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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

THE DIESEL AND ALTERNATIVE FUELS
GRANTS SCHEME BILL 1999

EXPLANATORY MEMORANDUM

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Treasurer, the Hon Peter Costello, MP)

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Diesel and Alternative Fuels Grants Scheme

The Diesel and Alternative Fuels Grants Scheme Bill 1999 (this Bill) introduces a grant for certain road transport. It is intended that the grant will be available from 1 July 2000 until 30 June 2002. The grant will be available for the use of diesel fuel. The grant will also be available for the use of other fuels as alternatives to diesel fuel. These alternative fuels are compressed natural gas, liquified petroleum gas, recycled waste oil, ethanol, canola oil, and other fuels as prescribed.

The grant will be available for all on road use of these fuels in vehicles with a gross vehicle mass of 20 tonnes or more.

The grant will be available for on road use of these fuels in vehicles with a gross vehicle mass of 4.5 tonnes to 20 tonnes used for transporting goods or passengers. However, for vehicles under 20 tonnes, the grant is not available for sole use of the relevant fuels in the following metropolitan areas:

- Newcastle-Sydney-Wollongong;
- Melbourne-Geelong;
- Sunshine Coast-Brisbane-Gold Coast;
- Perth;
- Adelaide; and
- Canberra.

Date of effect: This Bill will commence on the commencement of the *Diesel and Alternative Fuels Grants Scheme (Administration and Compliance) Act 1999* unless certain vehicle emission standards have not been implemented. The grant will not be available for fuel used after 30 June 2002. It is intended that a new Energy Grants (Credits) Scheme will operate from 1 July 2002.

Proposal announced: Announced by the Government on 28 May 1999.

Financial impact: The grants will cost \$600 million in the 2000-01 financial year, \$690 million in the 2001-02 financial year.

Compliance cost impact: Medium.

The grant for vehicles with a gross vehicle mass of 20 tonnes or more will require little record keeping additional to mileage, litres used and receipts. Eligible fuel use in vehicles between 4.5 and 20 tonnes outside the metropolitan areas will have these same requirements. Where there is some use of vehicles between 4.5 and 20 tonnes inside and outside the metropolitan areas, more extensive records will be required to substantiate the grant claim.

Application: It is intended that the grant will be available for fuel used on and after 1 July 2000 and before 1 July 2002. It is intended that from 1 July 2002 the Diesel and Alternative Fuels Grants Scheme will be replaced by an Energy Grants (Credits) Scheme.

Chapter 1

Introduction

Overview

1.1 The Diesel and Alternative Fuels Grants Scheme Bill 1999 (this Bill) introduces a grant for certain on road transport.

1.2 In particular, this Bill:

- establishes an entitlement to the grant for on road use by all vehicles with a gross vehicle mass of 20 tonnes or more;
- establishes an entitlement to the grant for on road use by vehicles with a gross vehicle mass of 4.5 tonnes to 20 tonnes used for transporting goods or passengers. However, for vehicles of this size, the grant is not available for use entirely within certain metropolitan areas;
- provides the fuel use which entitles you to the grant;
- provides how to calculate the amount of the grant;
- provides how you claim the grant; and
- provides how the grant will be paid to you.

However, this Bill does not provide for other matters related to the administration of the grants scheme. Such matters will be dealt with in a later Bill.

Outline to this Explanatory Memorandum

1.3 This Chapter provides the background to the grants scheme.

1.4 **Chapter 2** provides an explanation of the rules that establish entitlement to the grant. It explains when the grant will be available and how it is calculated. These provisions are found in **Part 2** of this Bill. Chapter 2 also explains how amounts of the grant are claimed and paid. These provisions are found in **Part 3** of this Bill.

Background to the grants scheme

1.5 The existing Diesel Fuel Rebate Scheme (DFRS) provides a rebate for part of the excise paid on diesel for off-road uses including in

mining, primary production, certain residential power generation, hospitals and nursing homes, and aged persons homes. The DFRS does not provide a rebate of the excise for fuel used in road transport.

1.6 The grant scheme will provide a grant for the on road use of diesel. The Government believes it is appropriate to maintain current price relativities between diesel and alternative fuels so as not to provide disincentives for conversion to these alternatives. Therefore, the grant will also be available for certain alternative fuels.

Date of effect

1.7 This Bill will commence on the later of 1 July 2000 or the commencement of the *Diesel and Alternative Fuels Grants Scheme (Administration and Compliance) Act 1999 [subsection 2(1)]*. However, this Bill will not commence unless certain vehicle emission standards as outlined in *subsections 2(2), (3) and (4)* of this Bill have been implemented. Also, this Bill will not commence unless certain appropriations are made as outlined in *subsection 2(5)*.

Chapter 2

Entitlement to the grant

Overview

2.1 You are entitled to a grant for diesel fuel or alternative fuel used for the purpose of your enterprise in road transport. To be entitled to the grant you have to be registered for the grant. The amount of the grant depends on the type and amount of fuel you used. Your entitlement to the grant may also depend on the size of vehicle that you use.

2.2 You are not entitled to the grant for any fuel used on or after 1 July 2002. [*Section 12*]

Registration

2.3 To be entitled to the grant you have to register in relation to each vehicle for which you want to claim the grant. To be able to register, you must have an Australian Business Number (ABN) and use, or intend to use, the fuel in a vehicle for the purpose of your enterprise. You must use, or intend to use, the fuel in Australia. You must use, or intend to use, the fuel in a vehicle that has a gross vehicle mass of 4.5 tonnes or more and is registered for use on public roads. [*Section 7*]

Enterprise

2.4 You are entitled to have an ABN if you are carrying on an enterprise in Australia – section 8 of the *A New Tax System (Australian Business Number) Act 1999* (the ABN Act). **Enterprise** is defined in section 38 of the ABN Act and **carrying on an enterprise** is defined in section 39 of the ABN Act.

2.5 The term enterprise includes business. Therefore, if you use the above fuel in carrying on your business, such as a road haulage business, you could be entitled to the grant. Enterprise also includes government and certain charities, so if you are a charity or government and you use the above fuel in carrying on your activities as a charity or government, you could be entitled to the grant.

Refusal to register

2.6 The Commissioner of Taxation (the Commissioner) may refuse to register you. If the Commissioner refuses to register you, he or she must notify you in writing of the refusal and the reason for the refusal [*subsection 8(1)*]. If the Commissioner decides to refuse to register you, you can apply to the Administrative Appeals Tribunal (AAT) for a review of that decision [*section 17*].

2.7 You can treat the Commissioner as having refused to register you if he or she has not decided whether to register you within 28 days of your application for registration. To do so, you notify the Commissioner that you wish to treat the application as having been refused. You can then apply to the AAT for a review. [*Subsections 8(2) and (3)*]

Vehicle size

2.8 Your entitlement to the grant depends on the size of your vehicle. Vehicle size is determined in relation to the gross vehicle mass of the vehicle. **Gross vehicle mass** (GVM) is defined in *section 5*.

Fuel types

2.9 The grant will be available for the use of diesel fuel. The regulations will define what is diesel fuel [*section 5*]. The grant will also be available for the use of other fuels as alternatives to diesel fuel. These alternative fuels are: compressed natural gas, liquified petroleum gas, recycled waste oil, ethanol, canola oil, and other fuels as prescribed in the regulations [*section 5*].

Vehicles of 20 tonnes or more

2.10 You are entitled to a grant for your use of diesel fuel or alternative fuel in any vehicle with a GVM of 20 tonnes or more. You must have purchased or imported the fuel and be registered for the fuel grant. You are only entitled to the grant for fuel you have used in carrying on your enterprise. You must have used the fuel on a public road in Australia. [*Section 9*]

Example

Bob is the owner operator of a road train. It has a GVM of more than 20 tonnes and is registered in the Northern Territory for use on a public road. He only ever uses it on public roads in the Northern Territory and Queensland for his road haulage business. Bob has registered for the fuel grant in respect of his road train. It runs on diesel fuel. Bob is entitled to a grant for the fuel he has used.

Vehicles of 4.5 tonnes to 20 tonnes

2.11 You are entitled to a grant for your use of diesel fuel or alternative fuel in any vehicle with a GVM of 4.5 tonnes or more, but less than 20 tonnes, that is designed for transporting passengers or goods. You must have purchased or imported the fuel and be registered for the fuel grant. You are only entitled to the grant for fuel you have used in carrying on your enterprise. You must have used the fuel on a public road in Australia. [*Section 10*]

Example

Mick owns and operates an 8 tonne crane. The crane runs on ethanol. The crane is registered for use on public roads. The crane is not a vehicle for transporting passengers or goods. Mick is not entitled to the grant in relation to fuel used in the crane.

2.12 However, you are only entitled to the grant for fuel used in making certain journeys. In general, you are not entitled to the grant for fuel used on a journey that is entirely within a metropolitan area. [*Subsection 10(2)*]

Metropolitan areas

2.13 If your vehicle has a GVM of 4.5 tonnes or more, but less than 20 tonnes, you are only entitled to the grant for fuel used in:

- journeys entirely outside the metropolitan areas;
- journeys from a point inside a metropolitan area to a point outside a metropolitan area;
- journeys from a point outside a metropolitan area to a point inside a metropolitan area; and
- journeys from a metropolitan area to another metropolitan area.

[*Subsection 10(2)*]

2.14 The metropolitan areas are:

- Newcastle-Sydney-Wollongong;
- Melbourne-Geelong;
- Sunshine Coast-Brisbane-Gold Coast;
- Perth;
- Adelaide; and

- Canberra.

The exact boundaries of these areas will be prescribed. [*Section 6*]

Example

Vicki operates a removal business. She has registered for the grant. She is based in Forbes, NSW. Angie and Anthony decide to move from Sydney to Dubbo, NSW. They hire Vicki to be their removalist. Vicki's 10 tonne truck is driven from Forbes to Sydney, picks up Angie and Anthony's furniture, delivers it in Dubbo and returns to Forbes. The truck uses diesel fuel. Vicki is entitled to the grant in relation to all the diesel used in the round trip Forbes-Sydney-Dubbo-Forbes, which consists of a journey to a metropolitan area, a journey from a metropolitan area and a journey entirely outside a metropolitan area.

Claiming the grant

Grant periods

2.15 You work out your grant in relation to grant periods. You can choose your grant periods to be monthly, quarterly or annually by notifying the Commissioner in the approved form. The Commissioner may allow other grant periods by determination. [*Section 14*]

Amount of the grant

2.16 Your grant for a grant period is the amount of the fuel you used in that grant period for which you are entitled to the grant multiplied by the relevant rate of grant. The rate of grant is an amount per litre that you are entitled to for a particular kind of fuel. However, if the fuel is a gas, the rate of grant is an amount per cubic metre. The amount per litre, or per cubic metre, for each type of fuel is set out in the regulations. [*Subsection 11(1)*]

Example

Jessie has chosen monthly grant periods. She used 5000 litres of diesel in her semi-trailer in August. She paid 70 cents per litre for the fuel. It has a GVM greater than 20 tonnes. She only used it on public roads. If the regulations provided that the rate for diesel is 17 cents per litre, her grant is 5000×17 cents, which equals \$850.

2.17 The amount of your grant cannot exceed the amount you paid for the fuel [*subsection 11(2)*]. For example, if the regulations provide that the amount of grant per litre for ethanol is 10 cents and if you only paid 8 cents per litre for the fuel, your grant is limited to 8 cents per litre.

2.18 You work out your grant for a grant period separately for each type of fuel you used in that period. [*Subsection 11(3)*]

Example

Mr Smith used 4000 litres of diesel fuel in 2 of his trucks and 1500 litres of recycled waste oil in his other truck. If the regulations provided that the rate for diesel fuel is 20 cents, and the rate for recycled waste oil is 10 cents, his grant would be:

$(4000 \text{ litres} \times 20 \text{ cents}) + (1500 \text{ litres} \times 10 \text{ cents})$

This equals \$950.

Claims

2.19 If you want to claim a grant for fuel used in a grant period, you make a claim for the grant within 21 days of the end of the grant period. You may claim the grant for all the vehicles in which you have used diesel fuel or alternative fuels in the grant period for which you are entitled to the grant. You can only claim once for each type of fuel used in each grant period. **[Section 15]**

2.20 Your claim must be in the approved form **[paragraph 15(2)(b)]**. For your claim to be approved it must:

- be in the form approved by the Commissioner in writing;
- contain all the information that the form requires, and such further information as the Commissioner requires;
- be submitted in the manner the Commissioner requires; and
- be lodged at the place the Commissioner requires if it is required to be given to the Commissioner.

[Section 19]

2.21 You must sign your claim. **[Paragraph 15(2)(c)]**

2.22 The Commissioner may allow claims to be lodged electronically. If your claim is lodged electronically, it must contain your electronic signature **[paragraph 15(2)(c)]**. Your electronic signature is a unique identification in an electronic form that has been approved by the Commissioner **[subsection 15(4)]**.

Payments

2.23 If you have claimed an amount of grant to which you are entitled, the Commissioner must pay that amount to you in the manner he or she determines. **[Section 16]**

Overlap with the Diesel Fuel Rebate Scheme

2.24 If you are entitled to a rebate for your use of diesel fuel under the Diesel Fuel Rebate Scheme, you are not entitled to the grant for your use of that fuel. [*Section 13*]

Definitions

2.25 The definitions of terms used in this Bill are generally found in *section 5*.

