

Taxing Energy Use 2018

Australia

This note describes the taxation of energy use in Australia. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Australia:

Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

1. Energy tax profiles for Australia

Figure 1. Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

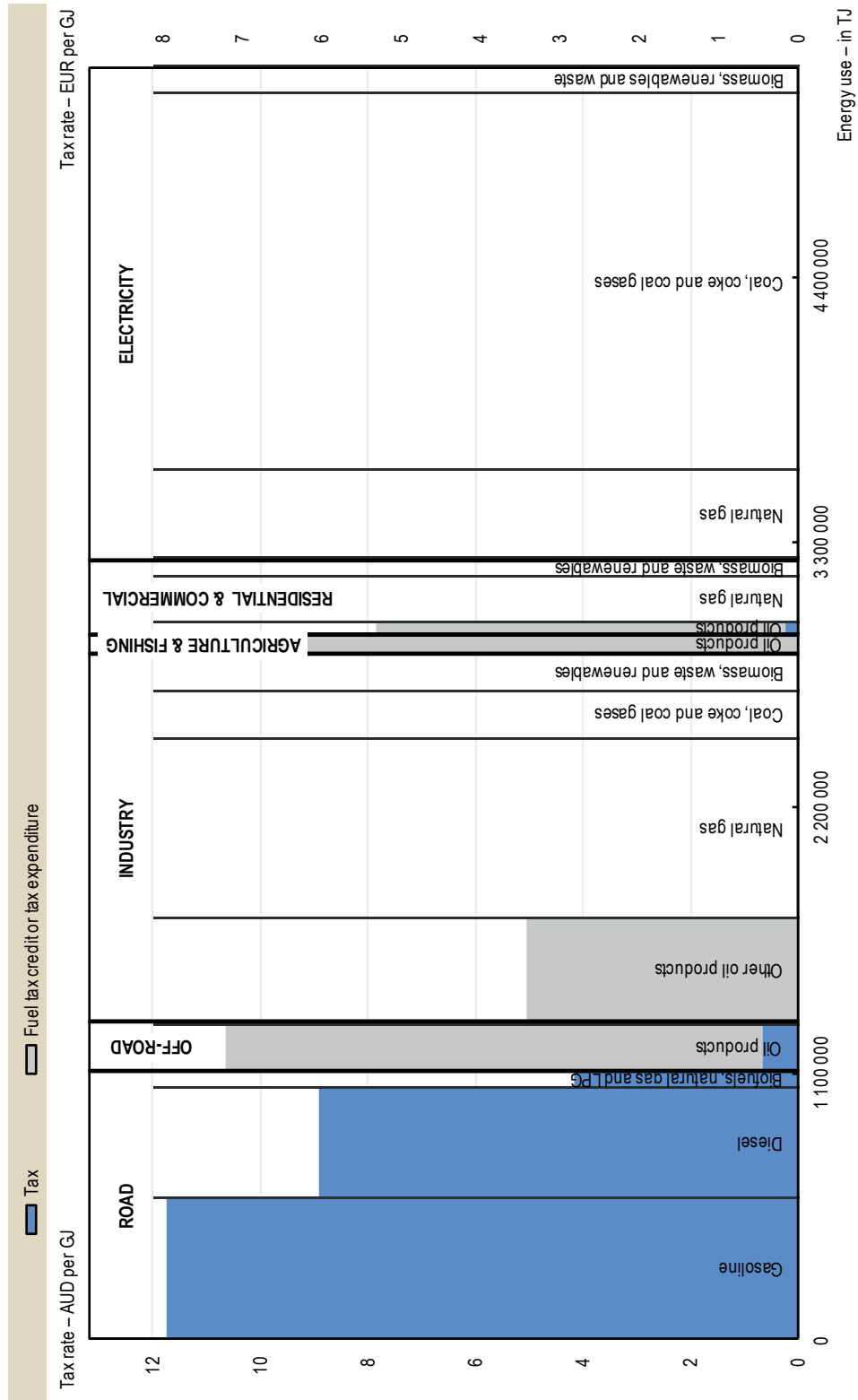


Figure 2. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and carbon emissions from biomass

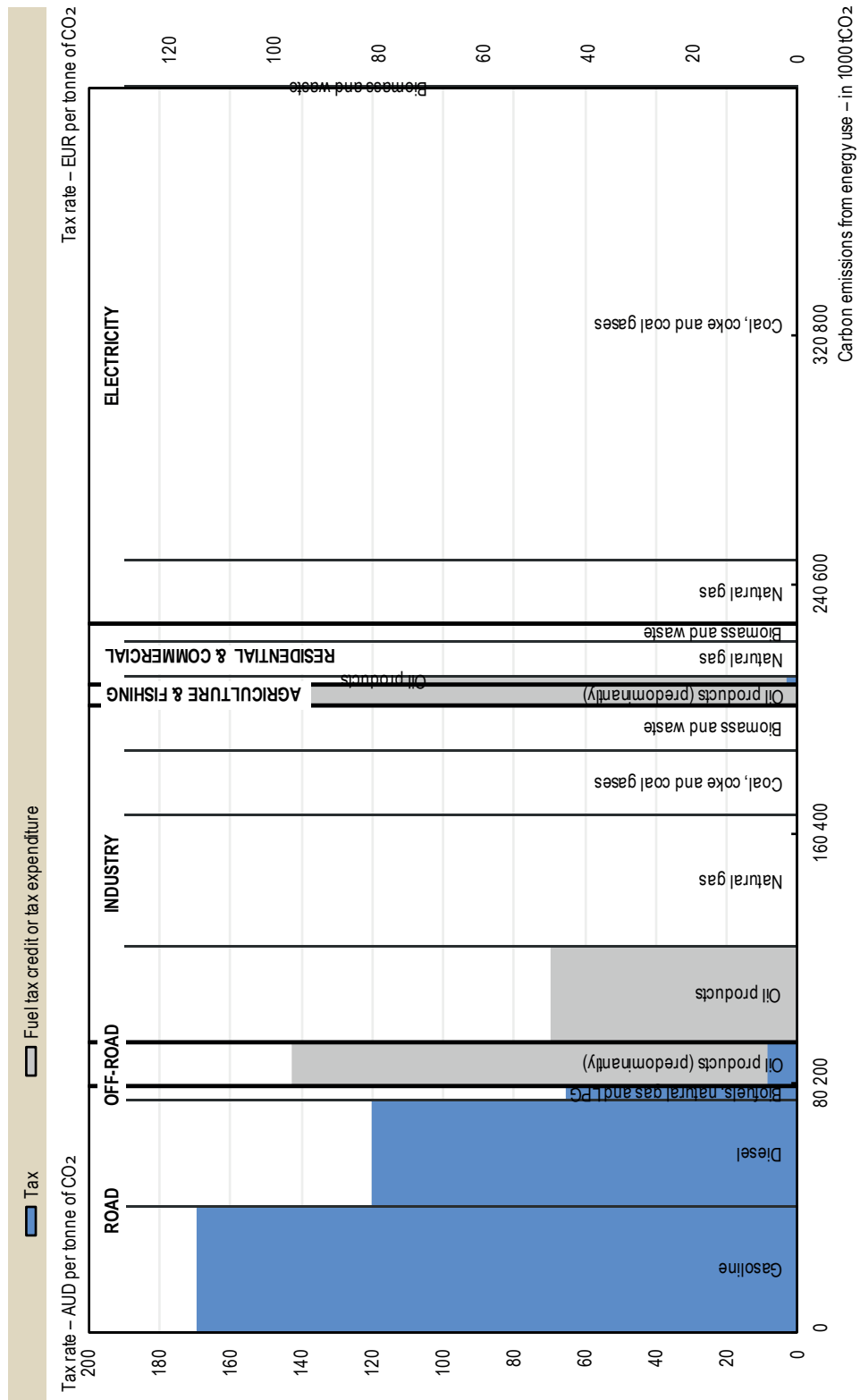


Figure 3. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

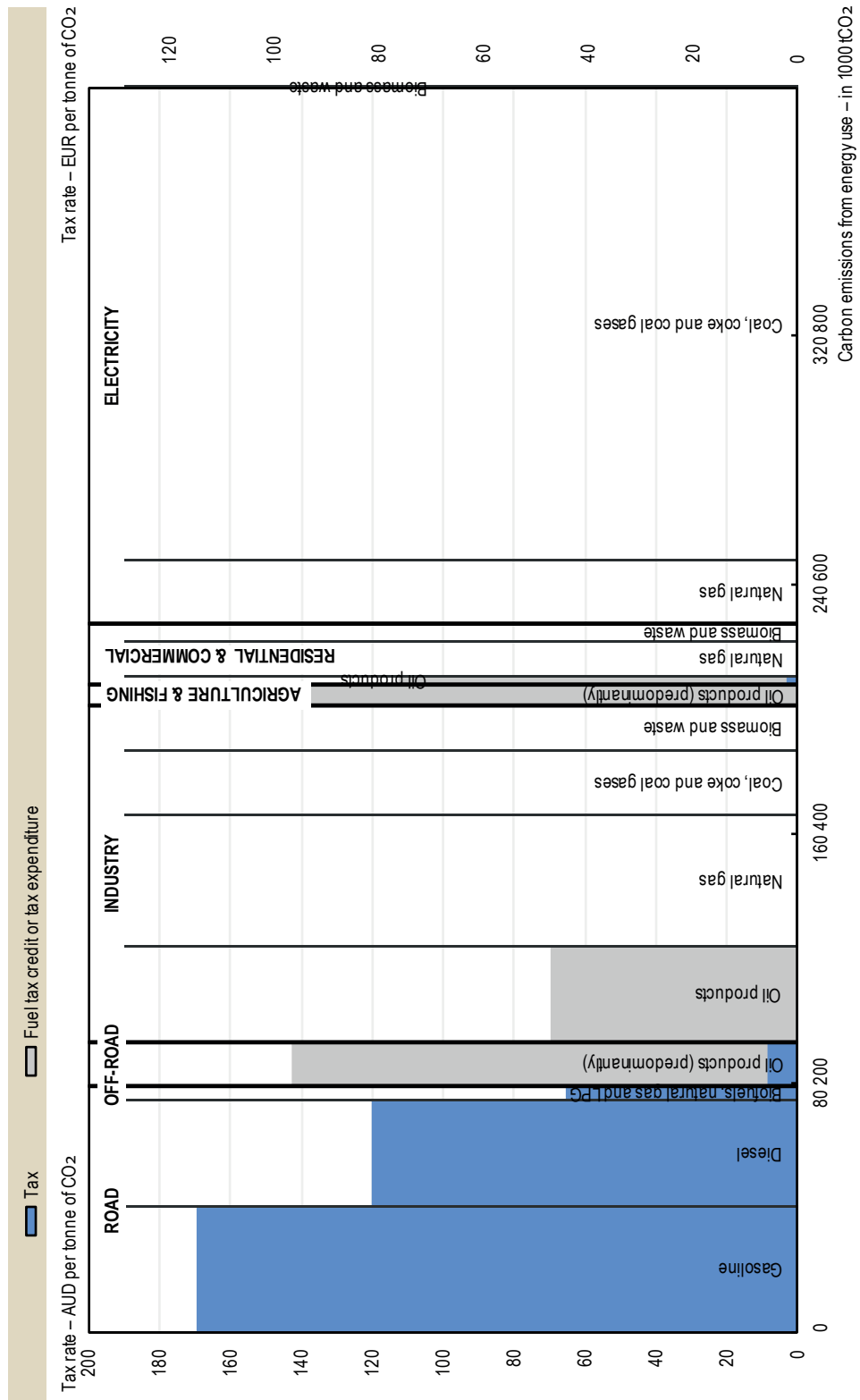
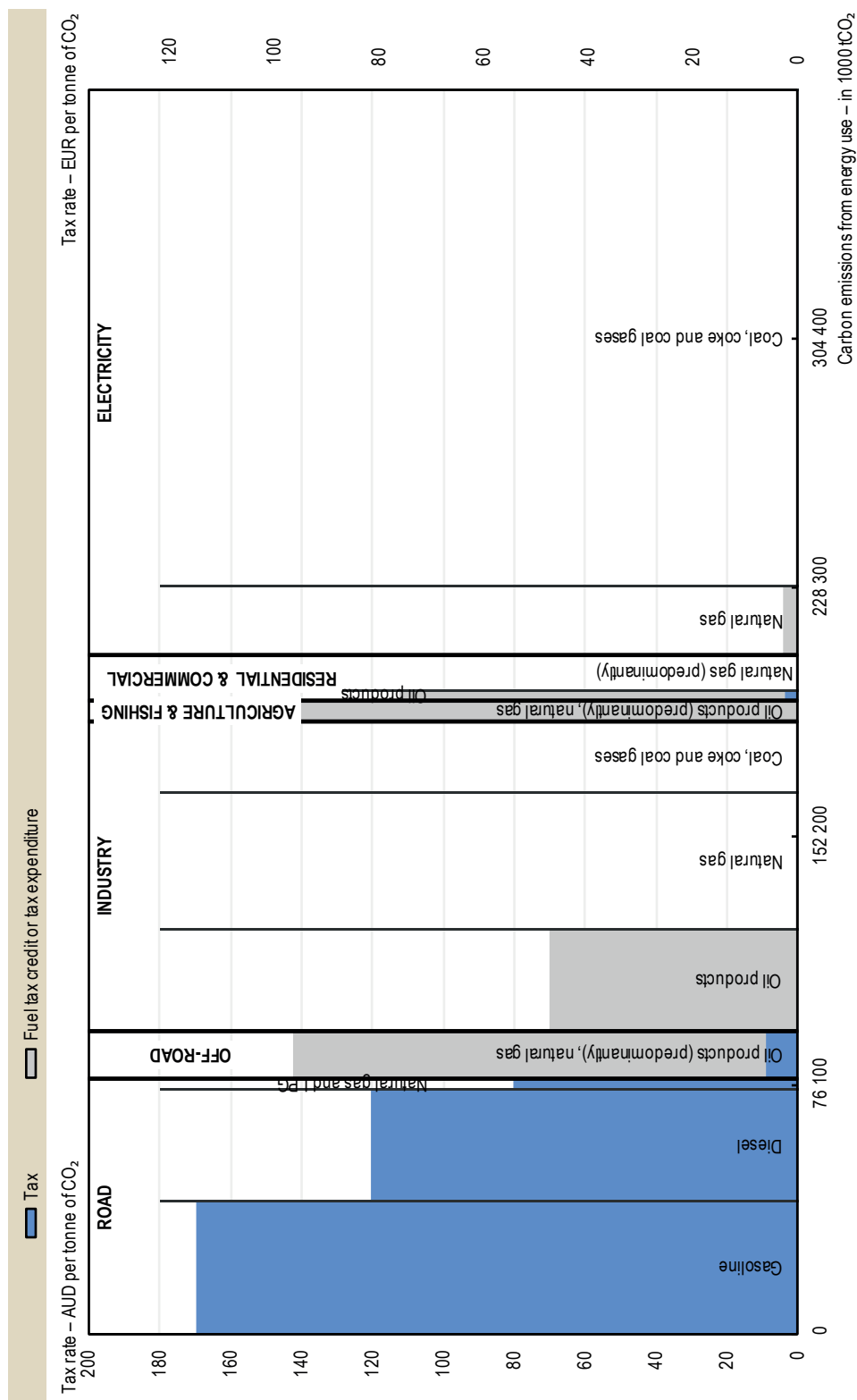


Figure 4. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass



2. Country-specific notes

This note describes the taxation of energy use in Australia. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Energy and carbon taxes

In Australia, an excise tax applies to natural gas for road use and oil products across all sectors. This tax is included in the energy tax profiles of Australia. Due to tax refunds, fuels are largely untaxed outside of transport, as described below.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to Australia's energy use¹ to calculate effective tax rates on energy use (in EUR/TJ and AUD/TJ) or CO₂ emissions from energy use (in EUR/tCO₂ and AUD/CO₂). Energy use and the CO₂ emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The Australian energy tax profiles (Figures 1 and 2) show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass but is otherwise identical to Figure 2.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, gasoline is taxed at the highest effective tax rate, diesel is taxed at a lower rate in terms of TJ and in terms of CO₂. Gasoline and diesel consumed by heavy vehicles benefit from a partial rebate on the tax paid; this rebate is included into the data as applying to 53% of diesel used in the road sector (see below for details).

LPG and natural gas for road use are also taxed, but at lower statutory and effective rates than gasoline and diesel. Domestically produced biodiesel is untaxed, and for the energy tax profiles it is assumed that all biodiesel is from domestic production (so all biofuels are shown as untaxed).

- Fossil fuels used in domestic **off-road** transport are taxed at lower effective rates than fuels used in road transport. This is since fuels used in domestic air transport are taxed,² but a full rebate is applied to fuels used for rail transport and professional domestic navigation.

1. Data on energy use is taken from the IEA's *Extended World Energy Balances*, please see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

2. Revenues generated from the tax on domestic aviation fuels are earmarked to the Civil Aviation Safety Authority.

- Fuel taxes are fully refunded for **industrial** and **commercial** users, as well as fuels used for **agriculture and fishing**. Fuels used for energy transformation, and LPG and coal and coke consumption are untaxed. As a result, only some oil products used in the residential sector are taxed.
- Fuels used to generate **electricity** benefit from a full rebate on the excise tax paid, and coal, which accounts for the vast majority of energy use and carbon emissions from energy use in this sector, is fully untaxed. Electricity output is untaxed, too.

Assumptions and caveats

- In the road sector, a lower tax rate applies to fuels used by heavy vehicles than by light vehicles. It is assumed that the proportion of diesel oil used by heavy vehicles and by light vehicles is 53% and 47%, respectively. It is also assumed that 100% of gasoline in the road transport sector is consumed by light vehicles.
- Domestically produced biodiesel is untaxed, and it is assumed that all biodiesel is from domestic production.
- Partial and full Fuel Tax Credit (FTC) rebates are applied to gasoline, diesel, rail and marine fuels, and oil products used for business purposes. It is assumed that all eligible entities have claimed and received such rebates.

These assumptions have been arrived at in consultation with national officials.

Reported tax expenditures and rebates

The following tax expenditures are included in the *Taxing Energy Use* data for Australia:

- Partial fuel tax credits apply to gasoline and diesel oil used by heavy vehicles (professional transport heavier than 4.5 tonnes) in domestic road transport.
- Full fuel tax credits apply to fuels used for domestic navigation and domestic railways; diesel and gasoline used for fishing and agricultural purposes; mineral oils and natural gas used for industrial and commercial purposes; and fuels used to generate electricity.
- LPG consumed outside the transport sector benefits from a full tax rebate.

The Product Stewardship for Oil Program provides rebates to entities that recycle or use recycled oil for commercial purposes, but due to data constraints this provision has not been included in the *Taxing Energy Use* data.

Reported tax expenditures or rebates might be averaged with tax rates on other energy uses, in which cases they are not visibly identifiable in the graphical profile. Additional detail on the treatment of tax expenditures can be found in Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018).

Sources

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

In addition to the sources included in the *Taxing Energy Use 2018* (OECD, 2018), and consultation with national delegates, the following country-specific sources were used:

Australian Taxation Office (2015), “Fuel tax credit rates for liquid fuels acquired from 1 July 2014 to 30 June 2016, business”, <https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---business/Rates---business/1-July-2015-to-30-June-2016/>.

Australian Taxation Office (2016), “Excise rates for fuel”, <https://www.ato.gov.au/business/excise-and-excise-equivalent-goods/fuel-excise/excise-rates-for-fuel/#FuelDef2>.

Australian Taxation Office (2016), “Fuel tax credit rates for fuels acquired from 1 July 2014 to 30 June 2015, non-business”, <https://www.ato.gov.au/Business/Fuel-schemes/Fuel-tax-credits---non-business/Rates---non-business/1-July-2015-to-30-June-2016/#RUC>.