

AUSTRALIAN CONSERVATION FOUNDATION

Section 22

RESTRUCTURING OF INCENTIVES THAT PROMOTE GREENHOUSE GAS EMISSIONS

The ACF makes 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 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.

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