

Attachment E: The relationship between the Road User Charge (RUC) and Fuel Tax Credits (FTCs)

The 2022-23 Budget measure *Addressing Cost of Living Pressures – temporary reduction in fuel excise*, temporarily halved fuel excise for 6 months, from 30 March 2022 to 28 September 2022. The excise rate for petrol and diesel fell to 22.1 CPL, below the prevailing RUC of 26.4 CPL. As a result, the FTCs payable to the operators of heavy vehicles on public roads fell to zero. Because FTCs cannot be reduced below zero, the *effective* RUC fell to the new excise rate of 22.1 CPL, with the result that the road user charge paid by heavy vehicle operators fell by 4.3 CPL.

Table E1: Excise paid by businesses using fuel in heavy vehicles travelling on public roads

	Fuel Excise petrol & diesel	FTC ^{partial} Fuel Tax Credit for heavy vehicles	RUC Road User Charge	Effective excise paid
to 29 March 2022	44.2 CPL	$44.2_{\text{CPL}} - 26.4_{\text{CPL}} = 17.8_{\text{CPL}}$ <i>FTC = excise duty – RUC</i>	26.4 CPL	$44.2_{\text{CPL}} - 17.8_{\text{CPL}} = 26.4_{\text{CPL}}$
from 30 March 2022 to 31 July 2022	22.1 CPL	$22.1_{\text{CPL}} - 26.4_{\text{CPL}} \approx 0_{\text{CPL}}$ <i>FTC cannot be reduced below zero</i>	26.4 CPL*	$22.1_{\text{CPL}} - 0_{\text{CPL}} = 22.1_{\text{CPL}}$

* Although the RUC determined for this period was 26.4 CPL, it was effectively limited by the fuel excise rate to 22.1 CPL.

The situation of the excise rate for petrol and diesel falling below the RUC rate has not arisen previously but has been a theoretical possibility. Over the period from 2001 until 2014, when the fuel excise was not indexed but the RUC was increasing, there was a real possibility that the RUC could increase to a point where it exceeded excise, in which case there would no longer have been a mechanism for increasing the fuel-based RUC. The system only works as intended when the fuel excise is greater than the RUC and both are indexed at similar rates, in which case the RUC share of excise remains steady.