



Budget 2022–23

Halving fuel excise

Impact on businesses travelling off public roads or that use fuel powered machinery

To provide temporary and targeted cost of living relief the Government halved the fuel excise rate for six months.

For petrol and diesel, the rates are reduced from 44.2 cents to 22.1 cents per litre of fuel. The Australian Competition and Consumer Commission is taking steps to ensure the excise reduction is passed through to consumers and businesses.

Impact on businesses

Businesses will continue to pay no excise on the fuel purchased for vehicles travelling off public roads or fuel powered machinery and equipment. This could include a farmer that purchases fuel to run tractors or a builder that purchases fuel to run an earthmover.

Prior to the Budget, these businesses paid the full excise rate of 44.2 cents per litre when purchasing fuel but would receive an equivalent fuel tax credit (FTC) of 44.2 cents per litre when they submitted their monthly or quarterly business activity statement. This meant that these businesses paid no excise on fuel purchased for vehicles travelling off public roads or fuel powered machinery.

As a result of the halving of fuel excise on Budget night, these businesses will now pay the reduced excise rate of 22.1 cents per litre of fuel and receive an equivalent FTC of 22.1 cents per litre. They will continue to pay no excise on fuel purchased for vehicles travelling off public roads or fuel powered machinery.

Transition impacts

As the market transitions, there may be cases where wholesalers or distributors purchased fuel prior to the Budget at the old excise rate and which is still being sold at a higher price. In these cases, off road vehicle and machinery users are no longer receiving an FTC at the full excise rate and the price at the bowser does not reflect the lower excise rate, they will temporarily face a cashflow shortfall.

When the temporary halving of excise ends, the reverse will also be the case. There will be wholesalers or distributors who will have purchased fuel at the current halved excise rate and will sell the fuel after the excise rate increases at a lower price. In these cases, because the FTC

has returned to its normal level, businesses will benefit when purchasing fuel at the bowser that still reflects the lower excise rate, temporarily providing them with a cashflow gain.

Importantly, the ATO has recognised this issue and is allowing claimants of FTCs experiencing cashflow problems to apply for deferral of tax payments (without penalty) for at least six months. They will be able to use the gains they earn when the excise rate reverts to its full rate to offset the deferred tax.

This request can be made at the point of next business activity statement lodgement.

Further information is available on the ATO's website: www.ato.gov.au/Rates/Rates---business/