

1988

PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

EXCISE TARIFF AMENDMENT BILL (NO.2) 1988

EXPLANATORY MEMORANDUM

(Circulated by Authority of the Minister for Industry,  
Technology and Commerce, Senator the Honourable John N. Button)

## EXCISE TARIFF AMENDMENT BILL (NO.2) 1988

### OUTLINE

The main purpose of this Bill is to amend the Excise Tariff Act 1921 ("the Act")

- (a) to remove the exemption from liability for excise duty presently afforded to Government Business Enterprises, as announced by the Government in the 25 May 1988 Economic Statement, so that from 1 July 1989 the exemption will only apply to those Departments and Authorities which are prescribed by By-law (clause 5);

and to incorporate into the Act previously notified excise tariff alterations which:

- (b) alter the excise duty on naturally occurring liquefied petroleum gas (LPG) with effect from 1 April 1988 in accordance with the Government's long-standing policy of calculating the excise duty on the basis of 60% of the amount by which the realised price for the gas (calculated as a weighted average of the prices received from exports and local sales of LPG) exceeds \$147 per tonne (clause 3); and,
- (c) remove the amount of excise duty payable on aviation kerosene (AVTUR) with effect from 1 July 1988, in accordance with the Government's decision to replace this excise with an enroute charge levied by the Civil Aviation Authority (clause 4).

### Financial Impact Statement

- (a) Removal of Excise Duty Exemption from Government Business Enterprises:

The removal of the exemption will result in additional excise receipts of approximately \$25 million in financial year 1989-90, when the amendment is proposed to commence.

- (b) Liquefied Petroleum Gas:

The 1 April 1988 increase in the excise rate for naturally occurring LPG is estimated to result in an increase of \$3.4 million in excise receipts in 1988-89;

- (c) Removal of excise duty on Aviation Kerosene (AVTUR)

The removal of the excise duty on aviation kerosene will result in a decrease in excise revenue of \$190 million in the 1988-89 financial year.

## Notes on Clauses

### Short title etc.

Clause 1 provides for the citation of the Act, and identifies the Excise Tariff Act 1921 as the Principal Act for the purposes of this Act.

### Commencement

Clause 2 provides for the Act to commence on the day on which it receives the Royal Assent, with the exception of:

- a. clause 3, which shall be taken to have commenced on 1 April 1988, and which alters the excise duty on naturally occurring liquefied petroleum gas (LPG) from that date;
- b. clause 4, which shall be taken to have commenced on 1 July 1988, and which effectively removes the excise duty payable on Aviation Kerosene (AVTUR) from that date;
- c. clause 5, which commences on 1 July 1989, and which removes the present exemption from excise duty currently afforded to Government Business Enterprises from that date.

### Amendment of Schedule having effect from 1 April 1988

Clause 3 alters the excise duty on naturally occurring liquefied petroleum gas (LPG) with effect from 1 April 1988 in accordance with the Government's long-standing policy of calculating the excise duty for this product on the basis of 60% of the amount by which the realised price (ie. calculated as a weighted average of the prices received from exports and local sales of LPG during the immediately preceding 6 months) exceeds \$147 per tonne;

- . the effect of the amendment is to increase the excise rate on LPG from \$13.21 per kilolitre to \$15.39 per kilolitre, reflecting higher export prices for LPG in the relevant 6 month period;
- . since the excise only applies to offshore fields, the only field affected is Bass Strait;
- . no excise is payable on refinery-produced LPG;

Amendment of Schedule having effect from 1 July 1988

- Clauses 4 removes the excise duty on Aviation Kerosene (AVTUR) with effect from 1 July 1988, as a consequence of the Government's decision the May 1988 Economic Statement to replace the AVTUR fuel excise with direct enroute charges levied by the Civil Aviation Authority for AVTUR fuelled aircraft;
- . the Civil Aviation Authority commenced to levy the enroute charges with effect from 1 July 1988, the date of effect of the removal of the excise;
  - . to give effect to the decision to remove the excise, the rate of excise on Aviation Kerosene (AVTUR) is reduced from \$0.16087 per litre to FREE;
  - . the measure gives partial effect to the funding element of the Government's decision to transfer the functional responsibility for the provision of airways enroute facilities and services (eg air traffic control, flight advisory services, communications, navigation and surveillance systems and rescue and firefighting services) to the Civil Aviation Authority. Hitherto, the AVTUR excise funded airways enroute facilities and services, and system overhead costs. As this function has been transferred to the Civil Aviation Authority, the Authority will be responsible for recovering the costs of those services directly from users.

Amendment of Schedule having effect from 1 July 1989

- Clause 5 removes the present exemption from excise duty for Government Business Enterprises, so that from 1 July 1989 the exemption will only apply to those Departments and Authorities which are prescribed by By-law;
- . the amendment gives effect to the Government's announcement to this effect in the May 1988 Economic Statement;
  - . implementation of the decision will rationalise the treatment of Government Business Enterprises insofar as their liability for customs duty and excise duty is concerned. (As a result of a decision forming part of the May 1987 Economic Statement, Government Business Enterprises lost their exemption from liability to customs duty);
  - Government Business Enterprises are now only exempt from liability to pay customs duty if they come within the term of an exemption prescribed in By-laws made under the Customs Tariff Act 1987; It is proposed that By-laws will be made under the Excise Tariff Act 1921 prescribing an identical list of exemptions in relation to excise duty.