

CHAPTER 2

BACKGROUND AND OVERVIEW OF BILL

Key provisions of the Bill

2.1 Schedule 1 of the Bill contains two items:

- Item 1 proposes to amend section 6 of the PMC Act to increase the rate of the PMC from \$38 to \$47.
- Item 2 provides that the increased charge would apply to the departure of a person from Australia on or after 1 July 2008, unless the person departs using a ticket sold or issued before 1 July 2008.

Background

History of Passenger Movement Charge

2.2 The PMC was first called a 'departure tax' and was introduced by the *Departure Tax Act 1978*. The name was changed in 1995 under the *Departure Tax Amendment Act 1994*.¹ The table below sets out the history of changes to the rate of the departure tax/PMC:

Table: History of changes to the departure tax/passenger movement charge

Title of charge	Date commenced	Rate	Relevant legislation
Departure tax	24 October 1978	\$10	<i>Departure Tax Act 1978</i>
Departure tax	1 October 1981	\$20	<i>Departure Tax Amendment Act 1981</i>
Departure tax	1 July 1988	\$10	<i>Departure Tax Amendment Act 1988</i>
Departure tax	1 August 1991	\$20	<i>Departure Tax Amendment Act 1991</i>
Departure tax	1 January 1994	\$25	<i>Departure Tax Amendment Act 1993</i>
PMC	1 January 1995	\$27	<i>Departure Tax Amendment Act 1994</i>
PMC	1 January 1999	\$30	<i>PMC Amendment Act 1998</i>
PMC	1 July 2001	\$38	<i>PMC Amendment Act 2001</i>
PMC	<i>1 July 2008 (proposed)</i>	<i>\$47 (proposed)</i>	<i>PMC Amendment Bill 2008</i>

¹ That Act also changed the name of the *Departure Tax Act 1978* to the *Passenger Movement Charge Act 1978*.

Collection arrangements

2.3 The PMC is levied on departures from Australia on commercial and charter airlines and passenger ships under the PMC Act. The PMC is collected under section 10 of the *Passenger Movement Charge Collection Act 1978*. Under these collection arrangements, airlines and shipping companies collect the charge from departing passengers and periodically remit these charges to the Commonwealth.² The Australian Customs Service (ACS) administers these arrangements.

Purpose of Passenger Management Charge

2.4 The PMC was originally introduced as a cost recovery measure to recoup the cost of customs, immigration and quarantine processing of passengers entering and leaving Australia and the cost of issuing short-term visitor visas. Although it was originally intended to be a cost recovery measure, it has become, at least in part, a general revenue raising measure.³ The Australian National Audit Office noted in 2000 that:

The PMC is levied under Commonwealth taxing powers and is now applied partly as a general revenue raising source. As a consequence, the PMC is no longer solely linked to cost recovery of Customs, Immigration and Quarantine services.⁴

2.5 The purpose of the current increase, according to the Explanatory Memorandum (EM), is to 'partially fund national aviation security initiatives'. Further, the EM states that:

Since 2001, the Australian Government has spent approximately \$1.2 billion implementing a significant number of national aviation security measures. In his second reading speech, The Hon Bob Debus, Minister for Home Affairs, explained that:

The \$9 increase recommended by the central economic agencies has been accepted by government as broadly consistent with the amount the charge would have grown by had it been indexed over the period since it was last increased in the 2001-02 budget.⁵

2.6 The Reserve Bank of Australia's online inflation calculator indicates that, when previous charges are indexed for inflation:

- a \$10 charge in 1978 is equivalent to a charge of \$40.11 in 2007; and

2 Explanatory Memorandum, p. 3. Note there are some exemptions from the PMC under the *Passenger Movement Charge Collection Act 1978*, mostly relating to diplomats and children under 12 years of age.

3 Parliamentary Library, *Budget Review 2008-09*, p. 37 at: http://www.aph.gov.au/library/pubs/rp/BudgetReview/Economic_Issues.htm

4 "Passenger Movement Charge—Follow-up Audit", *Audit Report No.12 2000–2001*, p. 13.

5 *House of Representatives Hansard*, 28 May 2008, p. 7.

- a \$38 charge in 2001 is equivalent to a charge of \$44.78 in 2007.⁶

2.7 The second reading speech for the Bill also makes it clear that the proposed increase in the PMC brings the amount to be charged back into line with its equivalent 2001 value (2001 being the time of the last increase):

The \$9 increase recommended by the central economic agencies has been accepted by government as broadly consistent with the amount the charge would have grown by had it been indexed over the period since it was last increased in the 2001-02 budget.⁷

2.8 The following table shows revenue raised by the PMC since 2000-01, as well as the number of passenger movements, in recent years and projected for future years:⁸

Financial Year	Passenger Movement Charge Revenue	Number of Passenger Movements
2000-01	\$242.3 million (revenue collected)	8,076,667
2001-02	\$284.0 million (revenue collected)	7,473,684
2002-03	\$290.6 million (revenue collected)	7,647,368
2003-04	\$329.8 million (revenue collected)	8,678,947
2004-05	\$363.8 million (revenue collected)	9,573,684
2005-06	\$374.6 million (revenue collected)	9,857,895
2006-07	\$389.0 million (revenue projected)	10,236,842 (projected)
2007-08	\$412.0 million (revenue projected)	10,842,105 (projected)
2008-09	\$431.0 million (revenue projected)	11,342,105 (projected)
2009-10	\$451.0 million (revenue projected)	11,868,421 (projected)
2010-11	\$471.0 million (revenue projected)	12,394,737 (projected)

6 Available at: <http://www.rba.gov.au/calculator/calc.go> (accessed 18 June 2008). Note that the calculator does not allow for a calculation of the 2008 equivalent value.

7 The Hon. Bob Debus MP, Minister for Home Affairs, *House of Representatives Hansard*, 28 May 2008, p. 7.

8 See *Senate Hansard*, 19 June 2007, p. 127 (Question No. 3160). Note that the figure for passenger movements only includes passengers who were liable to pay the PMC.

2.9 The ACS provided the committee with a table showing projected revenue resulting from the increased charge, as follows:⁹

Year	Estimated Growth	Estimated Eligible Passenger Numbers*	Estimate for Add. \$9 charge
	%	millions	\$m's
2008-09	6.03	11.71	105.4
2009-10	6.78	12.51	112.5
2010-11	5.85	13.24	119.1
2011-12	5.44	13.96	125.6
Total Additional Collections over 4 years			462.6

**rounded for purposes of display*