

31 August 2021

Mr Anthony Barnard
Senior Adviser
Deregulation Taskforce
Department of the Prime Minister and Cabinet
PO Box 6500
CANBERRA ACT 2600

Submitted via email: DeregulationExcise@pmc.gov.au

GEA RESPONSE TO THE STREAMLINING EXCISE ADMINISTRATION FOR FUEL AND ALCOHOL CONSULTATION PAPER

Dear Mr Barnard

Gas Energy Australia (GEA) welcomes the opportunity to respond to the Department of Prime Minister and Cabinet (PM&C) Deregulation Taskforce's *Streamlining Excise Administration for Fuel and Alcohol Consultation Paper (Consultation Paper)* and supports its objectives to co-design a more administratively efficient excise system for fuel and alcohol products.

By way of background, GEA is the national peak body which represents the bulk of the downstream alternative gaseous fuels industry, which covers Liquefied Petroleum Gas (LPG), Liquefied Natural Gas (LNG) and Compressed Natural Gas (CNG). The industry comprises major companies and small to medium businesses in the gas fuels supply chain including producers, refiners, distributors, transporters, retailers, vehicle manufacturers, equipment manufacturers and suppliers, installers, educators and consultants.

GEA notes the small and declining amount of revenue collected on gaseous fuels used in on-road transport applications, along with the disproportionately high cost of collecting it. Consequently, GEA considers that the simplest and most effective way to improve the efficiency of collecting excise on gaseous fuels would be to remove or exempt them from excise and customs duties. However, if this option is not possible, GEA considers there are a number of other ways to reduce this compliance and administrative burden. These are detailed below in response to the consultation questions.

GEA members are responding to the survey of businesses in the alcohol and fuel sectors which seeks to collect information to quantify the administrative burden of collecting fuel excise and is being undertaken by consultants KPMG for the Taskforce. The results of this

survey should quantify and further highlight that the compliance and administrative costs of the excise and customs regimes on our fuels are disproportionate to the revenue collected.

GEA's answers to select consultation questions are detailed below.

Consultation questions

1 - Could you describe your business and how it engages with the excise system (e.g. manufacturer, importer, customs broker, distributor, duty-free business)? Do you have any general suggestions for how the efficiency of collecting excise could be improved?

As outlined above, GEA is the national industry association representing the downstream gas fuels industry. GEA members operate in all parts of the gas fuels supply chain (e.g., production, importation and distribution) and include members such as Elgas, Origin Energy, Kleenheat and Supagas.

Over recent years, there has been a significant decline in the use of gaseous fuels (LPG, LNG and CNG) as excisable road transport fuels. This has resulted in revenue from taxing these fuels being much less than the \$234 million pa at the full rate expected when this tax was introduced. Gas fuels excise revenue is estimated to be currently around \$61m pa which could potentially halve in the next 5 years in line with the ongoing decline in the use of gas fuels for on-road applications.

GEA considers that the decline of the use of gas fuels as a road transport fuel has been mostly due to automotive market developments including the end of automotive vehicle manufacturing in Australia and government subsidies for vehicle conversions, with no prospect of reversal. The imposition of excise on gaseous fuels has not been a major contributor to this decline and as such, exempting these fuels would not result in a significant switch to gas powered vehicles and subsequent revenue leakage.

At the same time, GEA members report that they incur disproportionately high costs in complying with the existing excise and customs regimes due to its complexity. This raises the question of whether the amount of revenue collected justifies the compliance and administrative costs of collecting excise and customs duties on gaseous fuels used in on-road transport applications. GEA looks forward to the result of the KPMG survey to better understand and quantify these costs.

As a result, GEA considers that the simplest and most effective way to improve the efficiency of collecting duty on gaseous fuels would be to remove or exempt them from the excise and customs regimes.

GEA also notes that other low emission transport fuels such as electricity and hydrogen are not subject to excise or customs duties which furthers the case for the removal of excise and customs duties on gaseous fuels.

3 - What is your experience with dealing with licensing and permission requirements? Does your business have to deal with both excise and customs licensing? Please provide an indication of how much time or effort is taken up with this aspect of the system.

There are GEA members that need to manage both excise and customs licensing for the same site (e.g. port locations).

GEA members have indicated a preference for performing licensing and permission functions online, via a self-service portal.

GEA considers the current process to be antiquated and that an online self-service portal would reduce the time required for completing these licensing and permissions forms and reduce compliance costs for taxpayers and administrative costs for the Australian Taxation Office.

4 - Would you benefit from entity-level licensing and a longer or ongoing licence period? Are there any other suggested approaches to help streamline licensing requirements from business's perspective?

GEA members consider that companies should have the ability to easily group existing licenses and permissions at the client level rather than be site based. In the main, the ATO issues licences on a site-by-site basis, with movements between sites requiring permission. GEA members agree with the comments in the consultation paper which state that *“Both regulators and business may benefit from an entity-level approach to licences and permissions”*.

GEA members have indicated sites which are both licenced for excise and customs, the same renewal period should apply (i.e. have a three year customs licence renewal period rather than the current annual licence renewal period so it aligns with the excise licence renewal period) and the renewal form for these sites can be renewed on the same form.

We also suggest the ATO creates and maintains a public register (similar to the ABN register) that allows companies to search and check whether a particular site is licenced and what the site is licenced for.

GEA members consider that the Deregulation Taskforce should explore these options as a way to reduce compliance and administrative costs associated with licenses and permissions.

5 - Does your business engage both the ATO and the ABF as part of the excise system? If so, are there any ways in which your experience could be improved? Has engaging multiple agencies caused friction for your business? If so, how?

GEA members do need to engage with both authorities when product is either imported into or exported from Australia. There are inefficiencies and additional administration caused by the differing obligations and requirements needed on the product by the two authorities.

6 - For imported fuel and alcohol, is there a product pathway that could reduce duplication and inefficient interactions with the two regulators?

Removing gaseous fuels from the excise and customs regimes would be the best solution to removing the inefficiencies with both regulators. Alternatively, moving the point where the excise and customs duties are imposed will simplify the process (please refer to our response to question 23 below).

7 - Would a different frequency of reporting and payment be a benefit for your business? Should there be different frequencies depending on business turnover, amount of excise liability, or alternative criteria?

Reducing the frequency of excise returns

GEA considers that the Deregulation Taskforce should consider moving from weekly to monthly reporting and payment, as is the case for small tax paying businesses, and aligning excise returns and payments with the monthly BAS processes. The high frequency of reporting requirements means that companies must divert resources to the administration of excise returns and complete returns 52 times per year for a relatively small amount of excise. Reducing this frequency to monthly or quarterly reporting and payment would significantly reduce administrative and compliance costs associated with collecting excise revenue.

8 - Would greater alignment to GST and WET reporting be desirable?

GEA members consider that the current excise reporting requirements could be improved by better alignment with the goods and services tax (GST) system of reporting. For example, businesses importing gas fuels for manufacturing applications are subject to import duty and then need to complete the process of claiming it back via the BAS return system. This system could be simplified and improve cashflow for businesses by utilising a process like the GST deferral for imports.

9 - In the longer term, would you like to see excise reporting incorporated into the BAS?

GEA members are supportive of excise reporting being incorporated into the BAS.

10 - How could indexation arrangements be better aligned with other business reporting processes? Would a longer notice period be beneficial to your business? If so, how much notice would be ideal?

Rather than indexation being effective on the first Monday of February or August when the 1st day of the month falls on a weekend, the GEA suggests the new indexed excise rates always apply from the 5th of February and August. For companies that provide monthly prices to customers, this avoids additional time and resources needed in a very short time frame to update prices for the indexation change.

Preference is to have the indexed price available to companies the week before the indexation change is effective to allow companies to have adequate time to update their systems and pricing for the upcoming change.

23 - Would taxing at the point fuel is supplied from the following locations (only) reduce the number of licences and permissions required by your business?

- refineries
- other premises where fuel products are manufactured
- premises receiving bulk fuel products (via a direct ship or pipeline transfer)

To reduce the administrative burden under the existing excise and customs regimes for gaseous fuels, we recommend the taxing point be moved down the supply chain and be determined by the gaseous fuel marketer entity. We understand there is only three actual LPG excise taxpayers that are currently remitting excise to the ATO (which is likely to be a gaseous fuel marketer) but there are hundreds of sites requiring licencing and permissions (both continuing movement permissions and periodic settlement permissions) to support this. Moving the taxing point further down the supply chain and to be determined by the party who is best placed to remit the duties to the ATO (which only impacts a small number of taxpayers) would result in a far less complex and burdensome regime for the gaseous fuels industry. This will also remove gaseous fuels from being imposed on bunker fuels (raised in question 25 below) and the additional burden dealing with both the ATO and the ABF (raised in questions 5 and 6 above) on the same fuels which generates no additional revenue for the ATO but has cashflow and administrative costs to businesses. However, our overall preference is to the remove of gaseous fuels from the excise and customs regimes completely.

24 - Does there need to be a differentiated approach to taxing point depending on the type of fuel e.g. for gaseous fuels for use in transport (Liquefied Petroleum Gas, Liquefied Natural Gas and Compressed Natural Gas)?

Yes, we believe there should be a different approach taken for gaseous fuels. Please refer to the comments provided above in our response to question 23.

25 - Do you envisage any difficulties for your business with removing bunker fuels from the excise (and fuel tax credit) system?

GEA members would welcome this change and do not envisage any difficulties if bunker fuels are removed from both the regimes (please also refer to our response to question 23). However, it will depend on how bunker fuels are removed from these regimes and what level of administration is required by companies for this change.

26- Are there ways that the administrative cost and complexity of the excise on gaseous fuels can be reduced?

Exclusion of immaterial activities

GEA considers that removing or exempting gas fuels from excise and customs duties to be the optimal solution to improving the efficiency of the administration of excise for these gas fuels particularly if the KPMG survey confirms the revenue collected does not justify the compliance and administrative costs of collecting it. However, if this outcome is not possible, GEA members consider that the Deregulation Taskforce should consider exempting (and not requiring any excise or customs administration or obligations) from the excise and customs regimes companies not involved in road transport applications and hence not supplying to excisable customers. The three companies understood to be supplying to excisable customers and responsible for excise reporting would be able to classify customers and exclude those not involved in road transport from excise obligations which would significantly reduce red tape and improve efficiency.

Combining excise collection with mandatory reporting of petroleum statistics

GEA members also consider that the Deregulation Taskforce should explore the possibility of combining the process of collecting excise with the recently introduced mandatory reporting of petroleum statistics. In 2018, the Commonwealth Government introduced the mandatory reporting of petroleum statistics which includes a legal obligation to report selected petroleum and other fuel data to the Department of Industry Science Energy and Resources. This includes activities such as producing, refining, wholesaling and holding of stocks of oil products such as crude oil, LPG, petrol, diesel, bitumen, lubricants and alternative transport fuels. As gas fuels are included under this scheme, there is significant scope to reduce administration costs by combining these processes.

27 - Would any changes specific to onshore crude oil and condensate reduce the regulatory burden on business?

The removal of excise requirements on all onshore crude oil and condensate businesses would reduce the excise compliance burden required especially for those companies that pay no excise on this fuel (and is unlikely to ever pay any excise) but are still required to licence site(s) and lodge nil returns with the ATO.

28 - Are there any concerns or issues with removing the excise licensing requirements for onshore producers of crude oil and condensate where production is below the 30 million barrel threshold?

GEA members have not raised any concerns or issues about removing these requirements.

Conclusion

As stated above, GEA members consider the optimal solution to improve the efficiency of the excise and customs collecting mechanism for gaseous fuels would be to removal or exemption of them from the existing excise and customs requirements. But if this is not possible, there are still significant reforms, as detailed above, that could be undertaken to reduce the current compliance and administrative burden.

GEA would welcome the opportunity to discuss these issues in greater detail, particularly once the results of the above-mentioned KPMG survey are completed. If you have any questions regarding this submission, please do not hesitate to contact GEA's Policy Adviser Melissa Dimovski at mdimovski@gasenergyaustralia.asn.au.

For your consideration

A handwritten signature in black ink, appearing to read "John Griffiths", with a horizontal line drawn through it.

John Griffiths
Chief Executive Officer
Gas Energy Australia