



Practical Compliance Guideline

Fuel tax credits – basic method for heavy vehicles

① Relying on this Guideline

This Practical Compliance Guideline sets out a practical administration approach to assist taxpayers in complying with relevant tax laws. Provided you follow this Guideline in good faith, the Commissioner will administer the law in accordance with this approach.

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What this Guideline is about

1. Your fuel tax credit entitlement is reduced by the amount of the road user charge to the extent that the fuel is used for travel on a public road.¹ This requires an apportionment between the fuel used for travel on a public road and that used for other purposes.
2. This Guideline provides a simplified apportionment method to assist you in meeting your fuel tax credit obligations.
3. The use of the simplified method is not mandatory but aims to reduce compliance costs and make it easier for you to calculate fuel tax credits for diesel acquired and used in heavy vehicles.
4. In this Guideline, a 'heavy vehicle' is one that has a gross vehicle mass of greater than 4.5 tonnes (or, if acquired before 1 July 2006, has a gross vehicle mass of 4.5 tonnes or more). It is only these vehicles that are entitled to any credit for fuel used for travel on a public road.

Date of effect

5. This Guideline applies to diesel acquired on or after 1 October 2020.

¹ See subsection 43-10(3) of the *Fuel Tax Act 2006* (FTA).

Who can rely on this Guideline?

6. You may rely on this Guideline to calculate your fuel tax credit entitlement for a particular tax period if:

- you are registered for goods and services tax
- you have an entitlement to a fuel tax credit for diesel (and are not disentitled)²
- you use diesel in a heavy vehicle for both travelling on public roads and other fuel uses (such as fuel used in the vehicle to power auxiliary equipment and off public roads)
- the total fuel tax credit entitlement for the 12 months preceding that particular tax period is \$10,000 or less³, and
- there is a reasonable expectation that your total fuel tax credit entitlement for the current 12-month period (commencing at the beginning of the particular tax period) will be \$10,000 or less.

7. The Commissioner accepts that, due to unforeseen fluctuations or changes in business activity, an entity may in fact exceed the \$10,000 entitlement in the current 12-month period. Some discretion and flexibility will be applied to determine whether the circumstances resulting in an excess over \$10,000 are consistent with the reasonable expectation described in paragraph 6 of this Guideline.

What is the accepted method?

8. The method is the basic method for heavy vehicles (BMHV). The method consists of simple formulas to work out the litres of diesel used in vehicles on public roads and the litres of diesel used in vehicles off public roads. The amount of fuel tax credits for the tax period can then be worked out by applying the relevant fuel tax credit rates to these two fuel uses.

9. To work out the 'litres of diesel used in a vehicle for travelling on public roads', use the following formula:

$$\text{Kilometres travelled on public roads} \times \text{Diesel consumption rate}$$

where:

Kilometres travelled on public roads is either:

- the actual number of kilometres travelled by the heavy vehicle on public roads in the tax period, or
- the derived number of kilometres travelled by the heavy vehicle on public roads in the tax period. You work this out by taking the total kilometres travelled by the heavy vehicle multiplied by 98.4%.⁴

² Section 41-5 of the FTA deals with general entitlement to fuel tax credits. Subdivision 41-B of the FTA deals with disentitlement; for example, where a vehicle used on public roads has not satisfied the environmental criteria.

³ If you did not claim fuel tax credits in the prior 12 months (for example, you have only just commenced your business), you do not have to satisfy this requirement.

⁴ This percentage is based on the ATO's analysis of fuel tax credit claims for heavy diesel vehicles travelling on public roads. It is to be used only for the purpose of calculating the derived number of kilometres travelled for this method.

Diesel consumption rate is the rate expressed in litres per kilometre from either:

- Schedule 1 of this Guideline – accepted diesel consumption rates, or
- the vehicle's engine diagnostic reports of 'driving fuel' economy.⁵

10. To work out the 'litres of diesel used in a vehicle *off* public roads' (including diesel used to power auxiliary equipment), use the following formula:

Total litres of eligible diesel - Litres of diesel used in a vehicle for travelling on public roads
where:

Total litres of eligible diesel is the total litres of diesel acquired during the tax period for use in a vehicle for which there is an entitlement to a fuel tax credit and no disentitlement⁶.

Litres of diesel used in a vehicle for travelling on public roads is the litres worked out using the formula at paragraph 9 of this Guideline.

11. To work out the 'amount of fuel tax credits for the tax period', use the following formula:

Litres of diesel used in a vehicle on public roads × On-road rate

+

Litres of diesel used in a vehicle off public roads × Off-road rate

where:

On-road rate is the 'used in heavy vehicles for travelling on public roads' rate for liquid fuels for the applicable period, as published on ato.gov.au

Off-road rate is the 'all other business uses' rate for liquid fuels for the applicable period, as published on ato.gov.au⁷

What are the conditions for using this method?

12. If you choose to use the BMHV for a particular vehicle in a tax period, you must only use that method for apportioning all fuel used in that vehicle to determine your fuel tax credits for that tax period. For example, you cannot use the BMHV and use the accepted percentages outlined in Practical Compliance Guideline PCG 2016/11 *Fuel tax credits – apportioning taxable fuel used in a heavy vehicle with auxiliary equipment*.⁸

⁵ 'Driving fuel' is sometimes also called 'Moving fuel', or 'Drive fuel' in the report. If your engine diagnostic report does not already show the litres per kilometre fuel consumption rate (L/km), you can convert the kilometres per litre fuel consumption rate (km/L) by dividing 1 by that rate. For example, if your diagnostic report shows a km/L rate of 2.03 then you calculate the L/km rate as 1 divided by 2.03 = 0.493 L/km.

⁶ Section 41-5 of the FTA deals with general entitlement to fuel tax credits. Subdivision 41-B of the FTA deals with disentitlement; for example, where a heavy diesel motor vehicle used on public roads has not satisfied the environmental criteria. A simplified method for determining total fuel acquired is available for entities that claim less than \$10,000 in total fuel tax credits per annum. See <https://www.ato.gov.au/business/fuel-schemes/fuel-tax-credits---business/working-out-your-fuel-tax-credits/simplified-fuel-tax-credits/>

⁷ Entities that claim less than \$10,000 in total fuel tax credits per annum are able to use a simplified method for determining on-road and off-road fuel tax rates where there is a rate change during a tax period. See <https://www.ato.gov.au/business/fuel-schemes/fuel-tax-credits---business/working-out-your-fuel-tax-credits/simplified-fuel-tax-credits/>

⁸ See paragraph 43 of Practical Compliance Guideline PCG 2016/8 *Fuel Tax Credits – apportioning fuel for fuel tax credits*.

13. If you use the BMHV you must be able to substantiate the diesel acquired. You must also be able to substantiate the kilometres travelled by using accepted records.⁹

14. The accepted records for substantiating the diesel acquired are one or more of the following provided they, whether individually or collectively, evidence both the quantity of diesel acquired for use in your business activities and that you acquired it:

- tax invoices
- receipts
- fuel card statements
- fuel supplier statements
- bank statements.

15. The accepted records for substantiating the kilometres travelled on public roads are one or more of the following provided they show the kilometres travelled on public roads from the starting destination to the end destination:

- reputable map sources (whether electronic, online or paper-based)
- logbooks
- odometer readings
- contracts (showing where vehicles operate)
- delivery dockets / job sheets / work diaries.

16. If you use the derived number of kilometres, the accepted records are any of the records listed in paragraph 15 of this Guideline that show total kilometres travelled – for example, logbooks and odometer readings.

17. You do not need to rely on global positioning systems and telematics technology to use the BMHV.

18. If you use the BMHV you must use the diesel consumption rate, which is the rate expressed in litres per kilometre from either:

- Schedule 1 of this Guideline – accepted diesel consumption rates, or
- the vehicle's engine diagnostic reports of 'driving fuel' economy.

Example – using the basic method

19. *We Deliver Pty Ltd (We Deliver) operates two diesel rigid refrigerated trucks, each with a gross vehicle mass (GVM) of greater than 4.5 tonnes. Each vehicle carries an average gross weight of 32 tonnes. The trucks undertake daily return trips from outer-Melbourne to Ballarat, five days a week.*

20. *In the December 2020 quarter tax period, We Deliver acquired 11,430 litres of diesel for use in the rigid trucks. This is shown on their fuel card statements. Over this period, We Deliver travelled a total of 32,000 kilometres and kept records (logbooks and details in their contracts) to show that 30,550 kilometres were travelled on public roads. This is shown in their logbooks and supported by details in their contracts.*

⁹ You need to keep these records for five years.

21. We Deliver works out the 'litres of diesel used in the vehicles for travelling on public roads' as follows:

$$30,550 \text{ (Kilometres travelled on public roads)} \times 0.35 \text{ (Diesel consumption rate from Schedule 1)} \\ = 10,692.50 \text{ litres}$$

22. Alternatively, We Deliver could have used the accepted percentage of 98.4% to determine the derived kilometres. This would have resulted in derived kilometres travelled on public roads of 31,488 (32,000 × 98.4%). Note, for this example using this approach would result in less fuel tax credits.

23. We Deliver works out the 'litres of diesel used in the vehicles off public roads' (including diesel used to power auxiliary equipment) as follows:

$$11,430 \text{ (Total litres of eligible diesel)} - 10,692.50 \text{ (Litres of diesel used in a vehicle on public roads)} \\ = 737.50 \text{ litres}$$

24. We Deliver works out 'fuel tax credits for the tax period' as follows:











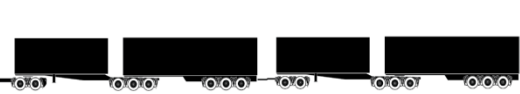
$$10,692.50 \text{ litres} \times 16.5 \text{ cents per litre (Litres of diesel used in a vehicle on public roads} \times \text{On-road rate*)} \\ + 737.50 \text{ litres} \times 42.3 \text{ cents per litre (Litres of diesel used in a vehicle off public roads} \times \text{Off-road rate**)} \\ = \$1,764.26 + \$311.96 = \$2,076.22$$

* The On-road rate (that is, the 'Used in heavy vehicles for travelling on public roads' rate) for the December 2020 quarter tax period is 16.5 cents per litre.

** The Off-road rate (that is, the 'All other business uses' rate) for the December 2020 quarter tax period is 42.3 cents per litre.

Commissioner of Taxation
5 February 2021

SCHEDULE 1 – accepted diesel consumption rates

Vehicle classification by Gross Weight, GVM > 4.5 tonnes	Typical Configuration	Accepted Litres/km	Typical example
> 4.5 & ≤ 12 tonnes (see table note ii.)		0.18	2 Axle Light Rigid
Rigid Trucks > 12 & ≤ 16.5 tonnes:		0.23	2 Axle Rigid
Rigid Trucks > 16.5 & ≤ 24 tonnes:		0.28	3 Axle Rigid
Rigid Trucks > 24 & ≤ 30 tonnes:		0.32	4 Axle Rigid
Rigid Trucks > 30 tonnes:		0.35	5 Axle Rigid
Articulated Combinations ≤ 46 tonnes:		0.50	Semi-trailer or Truck & Dog Trailer
Articulated Combinations > 46 & ≤ 58 tonnes:		0.53	Short B-double or Truck & Dog Trailer
Articulated Combinations > 58 & ≤ 75 tonnes:		0.68	B-double or Truck & 5/6 Axle Dog Trailer
Articulated Combinations > 75 & ≤ 91 tonnes:		0.75	B-triple or Type 1 Road Train
Articulated Combinations > 91 & ≤ 115 tonnes:		0.90	AB-triple or B-Quad
Articulated Combinations > 115 tonnes:		0.95	Type II Road Train or BAB Quad

Notes to the table:

- i. This table was developed in consultation with the Industry Technical Council of the Australian Trucking Association (ATA). It is based on the data collated for preparation of the ATA's Truck Impact Chart.
- ii. The accepted consumption rate for vehicles with a gross weight of between 4.5 and 12 tonnes was developed using data from the Australian Bureau of Statistics and the National Heavy Vehicle Regulator.
- iii. The gross weight indicated in the table is the maximum mass of the vehicle and any trailers that may lawfully be driven on-road, being the sum of the allowable axle loads. These vehicles have a GVM of greater than 4.5 tonnes.
- iv. The rate is based on moving 1,000 tonnes of tare/payload for 1,000 kilometres, out laden and 1,000 kilometres, back unladen.

References

Previous draft:

Not previously issued as a draft.

Related Rulings/Determinations:

FTD 2010/1; FTR 2008/1; PCG 2016/8;
PCG 2016/11

Legislative references:

- FTA 2006 41-5
- FTA 2006 41-10
- FTA 2006 Subdiv 41-B
- FTA 2006 41-25
- FTA 2006 43-10

ATO references

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