.

Under the GST, registered businesses will pay less for petrol and diesel because they will be able to claim an *input tax credit* for the GST payable on fuel used for business purposes. Businesses will save about 7 cents per litre relative to what they pay now.

25c off

As an additional boost to transport (especially rural transport), the Government will introduce a new comprehensive diesel fuel credit for registered business. The credit will be delivered through the GST system. This credit will reduce the effective excise payable on diesel fuel used in heavy transport (vehicles with a gross vehicle mass over 3.5 tonnes) and rail from around 43 cents per litre to 18 cents per litre. All other off-road business use of diesel and like fuels (including diesel, bunker fuel and light fuel oil for marine business use) will qualify for a full credit of excise. This represents a broader exemption than the current Diesel Fuel Rebate Scheme and, as a consequence, that Scheme will no longer be needed by business. Alternative fuels will remain excise free on the introduction of the GST.

The benefit of these measures is around \$3½ billion a year. It is estimated that, together with other measures in the package, they will reduce road transport costs by 6.7 per cent, rail transport by nearly 4 per cent and water transport by 5.7 per cent. These cost reductions are industry averages. For rural and regional Australia, which relies most heavily on heavy road transport and rail, the cost reductions will be even larger.

The Government's transport reform package underscores its commitment to rural Australia.