

LPG Australia wishes to re-inforce in the strongest possible terms that a clear disconnect exists between the development of a comprehensive alternative fuels policy and the proposed taxation framework. We have taken this opportunity to provide additional comment on the specific implications of developing a taxation policy in the absence of an alternative fuels policy, the subsequent impact on the LPG

1 Recommendation

The LPG industry recommends an entity based, self assessment system for the collection of Excise (tax) on sales of LPG for automotive use. This will minimise the impact on, and the costs to, the broader LPG industry and its customers.

The stated aim of the Government in implementing the tax on the transport use of LPG is to minimise compliance costs by imposing fuel tax (Excise duty) on the lowest number of parties. Further, government agencies desire to be able to effectively and efficiently administer both duty collection and fuel tax relief, while endeavouring to minimise any impact on non-automotive LPG users.

2 Additional Considerations

Introduction of a LPG Licence Entity

LPG Australia recommends the Excise legislation be amended to create a new type of Excise payer - a *LPG Marketer*. This would encompass approximately 12 – 14 entities Australia wide. These entities are substantial manufacturing and marketing companies with a long history in the LPG industry. The ATO is able to impose a range of terms and conditions on each entity such as currently apply across the board. These could include some industry specific conditions to cover off the protection of the revenue issues that are of concern to both Treasury and the ATO. This special *LPG Marketer* licence could be limited to LPG product only and would not affect existing Excise provisions on other fuels.

Determination of Duty Liable

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least numbers of parties possible. All sales of LPG for road use (autogas) are separately recorded and administered in the accounting control systems of the LPG Marketers.

Excise calculated on Sales not Movement of LPG

LPG Marketers are able to impose conditions on commercial documentation as to Excise liability and payment, if any, on sales of LPG. For example, sales invoices could be conditioned that the LPG is not for use for the purposes of transport. The current system is based on the Excise liability arising when the product moves out of an ATO licensed location, regardless of any sale.

Identification of Excisable Goods

The schedules of the Excise Tariff Act should be amended to create two classes of Excisable goods for LPG;

Under this approach there is no need to impose Excise based on the size of LPG containers.

The industry will provide a definition of LPG that complies with regulated fuel standards and will establish LPG fuel definitions/specifications on which Excise is paid.

Remission Certificates and Fuel Tax Rebates

Treasury has indicated the possibility of introducing a remission certificate system, presumably to protect the revenue. However, this does impose a very complicated compliance regime and a high compliance cost both for the LPG Marketers and for the government - for no tangible benefit.

To minimise the use of remission certificates they should be issued to LPG Marketers - not the up to one million end use customers to which the duty should not apply. This approach will significantly reduce compliance costs and supports the industry view that LPG Marketers are in the best position to collect Excise.

The above approach of 2 classes of LPG could be used to overcome the need for remission certificates and the necessity for duty free customers to claim fuel tax rebates.

When and How Excise is Paid

Currently Excise is paid under the weekly settlement provisions. However, the weekly settlement provisions are at the discretion of the Tax Commissioner. To minimise compliance costs, we submit the fuel tax liability for the LPG Marketers be remitted on the Business Activity Statement (BAS).

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The fuel tax liability on LPG in a month will be a mere fraction of the weekly excise liabilities arising from petroleum products, so the remittance of the fuel tax liability on a monthly basis is less costly, simpler and part of an existing compliance activity which is a benefit to all involved.

Protection of the Revenue

This Supplementary Submission provides the government with a high level of revenue security. There are a number of aspects regarding the protection of the revenue including the following:

Imposing conditions on *LPG Marketer* licences.

LPG Marketers will report both duty free and duty paid volumes to the ATO. Auditing & reconciling these volumes is straightforward.

The duty rate for autogas is to be introduced initially at 2.5 cents per litre, rising by 2.5 cents per litre each year for 4 years. The relatively low collection in the first 3 years reduces the collection risk and will allow industry and the ATO to refine the proposed entity based collection system.

Delivery volumes for LPG are small when compared to delivery volumes for other fuels.

Diversion of LPG from duty free use to a potential dutiable use is highly unlikely due to end use control procedures in place by the LPG Marketers. There are less than 10 dual-use autogas locations in Australia either Excise could be levied on all LPG sales to these few locations (whether autogas or not) or the storage at these locations can be divided into dutiable and non-dutiable upon the implementation of duty on autogas. LPG resellers are typically small to very small enterprises. There are no LPG resellers supplying autogas to

service stations. The commercial arrangements with LPG resellers, particularly wholesale selling price and trading terms, allied with the high investment costs and comprehensive storage and dispensing regulations on service stations preclude small operators from entering this market.

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The LPG licensed entity will provide documentation of the volumes of LPG on which it is remitting excise. The nature of this documentation, and the records required to be maintained to allow auditing, will be established in discussion with the ATO.

Non-automotive LPG customers, who receive excise free LPG delivered into tanks, will be notified by the LPG Marketers that they are obliged to inform the ATO of any LPG used as on-road automotive fuel, and pay excise on it.

LPG Australia suggests that a trial period, possibly as an introduction to the imposition of Excise, to identify any potential revenue risks. The trial could be for 6 months after which the security could be varied depending on the results of the trial. If the LPG licensed entity establishes a good compliance record then the security amount can be reduced to say one week's excise.

The UK has recently introduced duty on autogas. The collection system introduced is very similar to that recommended by the LPG Australia in this Supplementary Proposal. The UK tax authorities set the duty rate. The marketing companies identify and maintain storage separation of autogas customers, charge the duty on autogas sales, remit the duty, and provide a quarterly summary of sales by autogas location to the HRMC.

3 Conclusion

LPG Australia cannot identify any impediment to the introduction of an entity based system on LPG for light road use as it will achieve the aim of both high collection security and provide a relatively simple compliance regime, without the complications of remission certificates and fuel tax rebates, which will be burdensome for all parties involved – the Government, marketing companies and the one million customers at which the duty is not intended.

LPG Australia strongly recommends the implementation of an entity based system for the proposed introduction of LPG excise on light duty road vehicles.

LPG Australia requests that you investigate the UK duty collection regime and then provide an opportunity for a further meeting with Treasury and ATO to identify any areas/points that require further clarification.

Yours sincerely



Michael Carmody
Chief Executive Officer

Appendix: A. Distribution Chain Diagram (Expanded)

LPG Australia – Submission to Treasury – Implementation of Alternative Fuels Taxation Policy
FINAL

Distribution: Australian Government The Hon. Bill Shorten Minister for Finance and Superannuation
Australian Government - Treasury
Australian Tax Office
LPG Australia

For Information:
The Hon. Martin Ferguson, Minister for Resources, Energy and Tourism

Senator the Hon. Kim Carr, Minister for Innovation, Industry, Science and Research