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Australian Government
The Treasury

28/09/2012

Mr
First Assistant Secretary
Economic Division
Department of Prime Minister and Cabinet
PARKES ACT 2600

Dear Mr

COMPLETION OF COSTINGS REQUESTED BY THE AUSTRALIAN GREENS

On 4 September 2012, the Treasury received a request to cost the following new policy proposals as submitted by the Leader of the Australian Greens to the Prime Minister:

Section 22

2. Deny the mining industry access to the Fuel Tax Credit system from 1 January 2013.

This costing has now been finalised and is attached to this document.

Yours sincerely

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Section 22

Section 22

APPENDIX B: COSTING REPORT — PRO-FORMA

Name of policy costed:	Deny the mining industry access to fuel tax credits
Person making the request:	Senator Milne, Leader of the Australian Greens
Date received from Prime Minister's office:	5 September 2012
Summary of policy:	Deny the mining industry access to fuel tax credits from 1 January 2013
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2011-12	2012-13	2013-14	2014-15	2015-16
Underlying Cash Balance ($m)	0	700	1,790	1,300	1,330
Fiscal Balance ($m)	0	1,000	1,740	1,350	1,330

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions.

The costing assumes that the mining industry classification from the Australian Taxation Office's *Taxation Statistics* is a reasonable proxy for claims relating to mining activity. See the Further information section for more discussion of this.

Mining industry fuel tax credit claims average 41.6% of all fuel tax credit claims over the period 2006-07 to 2009-10. This proportion is assumed to remain constant over the forward estimates period.

The fuel tax credit percentage is also assumed to hold for the fuel emissions that would be covered by the opt-in arrangements that allow businesses to acquire permits rather than have their fuel tax credits reduced. It has not been possible to confirm this assumption against Department of Climate Change and Energy Efficiency data and therefore may be subject to revision.

It is assumed that businesses with mining-related fuel emissions would not opt into the carbon permit system for their fuels.

Removing fuel tax credits will increase business deductions for fuel which will reduce company tax.

It is assumed that there is no behavioural response on fuel volumes.

Qualifications.

This costing is heavily reliant on assumptions, has a low reliability and potentially subject to revision.

Further information

- Fuel tax credits are based on activity criteria rather than industry classification. The true cost of the proposal will vary to the extent that mining entities carry on non-mining activities and non-mining business entities carry on mining activities.

- The estimates incorporate the Government's Clean Energy Future policy regarding the imposition of carbon pricing on business fuel use.
- In fiscal balance terms, the proposal has the following changes to revenue and expenses over the forward estimates period:

	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue (Carbon permits) ($m)	0	0	-250	-250	-300
Revenue (Company tax) ($m)	0		-210	-600	-570
Expense (Fuel tax credits) ($m)	0	-1,000	-2,200	-2,200	-2,200