

## APPENDIX A: COSTING REPORT — CONDENSATE

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| Name of policy costed:                             | Oil Condensate Exemptions   |
| Person making the request:                         | Senator Brown, Leader of the Australian Greens  |
| Date received from Prime Minister's office:        | 5 July 2011   |
| Summary of policy:                                 | Removal of the concessional tax treatment of condensate   |
| Additional information requested (including date): | Requested 26 July 2011:<br>(a) What is the intended start date of the proposal?<br>(b) What is the concessional tax treatment that the proposal is seeking to remove? We note that, since 2008, all condensate has been subject to crude oil excise at the one rate. One thing to note is that in the 2010 Tax Expenditure Statement flagged that the benchmark for this is under review. |
| Additional information received (including date):  | Received 25 August 2011:<br>(a) Start date of 1 January 2012.<br>(b) The Treasury identifies a concession in the taxation of condensate. Please provide a costing on the basis of the benchmark Treasury currently uses.  |

### FINANCIAL IMPLICATIONS (Outturn prices)(a)

| Impact on                     | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------------------|---------|---------|---------|---------|---------|
| Underlying Cash Balance (\$m) | 0       | 250     | 550     | 550     | 550     |
| Fiscal Balance (\$m)          | 0       | 250     | 550     | 550     | 550     |

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

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| <p>Costing assumptions:</p> <p>The model uses Treasury's 2011-12 Budget economic parameters.</p> <p>The fields affected are the North West Shelf fields.</p> <p>Production is assumed to be constant from 2009-10, the last year of available data from the Australian Bureau of Agricultural and Resource Economics and Sciences.</p> <p>It is assumed the royalty rate is 12.5 per cent.</p> <p>It is assumed that there is no behavioural change in response to the tax increase. Treasury is not aware of any information that would allow us to estimate the potential behavioural impacts of the policy.</p> |
| <p>Qualifications:</p> <p>This costing is heavily reliant on assumptions and has a low reliability.</p>  |
| <p>Further information:</p> <ul style="list-style-type: none"> <li>• Not applicable.</li> </ul>  |

## APPENDIX B: COSTING REPORT — FUEL TAX CREDITS

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| Name of policy costed:                             | Deny the mining industry access to fuel tax credits  |
| Person making the request:                         | Senator Brown, Leader of the Australian Greens   |
| Date received from Prime Minister's office:        | 5 July 2011  |
| Summary of policy:                                 | Deny the mining industry access to fuel tax credits  |
| Additional information requested (including date): | Requested 26 July 2011:<br>(a) What is the intended start date of the proposal?<br>(b) Is this option proposing to remove the mining industry eligibility for fuel tax credits for diesel only or for all fuels? |
| Additional information received (including date):  | Received 25 August 2011:<br>(a) Start date of 1 January 2012.<br>(a) All fuels.  |

### FINANCIAL IMPLICATIONS (Outturn prices)(a)

| Impact on                     | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------------------|---------|---------|---------|---------|---------|
| Underlying Cash Balance (\$m) | 0       | 700     | 1,800   | 1,750   | 1,150   |
| Fiscal Balance (\$m)          | 0       | 900     | 1,800   | 1,500   | 1,400   |

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

#### Costing assumptions.

The costing assumes that the mining industry classification from the Australian Taxation Office's *Taxation Statistics* is a reasonable proxy for claims relating to mining activity. See the Further Information section for more discussion of this.

Mining industry fuel tax credit claims average 35.7% of all fuel tax credit claims over the period 2006-07 to 2009-10. This proportion is assumed to remain constant over the forward estimates period.

The fuel tax credit percentage is also assumed to hold for the fuel emissions that would be covered by the opt-in arrangements that allow businesses to acquire permits rather than have their fuel tax credits reduced. It has not been possible to confirm this assumption against Department of Climate Change and Energy Efficiency data and therefore may be subject to revision.

It is assumed that businesses with mining-related fuel emissions would not opt into the carbon permit system for their fuels.

It is assumed that there is no behavioural response on fuel volumes.

#### Qualifications.

This costing is heavily reliant on assumptions, has a low reliability and potentially subject to revision.

#### Further information

- Fuel tax credits are based on activity criteria rather than industry classification. The true cost of the proposal will vary to the extent that mining entities carry on non-mining activities and non-mining business entities carry on mining activities.
- The estimates incorporate the Government's Clean Energy Future policy regarding the imposition of carbon pricing on business fuel use.
- In fiscal balance terms, the proposal has the following changes to revenue and expenses over the forward estimates period:

|                                  | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------------------------|---------|---------|---------|---------|---------|
| Revenue (Carbon permits) (\$m)   | 0       | 0       | 0       | -300    | -300    |
| Expense (Fuel tax credits) (\$m) | 0       | -900    | -1,800  | -1,800  | -1,700  |

## APPENDIX C: COSTING REPORT — STATUTORY EFFECTIVE LIFE CAPS

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| Name of policy costed:                             | Accelerated asset depreciation – remove statutory effective life caps for all industries except agriculture   |
| Person making the request:                         | Senator Brown, Leader of the Australian Greens  |
| Date received from Prime Minister's office:        | 5 July 2011   |
| Summary of policy:                                 | The removal of the statutory effective life caps on aircraft, the oil and gas industry and vehicles excepting those used for agricultural purposes.   |
| Additional information requested (including date): | Requested 26 July 2011:<br>(a) What is the intended start date of the proposal?<br>(b) Does the proposal seek to maintain the capped effective lives for assets that must be used in the primary production sector as per the legislation (that is, harvesters and tractors only) or does the proposal seek to maintain the capped effective lives for all assets used for agricultural purposes (including aeroplanes, helicopters, light commercial vehicles, trailers and trucks)? |
| Additional information received (including date):  | Received 25 August 2011:<br>(a) Start date of 1 January 2012.<br>(b) Please cost the removal the capped effective lives for all assets, except those used in the primary production section as per the legislation. If possible please provide a breakdown of the costs as they relate to assets being used for agricultural purposes. If that is not possible, please provide the costing as is the capped effective lives for assets used for agricultural purposes are maintained. |

### FINANCIAL IMPLICATIONS (Outturn prices)(a)

| Impact on                     | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------------------|---------|---------|---------|---------|---------|
| Underlying Cash Balance (\$m) | 0       | 0       | 100     | 350     | 550     |
| Fiscal Balance (\$m)          | 0       | 0       | 100     | 350     | 550     |

(c) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

#### Costing assumptions:

The removal of the statutory effective life caps was assumed to apply only in respect of assets which are purchased after 1 January 2012.

Approximately 9% of vehicles were considered to be used for agricultural purposes and were consequently excluded from the costing. This proportion was derived as the proportion of plant, machinery and equipment acquired by the agriculture, fishing and forestry industry when compared to the mining, manufacturing, construction and transport, postal and warehousing industries using ABS catalogue 8155.

The table below contains the assumptions used in relation to entity structure and the percentage of taxpayers electing to use the diminishing value method.

| <b>Asset</b>  | <b>Company</b> | <b>Individual</b> | <b>Proportion using DMV method</b> |
|---|----------------|-------------------|------------------------------------|
| Airplane/Helicopter - Other                             | 85%            | 15%               | 90%                                |
| Light commercial vehicles /minibuses                    | 60%            | 40%               | 70%                                |
| Buses/Trucks  | 60%            | 40%               | 70%                                |
| Trailer with gross vehicle mass greater than 4.5 tonnes | 60%            | 40%               | 70%                                |
| Gas transmission/distribution asset                     | 100%           | 0%                | 70%                                |
| Oil/gas production asset                                | 100%           | 0%                | 80%                                |
| Offshore platform                                       | 100%           | 0%                | 70%                                |

Where there are varying safe harbour effective lives for the same category of asset an average was taken to arrive at the safe harbour assumption for the purposes of this costing.

Average marginal tax rate for individuals is 35%.

Assets assumed to be purchased throughout the year.

75% of taxpayers are taxable in the year they purchase the depreciable asset, 15% of taxpayers become taxable in the year after they purchased the asset and 5% of taxpayers become taxable two years after they purchase the depreciable asset.

A clawback is assumed due to the imputation system.

Estimates have been rounded to the nearest \$50 million.

**Qualifications:**

This costing is heavily reliant on assumptions and has a low reliability.

**Further information:**

- Data for aircraft, light commercial vehicles, minibuses, trucks, buses, trailers and certain assets used in the oil and gas industries is consistent with the data used to estimate the value of the statutory effective life caps tax expenditure as reported in the 2010 Tax Expenditures Statement.

## APPENDIX D: COSTING REPORT — EXPLORATION AND PROSPECTING

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| Name of policy costed:                             | Accelerated asset depreciation – exploration and prospecting  |
| Person making the request:                         | Senator Brown, Leader of the Australian Greens  |
| Date received from Prime Minister's office:        | 5 July 2011   |
| Summary of policy:                                 | Remove of the immediate deduction for exploration and prospecting expenditure associated with mining and quarrying. |
| Additional information requested (including date): | Requested 26 July 2011:<br>What is the intended start date of the proposal?   |
| Additional information received (including date):  | Received 25 August 2011:<br>Start date of 1 January 2012.   |

### FINANCIAL IMPLICATIONS (Outturn prices)(a)

| Impact on                     | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|-------------------------------|---------|---------|---------|---------|---------|
| Underlying Cash Balance (\$m) | 0       | 0       | 90      | 200     | 220     |
| Fiscal Balance (\$m)          | 0       | 0       | 90      | 200     | 220     |

(d) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

#### Costing assumptions:

The removal of immediate deductions for exploration and prospecting expenditure was assumed to apply only in respect of expenditure incurred after 1 January 2012.

Expenditure is assumed to be incurred throughout the year.

Estimates have been rounded to the nearest \$10 million.

#### Qualifications:

This costing is heavily reliant on assumptions and has a low reliability.

#### Further information:

- This costing is consistent with the data used to estimate the value of the Exploration and prospecting deduction tax expenditure as reported in the 2010 Tax Expenditures Statement.