

TREASURY EXECUTIVE MINUTE

Minute No.

22 February 2011

Deputy Prime Minister and Treasurer

BRIEFING FOR YOUR MEETING WITH THE AUSTRALIAN CONSERVATION FOUNDATION (RELATES TO BRIEFING REQUEST BR11/064)

Timing: You are meeting with Mr Don Henry, CEO, Australian Conservation Foundation (ACF) at 9am on Wednesday 23 February.

Recommendation:

- that you note this briefing.

Noted

Signature:/...../2011

KEY POINTS

- Your office has requested briefing and talking points for your meeting with the ACF on the following topics:

- the ACF's pre-Budget submission (at Attachment A);

Section 22

- The ACF's pre-Budget submission seeks a refocus and realignment of Government decision making in support of a sustainable Australia. Key policy reforms sought by the ACF include:

Section 22

- restructuring of fossil fuel subsidies;

Section 22

- The following areas have been consulted in the preparation of this minute: Industry, Environment and Defence Division, Social Policy Division, Infrastructure, Competition and Consumer Division, Indirect Tax Division and Personal and Retirement Income Division.

Contact Officer:

Ext:

Manager Environment and Agriculture Unit

ATTACHMENT A

Section 22

Restructuring of 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.

Background

Australia submitted its response to the G20 commitment to remove 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.

Fuel tax credits are paid to reduce or remove the incidence of fuel tax on business, ensuring that, generally, fuel tax is effectively only applied to fuel used in private vehicles and for certain other private purposes. However, 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.

Consistent with the policy of not applying effective excise to fuel used by business, aviation fuel is not taxed at the petrol/diesel rate of 38.143 cents per litre. A lower aviation fuel excise (3.556 cents per litre excise) is used as a cost recovery vehicle 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.

Talking points

- Australia is a party to the G20 commitment to remove inefficient fossil fuel subsidies that encourage wasteful consumption. In reporting back to the G20, Australia concluded it had no measures within scope of the commitment.
- Australia's fuel tax credit system is a mechanism designed to ensure that, in general, the incidence of fuel tax is not burdened on businesses, but rather the final consumer.

