Australian Customs Notice 1997 42

**1997/98 BUDGET - MEASURES TO ADDRESS REVENUE LOSS TO THE GOVERNMENT THROUGH THE SUBSTITUTION OF PETROLEUM PRODUCTS**

As part of the 1997-98 Budget, the Government has announced that it will introduce legislation to combat the loss of revenue resulting from the direct substitution of duty free or low duty petroleum products for products which attract a rate of customs or excise duty commensurate with on-road use. For example, Customs is aware that heating oil dutiable at 7.2 cents per litre has been substituted for automotive diesel dutiable at 34.697 cents per litre although such action leads to engine damage. The Government's action also addresses:

continuing practices involving blending of products which are then used, or sold for use, as fuels but the correct fuel duty is not paid; and

concern about market inequities and consumer protection and safety issues arising from substitution practices.

The proposed legislation will require the addition of chemical "tracers" to concessionally taxed petroleum products. Both dyes and colourless markers are used successfully in many countries to allow authorities to trace the use of concessional products and facilitate correct usage.

The Australian Customs Service is undertaking an intensive round of consultations with the petroleum industry and other interested parties aimed at introducing the measures by 1 January 1998. The particular chemical "tracers" to be used will be determined following these consultations.

The legislation to be introduced will also correct some anomalies which potentially may be exploited to allow some products which are currently not subject to the excise regime to be used for fuel purposes. New arrangements are proposed regarding accounting for production of petroleum condensate and on-shore crude oil.

It is emphasised that the use of the chemical tracers does not have any impact on the Diesel Fuel Rebate Scheme.

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14 May 1997

Inland Revenue:-C97/02185