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# *Fuel Taxes and the Federal Budget*

*16 May 2014*

The Federal Budget included a number of significant changes in respect to fuel taxation. The following *TaxTalk* Alert provides a summary of these explains how they will affect you.

## ***What are the changes?***

The Federal Government announced that it intends to re-introduce the biannual indexation of fuel tax (excise and excise-equivalent customs duty) for all fuels except aviation fuel. The indexation of fuel tax will recommence from 1 August 2014 and is expected to generate an additional \$2.2 billion in revenue over the forward estimates which will be channelled towards building road infrastructure. The measures will be cost neutral to fuel tax credit claimants.

The Government also announced an increase from \$0.05449 per litre to \$0.08 per litre (or kilogram for greases) in the levy payable by producers and importers of petroleum based lubricating oils and their synthetic equivalents. This will result in an increase in the cost of certain lubrication, transmission and transformer oil, as although the levy is applied through the excise system the goods are ineligible for a fuel tax credit.

Changes to the grant funding and excise treatment of alternative fuels will also see biodiesel and ethanol attract fuel tax from 1 July 2016. The changes will reduce the cost competitiveness of biodiesel and ethanol blend (for example, B20 diesel and E10 petrol fuels).

## ***What are the considerations for business?***

These changes may create a number of process, systems, reporting and contractual considerations for business in transition to the new fuel excise regime. In particular, businesses should:

- Consider the timing of fuel purchases to determine the applicable excise rate for fuel acquired/supplied, especially close to the dates when indexation will occur (ie 1 August and 1 February each year);
- Review contractual terms of major service and supply contracts to determine whether fuel excise increases can be passed down the supply chain;
- Ensure systems are easily adaptable to account for ongoing indexation of excise and the corresponding rate of fuel tax credit;
- Revisit claim methodology to ensure you will remain compliant with fuel tax credit law;
- Review automated invoicing systems that currently pass excise on at the fixed rate of \$0.38143 per litre; and
- Reassess the cost competitiveness of any alternative fuels and alternative fuel blends across your business.

Read about the findings: <http://www.pwc.com.au/tax/federal-budget/index.htm>

### **Let's talk**

For a deeper discussion of how these issues might affect your business, please contact your usual PwC advisor or the contacts below.

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