



CUTTING FUEL COSTS WITH FUEL CREDITS – DON'T MISS OUT

We don't normally stray too far away from mainstream tax. However, many businesses are not aware that entitlement to fuel tax credits has been significantly expanded. Effective from 1 July 2008, these important changes may be of direct benefit to you now.

What are fuel tax credits?

Introduced on 1 July 2006, fuel tax credits can help your business cut its fuel costs by providing a credit for the fuel tax (excise or customs duty) included in the price of the fuel used in your business activities.

TIP

To be eligible to claim a fuel tax credit, you have to be registered for GST, undertake an eligible activity and use eligible fuel.

More businesses are now eligible

Before 1 July 2008, fuel tax credits were essentially only available for fuel used in heavy vehicles on public roads (eg a vehicle greater than 4.5 tonne gross vehicle mass (GVM)), and in specific industries. (eg agriculture, fishing, forestry and mining to name a few).

However, from 1 July 2008, in addition to the above activities, eligible fuel used in most business activities, machinery, plant and equipment and heavy vehicles is now eligible for fuel tax credits. Examples of the types of business activities eligible from 1 July 2008 for fuel tax credits include:

- construction
- manufacturing
- wholesale and retail
- property management
- landscaping

Machinery, plant and equipment

Although not an exhaustive list, the ATO has indicated that machinery, plant and equipment could include items such as:

- asphalt pavers, augers, backhoes, blower vacuums and bulldozers
- chainsaws, compactors, compressors, concrete mixers, cranes and crushers
- dredges, drills, excavators, front-end loaders, graders and hoists
- lawn mowers, outboard motors and pumps
- rollers, skid steer loaders, tractors, whipper snippers and winches
- off-road all terrain bikes and motorcycles.



What's the right type of fuel?

You can claim fuel tax credits for most taxable fuel if it is acquired, manufactured or imported for use in carrying on your business. Currently, taxable fuels include petrol, diesel, heating oil, kerosene, fuel oil and toluene.

The main fuels that are **not** eligible are aviation fuels, alternative fuels (such as liquefied petroleum gas (LPG), compressed natural gas (CNG), liquefied natural gas (LNG), ethanol and biodiesel) and fuels used in most light vehicles (GVM of 4.5 tonne or less travelling on a public road).

Fuels like LPG, biodiesel, ethanol and CNG will not be eligible for fuel tax credits until 1 July 2011, when these fuels will also be taxed.

What can I claim?

18.51 cents per litre for fuels eligible from 1 July 2006 for use in vehicles with a GVM greater than 4.5 tonne travelling on a public road (this rate is subject to change).

38.143 cents per litre for fuels eligible from 1 July 2006 for use in activities such as agriculture, forestry, fishing, mining, marine and rail transport, electricity generation and nursing/medical. Other fuels (including petrol) used in these activities are eligible from 1 July 2008.

19.0715 cents per litre for fuels acquired from 1 July 2008 for use in all other activities, machinery, plant and equipment.

MORE MONEY IN YOUR POCKET

If you are eligible for fuel tax credits under the expanded activities applicable from 1 July 2008, you can claim around \$19 in fuel tax credits for every 100 litres of fuel you buy and use in your business.

How do I make a claim?

If you use fuel in your business, once registered you claim your fuel tax credits in your Business Activity Statements (BAS).

At the risk of oversimplifying the process, your fuel tax credit is calculated by multiplying the number of eligible litres of fuel by the relevant fuel tax credit rate set out above.

Whilst your usual business records should support your claim, nevertheless make sure your records show:

- you acquired the fuel
- you used it in your business
- you applied the correct rate in calculating your claim.

Working out and claiming your fuel tax credits can be tricky, so it's best to get advice about whether you are eligible and how to claim the credit.

SOMETHING TO NOTE

You should also be aware that any fuel tax credits you receive will be included in your assessable income and have to be taken into account in working out your PAYG obligations.

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