



Budget 2022–23

Halving fuel excise

Impact on farmers

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 heavy vehicle users

Farmers can claim fuel tax credits (FTCs) in certain circumstances for the fuel excise included in the price of fuel they use as part of their business activities.

Impact on farmers using light vehicles off public roads or on private roads, machinery, plant and equipment

Farmers 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 farm machinery.

Prior to the Budget, these farmers paid the full excise rate of 44.2 cents per litre when purchasing fuel but would receive an equivalent 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, farmers 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.

Impact on farmers using heavy vehicles on public roads

Farmers operating heavy vehicles are subject to road user charging (RUC) arrangements where they travel on public roads. The RUC is set in consultation with the states and territories, with revenues used to fund road infrastructure.

Prior to the Budget, the RUC was set at 26.4 cents per litre. This was comprised of the full excise rate of 44.2 cents per litre minus a fuel tax credit (FTC)

of 17.8 cents per litre which heavy vehicle operators received when submitting their monthly or quarterly business activity statement.

This meant that farmers operating heavy vehicles would pay the 'retail' price of fuel when filling up and later receive a 17.8 cent per litre refund through the tax system.

As a result of the halving of fuel excise on Budget night, farmers operating heavy vehicles will effectively face a reduced RUC of 22.1 cents per litre of fuel (as opposed to 26.4 cents). This means farmers operating heavy vehicles will receive a net benefit of 4.3 cents per litre as a result of the halving of excise.

Just as for other motorists, this benefit is delivered to heavy vehicle operators in the form of lower prices at the bowser, rather than in the form of an FTC – as was previously the case.

Transitional impacts

Light vehicles off public roads or on private roads, machinery, plant and equipment

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 therefore 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/

Heavy vehicles

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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 excise rate has returned to its normal level, heavy vehicle operators will again receive a fuel tax credit and also benefit from paying a price at the bowser that reflects the lower excise rate, temporarily providing them with a cashflow gain.

Importantly, the ATO has recognised this issue and is allowing claimants of fuel tax credits 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 should ideally 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/