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TAXING PETROLEUM FUELS

The simple system operating until 30th June 2000

The handful of petroleum producers charged excise on all fuel supplied to their customers and remitted the amount charged to the Federal Government monthly.

Farmers and others entitled to a rebate on diesel fuel used ON their farms and properties (off-road use) could claim their rebate (under the **Diesel Fuel Rebate Scheme**) as soon as they received their invoice and they would receive their rebate within 14 days of lodging their claim – often before they had to pay their supplier.

There was no tax on LPG.

The Complex system operating now

The excise being charged by the petroleum producers was reduced by 6.7c per litre on 1st July 2000 so as to **partially** compensate for the 10% GST then being charged on the excise-inclusive price.

Farmers and others claim the rebate under the continuing **Diesel Fuel Rebate Scheme** for their off-road usage (for the reduced excise figure) and they claim the **GST paid** on that fuel in their next Business Activity Statement (usually well after they have paid their supplier).

Under the GST rules almost all businesses claim a **GST credit** for the GST they pay on all of the fuel (including petrol and **LPG**) used in their businesses.

The service stations and other fuel distributors include the **GST they charge** their customers as a debit on their next BAS and deduct from it a **credit for the GST** charged to them by the petroleum producers.

Because the GST on fuel is greater than the 6.7c reduction in the excise, thus increasing the cost to consumers (particularly in regional and remote areas where the retail prices are traditionally higher than in the main cities), the **Fuel Grants Scheme** was created.

Under this **Fuel Grants Scheme** service stations and distributors (who supply farmers in bulk) situated in designated regional areas receive a 1c per litre grant while those in designated remote areas receive a grant of 2c per litre.

A new **Diesel and Alternative Fuel Grants Scheme** has been introduced whereby farmers and all other on-road vehicle operators are eligible to claim grants for diesel and LPG (but not petrol) used in their businesses as follows:

Vehicles over 20 tonnes gross vehicle mass (GVM), **wherever used** – a grant of about 18.5c per litre for diesel and about 12c per litre for LPG.

Vehicles over 4.5 tonnes GVM but not over 20 tonnes GVM can claim the same rates of grant as above but **only** for use of the vehicle in **defined non-metropolitan areas**. This is a so far unpublicised growing costly administrative and compliance nightmare for a large number of businesses and also for the Australian Taxation Office.