Document 10

From:
Sent: Thursday, 22 March 2012 1:43 PM
To:
Cc:
Subject: FW: media on poss diesel rebate changes
Attachments: 138699245[1].pdf

Security Classification:

Hi
See below an enquiry from DAFF on the diesel rebate scheme. Is this something , you or someone in ITD can help answer?
Cheers

From: [mailto: @daff.gov.au]
Sent: Thursday, 22 March 2012 11:58 AM
To:
Cc:
Subject: media on poss diesel rebate changes

Hi

Please see the attached article from the Australian Financial Review in relation to the diesel rebate scheme. Whilst we understand the Treasury won't comment on media speculation, could you please give DAFF a heads up if such changes to the diesel rebate scheme are to be extended to agriculture sector and what the expected financial impact will be?

Your assistance and early response is greatly appreciated.

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Australian Financial Review, Australia
22 Mar 2012, by Fleur Anderson And Louise Dodson

General News, page 1 - 443.25 cm²
Australian National - circulation 72,282 (MTWTFS)

ID 138699245

Diesel slug looms in tax cut deal

Fleur Anderson and **Louise Dodson**

The Greens are pressing Labor to cut a $2 billion diesel tax rebate for mining companies after government officials warned the miners to expect more tax rises in the federal budget.

Miners fear the diesel rebate could be sacrificed in negotiations to win Greens support for Treasurer Wayne Swan's business carryback tax loss plan and a $2.4 billion tax cut to big and small companies.

But Australian Greens deputy leader senator Christine Milne said yesterday that "if the government is looking for ways to save money and balance the May budget, the $2 billion diesel fuel rebate is an excellent place to start and the Greens will continue to back such a move".

The Australian Financial Review reported yesterday that departmental and industry sources said the Gillard government was looking at tightening access to the diesel fuel credit scheme, which is worth $5 billion a year of which miners claim 40 per cent.

The *Financial Review* has now learned that mining companies have been told by government officials for some time to expect further tightening of the diesel rebate.

The government is also considering changes to "thin capitalisation" rules that currently allow some multinationals, including some miners, to heavily gear their Australian arms, effectively shifting profits overseas.

Labor will also consider the abolition of accelerated depreciation for the aviation, transport, and oil and gas industries in a second round of tax reforms.

The Greens have said they will vote with the Coalition to block Labor's promised cut in the corporate tax rate from 30 per cent to 29 per cent from July 1, 2013.

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Diesel fuel rebate slug looms in tax cut deal

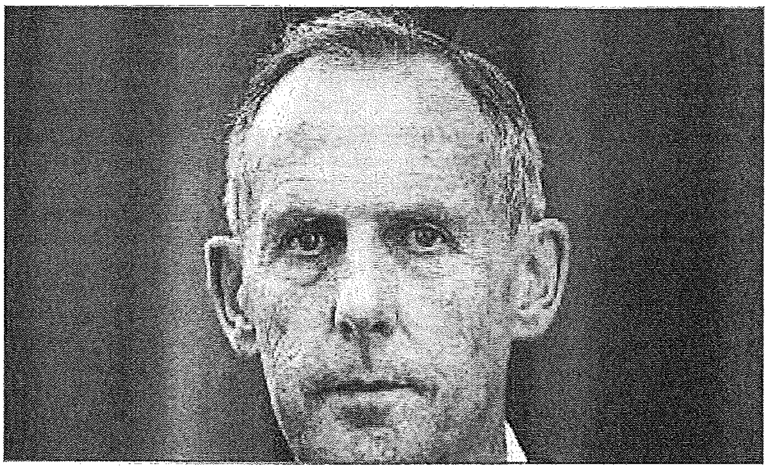
From page 1

While the Greens are open to a cut for small business from July 1 this year Labor has said it will not accept a two-tier tax system.

A cut in the diesel rebate scheme would deliver the Greens a chance to offset the tax cut for big business and meet its goal of taxing miners such as gold and uranium that are not covered by the minerals resource rent tax, which passed this week.

A spokesman for Mr Swan said the government did not intend to comment on budget speculation.

While the government negotiates with the Greens to win support for corporate tax cuts in Parliament, Mr Swan has reserved his vitriol for the Coalition which reversed its position on the tax cuts last week and will also oppose the tax cuts.



Win win solution ... Greens leader Bob Brown yesterday. Photo: ANDREW MEARES

The government yesterday provided Treasury analysis of the Coalition's opposition to a 1 per cent company tax cut and a 1.5 per cent tax increase on big companies to fund its paid parental scheme.

The manufacturing sector would pay an extra $392 million in tax, the retail sector an extra $270 million, the wholesale trade sector an extra $400 million, the media and telco sector an extra $188 million, the construction sector an extra $322 million, and the agriculture, forestry and fishing sector an extra $306 million.

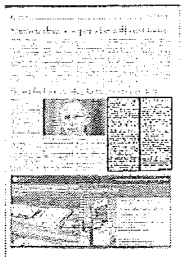
Miners will already have their diesel tax credit cut by 6¢ a litre from July 1 as part of the introduction of the carbon tax and the federal government agreed to ask the Productivity Commission to examine reforms to fuel excise as part of its carbon package deal with the Greens.

Minerals Council of Australia chief executive Mitch Hooke said a reduction in the fuel tax credit would be the fourth new tax on mining this year. "The mining tax, carbon tax and reduction in fuel tax under the price on carbon all start on July 1," Mr Hooke said.

"A new reduction to the fuel tax credit scheme in the budget would make it new tax No. 4 in 2012."

He said miners, farmers and other industries paid the excess tax in the first place solely as a means of "easing the administrative burden" on government.

"Taxes on business inputs are especially inefficient and contrary to



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good tax policy principles, a point that Treasury has held to strongly in the past whether in the context of fuel tax or broader reforms like the GST," Mr Hooke said.

But the Greens are pushing for a cut to the miners' fuel rebate.

"We've said to the government many times that cutting subsidies which encourage use of polluting fossil fuels, like the diesel fuel rebate for mining companies, is not only sensible climate policy but also sensible economic policy," Senator Milne said.

"People all across the Australian community who pay tax on the fuel they buy would be very unimpressed if they realised that the mining companies making multibillion dollar profits pay not a cent in tax on the diesel that runs their trucks and their generators."

Senator Milne said Australia had promised to abolish fossil fuel subsidies as part of its Group of 20 obligations, but now Treasury says that Australia does not have any.

Mining companies would have to make renewable energy in remote areas more competitive if they did not have access to the fuel rebate.

But the mining industry rejects the Greens' arguments, saying the diesel tax credit is not a subsidy but actually removes a tax impost on a business input in line with other taxes on business inputs.

"If the federal government is planning yet another tax increase it would be a shameless cash grab to prop up the budget and help deliver a misleading surplus," the chief executive of the NSW Minerals Council, Stephen Galilee, said.

The threatened further cuts to the credits prompted some tax experts to call for a broader overhaul of the regime, which was recommended in the Henry tax review.

"It would be really refreshing if the government were to have a look again at a much more holistic reform," said Tax Institute senior tax counsel Robert Jeremenko.

"Let's have a look at how we can reform the whole fuel tax area and consider a congestion charge."

Mr Jeremenko said the government should revisit such recommendations made by the Henry panel, including having a structured road user model where money raised would funnel directly to road infrastructure, rather than going into consolidated revenue.

The money raised could allow the lowering of motor vehicle registration fees and scrapping of stamp duty on cars, he added.

with Katie Walsh