

Senate Select Committee on Fuel and Energy

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Monday, 14 December 2009

Question: 1

Topic: Fuel excise and Dr Henry

Senator Bushby asked:

Senator BUSHBY—On the Henry review, speaking about somebody that could actually come out, Dr Henry has made a number of comments over the last 12 months here and there in speeches. He has given some indication or opened a slight opaque window towards some of the things that he is looking at. There have also been some papers put out that have touched on some of the things that he is looking at. In any of those publicly available speeches, statements and reports, has he mentioned excise tax in any shape or form?

Mr McCrea—I cannot recall whether he has or not.

Senator BUSHBY—Would you mind taking on notice to check that?

Mr McCrea—Yes, I will take it on notice.

Answer:

Dr Henry made some brief comments in relation to excise in his address to the Committee for Economic Development of Australia (CEDA) on 15 October 2009.

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Question: 2

Topic: Fuel excise revenue and indexation

Senator Bushby asked:

Senator BUSHBY—He has touched on all sorts of issues. Tax on family homes, changes to company tax and other things have come up. I am interested whether excise has been touched on in any of those public statements that have been made. I note in your submission that there has been a decline in tax collected as a percentage of the retail rate of fuel from 61 per cent in 2001, when indexation was scrapped, to about 36 per cent in 2009, depending on what the current level of fuel is. What impact has this had on revenue? How much more would be have been collected per year if indexation had continued since 2001?

Mr McCrea—The difference between what we collect now and what we would have collected I would have to take on notice. I do not have that number in front of me.

Answer:

In relation to the Senator's interest in "whether excise has been touched on in any of those public statements that have been made", an answer is outlined in question one.

In relation to the Senator's question on what impact indexation would have had on revenue, I note that the estimated impact on the Budget of the cessation of indexation from 2001 is as follows:

| | 2001-02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| Total impact (\$m) *Rounded to the nearest \$10 million | 280 | 610 | 880 | 820 | 1,240 | 1,870 | 2,620 | 3,170 |

** The revenue impact takes into account both the change in excise collections and fuel tax credits paid out due to indexation.

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Question: 3

Topic: Biodiesel grants

Senator Bushby asked:

Senator BUSHBY—I will change something slightly then. There are excise taxes on biodiesel fuel. Is that correct?

Mr McCrea—That is correct. However, there is an offsetting grant. That means there is no effective excise on biodiesel.

Senator BUSHBY—So who is the grant paid to?

Mr McCrea—I might just check for a moment. I am pretty sure it is paid to producers. At the excise point you have what is called excise manufacture. It is part of the manufacturing process. While notionally excise is placed on it, there is an offsetting grant that is paid at 38.143 that ensures there is effectively a zero excise on that biodiesel.

Senator BUSHBY—So basically what happens is a producer produces some biodiesel, sells it and there is an excise paid at point of sale?

Mr McCrea—Excise actually occurs before point of sale.

Senator BUSHBY—Is it an excise built into the point of sale cost?

Mr McCrea—Effectively what happens—and we will get back to the committee to confirm my answer—is that excise is notionally placed on it at 38.143 but it is offset by a grant, so effectively there is no excise on biodiesel.

Answer:

In order to legally manufacture biodiesel, a person must hold an excise manufacturer licence under the *Excise Act 1901* (Excise Act). Excise duty becomes payable on biodiesel when the product is delivered for consumption into the domestic market by the manufacturer or another licensed person. However, the Excise Act also allows for excise duty liabilities to be paid on a periodic basis, typically weekly, for approved persons. This means biodiesel may be delivered over the course of a week with payment of excise duty not due until the end of that weekly period.

If a person manufactures biodiesel that complies with the applicable fuel standard, they can receive a cleaner fuel grant (under the Energy Grants (Cleaner Fuels) Scheme) of 38.143 cents per litre. The grant effectively offsets the excise duty of 38.143 cents per litre that is payable on the manufacture of biodiesel in Australia. Both the liability for the excise duty and the entitlement to the grant are dependent upon (amongst other matters) the delivery of the biodiesel into the domestic market. However, there is no requirement for a cleaner fuel grant claim to be made at the same time as the lodgement of the excise return.

To streamline the administration of these arrangements, the Tax Office provides a mechanism to allow the automatic offset of the excise duty liability when it equates to the amount of the Cleaner Fuel Grant. This arrangement is used by most eligible entities.

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Eligible entities seek approval from the Tax Office to lodge their Cleaner Fuel Grant claim concurrently with their excise payment return. When approved, the entities do not need to make a payment equal to the value of their excise liability. Instead, the Tax Office will process their Cleaner Fuel Grant claim and offset the excise liability with this credit. Participants in the offsetting arrangements are notified when offset has taken place.

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Question: 4

Topic: Excise revenue and road spending

Senator Bushby asked:

Senator BUSHBY—In respect of hypothecation of excise, until 1959 that was hypothecated to roads, according to your submission. Do you have available how much the money currently raised by excise compares with the amount of money that the Commonwealth spends on roads?

Mr McCrea—I would have to take that on notice.

Answer:

In the Minister for Infrastructure, Transport, Regional Development and Local Government's media release of 3 January 2010, Minister Albanese indicated that:

In 2006-07 – i.e. the latest available statistics – total road expenditure by all three levels of government (\$11.4 billion) exceeded the amount motorists paid in fuel excise (\$9.1 billion).

Further he stated that:

Since then the Rudd Labor Government has more than doubled the Federal roads budget to \$27.7 billion over six years, including \$3.1 billion for the Pacific Highway, \$2.6 billion for the Bruce Highway and almost \$1 billion for the Hume Highway.

In the publication attached to the media release entitled *Public road-related expenditure and revenue in Australia 2009* it indicated that for 2006-07 Commonwealth directly targeted road funding totalled approximately \$2.77 billion.