

RESTRUCTURING INCENTIVES THAT PROMOTE GREENHOUSE GAS EMISSIONS

The ACF has a number of fossil fuel subsidy recommendations, including: restructuring the Fuel Tax Credits Scheme (through removing subsidies for transport and mining over three years); phasing out aviation fuel tax concessions over five years; and reviewing the concessional import tariff treatment for pollution-intensive vehicles.

Treasury response

~~Australia submitted its response to the G20 commitment to remove G20 members (including Australia) have committed to rationalise or phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption at the June 2010 Toronto Summit. Australia concluded it had no measures within scope of the commitment. Japan, France, Brazil, UK, Saudi Arabia and South Africa also concluded they had no measures within scope. G20 Finance Ministers have been asked to report on progress in implementing country-specific plans on removing inefficient fossil fuel subsidies at the November 2011 Leaders' Summit. Given Australia does not have measures within scope we do not expect to provide a progress report. (other than targeted subsidies for the poor and clean energy subsidies). National plans are to be finalised by 24 May 2010 for consideration by G20 Finance Ministers and Leaders in June 2010. Treasury officials are currently assessing which tax measures may be covered by the G20 commitment. You will be required to approve Australia's implementation plan to rationalise/phase out such subsidies before it is presented to the G20.~~

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Fuel tax credits are paid to reduce or remove the incidence of fuel tax, ensuring that, generally, fuel tax is effectively only applied to fuel used in private vehicles and for certain other private purposes. As business and consumer use of light vehicles cannot effectively be distinguished, fuel used on-road in vehicles equal to or less than 4.5 tonnes for business purposes is also not entitled to a credit. Fuel tax credits are therefore not a subsidy to businesses but, consistent with Government policy, it is a mechanism to ensure that, where possible, the incidence of fuel tax does not add to business costs but is levied on final consumers.

Aviation fuel excise is used as a cost recovery vehicle (2.854 cents per litre excise) to fund the Civil Aviation Safety Authority (CASA). CASA's funding arrangements should be reviewed against the principles and recommendations contained in the Review of Australia's Future Tax System.