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Subject: Assessing Fuel Tax Credits: Report released

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Assessing fuel tax credits: Report launched

Altering Australia's Fuel Tax Credit system in the name of emissions reduction would unnecessarily complicate the tax system, duplicate existing climate policies, and impose additional financial burdens on households already struggling with rising living costs.

These are the stark findings of a new report from economist Chris Richardson titled "[Assessing Fuel Tax Credits](#)", which builds a strong case as to the fairness and economic importance of Australia's Fuel Tax Credit system.

The publication of the report comes at a critical juncture, with the Federal Government reportedly reconsidering its clear promise to Australian industry that it would make no changes to the Fuel Tax Credit system.

The [report](#), launched by the Fuel Tax Credit Alliance, reaffirms a longstanding principle that must be protected: Road taxes should be for road users.

For half a century, this has been the prevailing view of Australian governments who have looked to fund the construction and maintenance of our roads by placing a tax on the price of fuel, otherwise known as excise. For those that use the fuel off road, the tax is given back as a Fuel Tax Credit.

In other words, only the on-road user pays. That's fair.

This notion is well understood and appreciated in regional Australia, where diesel fuel is the backbone of its industries, powering the machinery that harvests crops, extracts minerals, and underpins fishing and tourism operations. A farmer driving across his property in a ute, shouldn't pay road tax on his diesel. Nor should a captain of a trawler heading to sea.

Similarly, local government, architects, engineers, legal and accounting services across Australia benefit from the Fuel Tax Credit scheme, helping to keep costs down when Australians need it the most.

But while highlighting the enduring fairness of the FTC system, the report confirms the enormous financial imperative of keeping the system in place, and the dangers of making Australia's tax system more complex.

Changing the FTC system, the report notes, would have far-reaching consequences for

Australian households and businesses, compounding the pain from this enduring cost of living crisis.

For many regional communities, the FTC system is more than just a tax policy; it is a lifeline that sustains local businesses, creates jobs and helps communities thrive.

Without these credits, businesses would be burdened with extra taxes, which would ultimately be reflected in higher prices for consumers. This would further strain Australian households already grappling with the high cost of living.

"It would be a backward step to mess up Australia's treatment of fuel tax credits. In particular, messing up the treatment of fuel tax credits would come with a range of costs to Australian families and businesses," the report states.

The report cautions against the potential unintended consequences of attempting to overhaul a tax system that has been in place for more than 50 years. Such changes could lead to a cascade of economic and social issues that ultimately harm those they are meant to protect. Importantly, Richardson dispels the myth and misinformation propagated by interest groups that Fuel Tax Credits are merely fossil fuel subsidies. On the contrary, Fuel Tax Credits, he states, are a fair mechanism to prevent businesses from bearing the brunt of taxes on off road fuel use. This is a position that has been clearly articulated by the Federal Treasury.

And while some groups routinely argue that the FTC system conflicts with Australia's climate change goals, Richardson's report makes a compelling case for separating these important policy objectives.

As the report reiterates, Australia already has robust policy infrastructure in place to address climate change, including the Safeguard Mechanism, the Renewable Energy Target, and various energy efficiency policies.

Richardson rightly advocates for these tools to be used in meeting Australia's emissions reduction targets, rather than relying on the tax system to address environmental challenges.

"You shouldn't change the fuel tax credit system if Australia is having trouble in meeting its emission targets," Richardson argues.

"If the intent is to do the right thing on the tax front and the right thing in helping to fight global warming, then the key is to have two good policies rather than one flawed one.

"With respect to fuel tax credits, the current arrangements are already good policy." The report can be found [here](#).

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For more information visit: <https://www.roadtaxesareforroadusers.com.au/>

