

Issue

On 22 June 2006 the Federal Government passed the Fuel Tax Bill 2006 and the Fuel Tax (Consequential and Transitional Amendments) Bill 2006 which contain legislative measures to combine and make changes to a number of fuel rebates systems.

Background

- In 2004 the Federal Government developed a white paper titled *Securing Australia's Energy Future* which outlined a number of changes to the fuel tax rebate systems. NFF provided a submission to the discussion paper.
- On 29 April 2006 the Bill was introduced to Federal Parliament.
- On 11 May the Senate referred the provisions of the Fuel Tax Bill 2006 to the Economics Legislation Committee for inquiry and report by 7 June 2006. The National Farmers Federation and the Association provided submissions to the Committee.

The major changes proposed in the Bill

- The Energy Grants (Credits) Scheme which administers the "diesel fuel rebate", and the Cleaner Fuels Grant Scheme which administers the rebate for alternative fuel production will be phased out by 2010. The Fuel Sales Grant Scheme which was intended to reduce the impact of the GST by providing retail fuel outlets in regional areas with a rebate of 2 cents per litre will be removed in July 2006.
- These schemes will be replaced by the new Fuel Tax Bill.
- The Government intends to align the claiming of fuel tax credits with BAS. The Association (through the NFF) was successful in convincing the Treasurer to implement a 2 year transitional period allowing farmers to continue to claim their fuel tax credit through a paper based system when they purchase their fuel (these amounts will be reconciled on the BAS). Farmers will need to register with the ATO prior to 31 December to access this arrangement.
- Vehicles over 4.5 tonnes will be required to meet environmental criteria before being able to claim a fuel tax credit. Motor vehicles used in carrying on a primary production business that are primarily used on an agricultural property do not have to comply with the environmental criteria.
- Businesses will also be able to claim a tax credit for petrol used in off-road applications (similar to the current grant under the Energy Grants scheme) from 1 July 2008. Similarly a credit will be made available for all fuels used in commercial and household electricity generation from 1 July 2006.
- The Bill includes a number of changes to alternative fuel excise arrangements and the respective credits associated with these changes. The changes mean that vehicles used in off-road activities will continue to be able to claim back the amount paid in fuel tax. For vehicles used on road, the business will be able to claim back the amount of the fuel tax paid less any road user charge. An announcement was made in the budget that Heavy vehicle road user charges would be frozen at 19.6 cents per litre for July 2006.

Further information

For further information contact the Australian Tax Office

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