



NEW TAX OFFICE RULING ON FUEL TAX CREDITS IN HIRE ARRANGEMENTS

Introduction

The Tax Office has published the new ruling on entitlements to fuel tax credits under the title: *Fuel Tax: entitlement to a fuel tax credit under section 41-5 of the Fuel Tax Act 2006 in vehicle or equipment hire arrangement*. This is available from the ATO at <http://law.ato.gov.au>.

The purpose of the ruling is to overcome confusion as to which entity is entitled to a fuel tax credit under a hire arrangement.

The following information is to assist members and their customers to help clarify the situation.

The ruling

The ruling is an interpretation of the Fuel Tax Act and states that the entity which acquires for use, and uses, the fuel in a vehicle or equipment hire arrangement, for the carrying on of their enterprise will be entitled to a fuel tax credit. Under the definition of 'use' the action must cause the fuel to cease to exist.

Who is entitled to claim the credit?

The ATO provides a number of scenarios which best explain the possible situations and these have been condensed below:

- 1 The hire company offers a pre-paid fuel option. Under this option the hirer buys a full tank of fuel which is supplied in the equipment at the time of collection. Regardless of the amount of fuel remaining in the vehicle or equipment at the time of its return no refund is available to the hirer.
The hirer is entitled to the credits for the amount used
- 2 The equipment is provided with a full tank of fuel at the time of collection. The arrangement provides that the hirer returns the equipment without replacing any of the fuel used. The hirer will pay a refuelling service charge based on the fuel used. The refuelling service charge includes the cost of the fuel.
The hirer is entitled to the credits for the amount used
- 3 The vehicle is supplied with a full tank of fuel on collection. The hirer is advised to refuel the equipment prior to its return to avoid a refuelling charge. If the hirer returns the item with less than a full tank of fuel, they must pay the refuelling service charge per litre. The refuelling service charge includes the cost of the fuel.
The hirer is entitled to the credit for the amount used
- 4 The hire company supplies the equipment, driver and fuel. The hire company charges the customer an hourly fee for the supply (wet or full hire).
The hire company is entitled to the credit for the amount used
- 5 The hire company supplies the equipment to the hirer and the hirer provides its own driver and fuel (dry hire).
The hirer is entitled to the credit for the amount used



SUMMARY:

Hire company

A company who provides and operates a vehicle or item of equipment as part of a hire agreement **will be entitled** to a fuel tax credit for the fuel used. This would also apply if a hire company granted a licence to another entity to use its fuel.

A company who provides a full tank on a refillable basis or who charges for the fuel will **not be entitled** to a fuel tax credit.

Hirer

A hirer **will be entitled** to a fuel tax credit for fuel used in the hire of a vehicle or item of equipment providing it is used in carrying out its enterprise. The fuel must be 'used' not sold or otherwise disposed of.