



PR 2023/9 - FTC Automator platform - use by clients of KPMG and Directed Australia to calculate fuel tax credits

 This cover sheet is provided for information only. It does not form part of *PR 2023/9 - FTC Automator platform - use by clients of KPMG and Directed Australia to calculate fuel tax credits*

 This document has changed over time. This is a consolidated version of the ruling which was published on *17 January 2024*



Status: **legally binding**

Product Ruling

FTC Automator platform – use by clients of KPMG and Directed Australia to calculate fuel tax credits

📌 Relying on this Ruling

This publication (excluding appendix) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

If this Ruling applies to you, and you correctly rely on it, we will apply the law to you in the way set out in this Ruling. That is, you will not pay any more tax or penalties or interest in respect of the matters covered by this Ruling.

[Note: This is a consolidated version of this document. Refer to the Legal database (ato.gov.au/law) to check its currency and to view the details of all changes.]

Terms of use of this Ruling

This Ruling has been given on the basis that the entity who applied for the Ruling, and their associates, will abide by strict terms of use. Any failure to comply with the terms of use may lead to the withdrawal of this Ruling.

This Ruling provides certainty for potential participants by confirming that the tax benefits set out in the Ruling part of this document are available, provided that the scheme is carried out in accordance with the information we have been given and have described in the Scheme part of this document. If the scheme is not carried out as described, participants lose the protection of this Ruling.

Changes in the law

Product Rulings were introduced for the purpose of providing certainty about tax consequences for entities in schemes such as this. In keeping with that intention, the Commissioner suggests promoters and advisers ensure that participants are fully informed of any legislative changes after the Ruling has issued. Similarly, entities that are considering participating in the Project are advised to confirm with their taxation adviser that changes in the law have not affected this Ruling since it was issued.

No guarantee of commercial success

The Commissioner does not sanction or guarantee this product. Further, the Commissioner gives no assurance that the product is commercially viable, that charges are reasonable, appropriate or represent industry norms, or that projected returns will be achieved or are reasonably based.

Potential participants must form their own view about the commercial and financial viability of the product. The Commissioner recommends a financial (or other) adviser be consulted for such information.

Table of Contents	Paragraph
What this Ruling is about	1
Who this Ruling applies to	7
Date of effect	14
Ruling	16

 Status: **legally binding**

Scheme	17
Overview	19
Assumptions	87
Appendix – Explanation	88

What this Ruling is about

1. This Ruling sets out the fuel tax credit consequences for fuel tax credit clients of KPMG and Directed Australia (Directed) that use the FTC Automator platform (FTC Automator).
2. All legislative references in this Ruling are to the *Fuel Tax Act 2006*, unless otherwise indicated.
3. In this Ruling, the scheme involves the FTC Automator, a telematics technology-based fuel tax credits product. This product is an apportionment, calculation, and reporting platform. FTC Automator gathers a range of information and data that can be sourced from the Global Navigation Satellite System (GNSS), including Global Positioning System (GPS) and telematics technology.
4. The FTC Automator can process data from various sources. However, for the purposes of this Ruling, it only relates to data from telematics and GPS equipment sourced by Directed on heavy vehicles in conjunction with services provided by KPMG. FTC Automator captures direct measurement of fuel use and has no assumptions or derivation.
5. Broadly, and subject to paragraphs 17 to 86 of this Ruling, it addresses whether the:
 - FTC Automator provides a step in the apportionment of fuel
 - apportionment methodology used is fair and reasonable
 - FTC Automator generates fair and reasonable results to work out the amount of fuel tax credits to be included in the calculation of the net fuel amount
 - FTC Automator has governance and assurance processes in place to identify and correct any outliers and errors, including fuel consumption rates, and
 - fuel tax credit report can be used for fuel tax credit record-keeping purposes.
6. This Ruling does not address the assessability of fuel tax credits for income tax purposes or other taxation obligations.

Who this Ruling applies to

7. This Ruling applies to fuel tax credit clients of KPMG and Directed that are registered for goods and services tax (GST) and use the FTC Automator for apportioning taxable fuel acquired and used in heavy vehicles (vehicles with a gross vehicle mass (GVM) of more than 4.5 tonnes) and auxiliary equipment in carrying on their enterprise to claim fuel tax credits.
8. These are clients who elect to receive ongoing fuel tax credit advice from KPMG in relation to the fuel tax credit results generated by FTC Automator.

Status: **legally binding**

9. The class of entities defined in this Ruling may rely on its contents provided the scheme actually carried out is carried out in accordance with the scheme described in paragraphs 17 to 86 of this Ruling.

10. If the scheme actually carried out is materially different from the scheme that is described then this Ruling:

- has no binding effect on the Commissioner because the scheme entered into is not the scheme on which the Commissioner has ruled, and
- may be withdrawn or modified.

11. This Ruling does not apply if there are software and system updates or changes that will materially affect the tax outcome of the scheme outlined in paragraphs 17 to 86 of this Ruling. The Commissioner is to be notified of any software and system updates or changes that will affect the scheme.

12. This Ruling does not apply if governance, assurance processes and checks are not maintained to ensure that:

- any errors or distortions associated with GPS drift and other outliers which impact fuel use measurement are corrected within time limits, and
- outcomes of the FTC Automator remain accurate and reflect events that occurred.

13. Prior to lodging a fuel tax return using the results from the FTC Automator, the client will need to ensure the:

- correctness of their claim on their fuel tax return
- results can be supported by factual evidence of the events that occurred in carrying on their enterprise, and
- results have not been distorted or manipulated.

Date of effect

14. This Ruling applies to taxable fuel acquired on or after 1 July 2022 by the class of entities that enter into the scheme for the fuel tax credit results from the FTC Automator from 1 January 2023 until 30 June 2024, being its period of application.

15. Entities who are considering participating in the scheme are advised to confirm with their taxation adviser that changes in the law have not affected this Ruling since it was issued.

Ruling

16. Subject to paragraphs 7 to 9 of this Ruling and the assumptions in paragraph 87 of this Ruling:

- Where ongoing fuel tax credit advice from KPMG is provided, the FTC Automator provides fair and reasonable results for working out the amount of fuel tax credits for the taxable fuel under Division 43 for the class of entities in paragraphs 7 to 9 of this Ruling.

Status: **legally binding**

- The methodology applied within the FTC Automator can be used in determining the extent of taxable fuel acquired for use both on and off public roads for the vehicles and auxiliary equipment. The apportionment methodology is fair and reasonable.
- The apportionment methodology assists in determining the fuel tax credits for the taxable fuel to be included in the calculation of the net fuel amount for a tax period under Division 60.
- The FTC reports containing information on telematics, fuel apportionment, anomalies, verification against source data (where applicable), fuel tax credit calculations and the fuel tax credit for the business activity statement (BAS) that is generated by the FTC Automator for selected tax periods are records (but not the only record) that can be used to support information for fuel tax credit purposes. These reports, retained for 5 years, are documents that satisfy a record for the purposes of subsection 382-5(8) of Schedule 1 to the *Taxation Administration Act 1953* (TAA). Other records relating to fuel acquisition, use of fuel (supporting evidence demonstrating the information from the FTC Automator) and calculations of credits will be required. In addition, other source data records, invoices and environmental criteria documentation will also need to be retained where applicable.
- Provided the scheme ruled on is entered into and carried out as described in this Ruling, the anti-avoidance provisions in Part 4-4 will not apply to an entity referred to in paragraph 7 to 9 of this Ruling.

Scheme

17. The scheme is identified and described in the following documents:
- application for a Ruling received on 21 December 2022
 - other information received on 30 January 2023 and 24 May 2023, and
 - documentary evidence, including testing and sampling for governance and assurance controls to support the processes and results.

Note: Certain information has been provided on a commercial-in-confidence basis and will not be disclosed or released under Freedom of Information legislation.

18. For the purposes of describing the scheme to which this Ruling applies, there are no other agreements, whether formal or informal, and whether or not legally enforceable, which an entity referred to in paragraphs 7 to 9 of this Ruling, or any associate of such entity will be a party to, which are a part of the scheme.

Overview

19. The FTC Automator is a telematics technology-based fuel tax credits apportionment, calculation, and reporting platform that is used internally by KPMG to ascertain fuel use for the purposes of calculating fuel tax credits for the client.

Status: **legally binding**

20. A summary of the process involves:

- Directed Telematics Unit (DTU) device collects locational data and information from the vehicle Controller Area Network (CAN bus¹), including fuel used.
- Data is preliminarily processed and validated via Directed's Ethings data management system prior to sending the data to FTC Automator.
- The FTC Automator ingests telematics data, vehicle or asset register and fuel records data relevant to a client and performs quality assessment, cleansing and validation checks prior to using it for fuel apportionment purposes.
- The FTC Automator then focuses on apportioning fuel use on and off public road for heavy vehicles, and auxiliary equipment and power take off (PTO) if applicable. KPMG classifies roads based on guidance from Fuel Tax Ruling FTR 2008/1 *Fuel tax: vehicle's travel on a public road that is incidental to the vehicle's main use and the road user charge* and the use of geotunnels and geofences.
- The methodology involves extracting fuel used information from a vehicle's CAN bus and determining where the use took place based on locational data. Off-road fuel used is divided by total fuel used to get a percentage of off-road fuel use. If there is PTO auxiliary equipment, KPMG will compare this percentage to any eligible safe harbour percentage in Practical Compliance Guideline PCG 2016/11 *Fuel tax credits – apportioning taxable fuel used in a heavy vehicle with auxiliary equipment* for that type of equipment and will use whichever is higher.

21. The apportionment of fuel is based on the cumulative measurement of fuel used and whether the fuel was used on or off the public road. The apportionment methodology ignores vehicle activity such as idling including fuel consumption rate and idle time, and distance travelled which are not included in any of the fuel tax credit calculations. These metrics are captured and can be used to help validate the results.

22. KPMG and Directed offer:

- a 2-step data assurance and validation process, first by Directed and then by KPMG, which includes an automated reconciliation and resolution of the following
 - telematics or GPS data against the client's asset register
 - fuel use to fuel acquisition, supplemented by manual sample checks
 - odometer reading, locational data and time to third-party records (for example, fuel transaction records, client job sheets)
- assessment of road classification by KPMG in relation to on and off public roads
- in-situ map visualisation of vehicle trips and hot spot detection to identify frequently visited locations to ensure reasonableness and appropriate fuel tax credits entitlement is claimed

¹ The CAN bus system enables each Engine Control Unit (ECU) to communicate with all other ECUs.

Status: **legally binding**

- evidence-based methodology such as fuel records, odometer readings, job sheets, diagnostic reports, and sampling of routes to check for accuracy
- additional exceptions detection ability to identify anomalies which are resolved before calculating fuel tax credits
- an apportionment method that is based on representativeness of the sampling of vehicles with telematics or GPS data coverage and which can be for the entire or part of the fleet, and which can also be calculated based on cost centre or business activities
- FTC report that includes a cover page, FTC summary for BAS, FTC calculation summary, FTC calculation details, a telematics data report, vehicle daily activity report, anomaly report and verification reports, and
- transparent and full explanation to clients about the claim preparation and calculation.

23. The following steps explain how the technology (from a data perspective) and FTC Automator operates:

- The DTU is connected to the vehicle's CAN bus, integrated with cooperation and support from the vehicle manufacturer.
- The DTU collects data from the vehicle via CAN bus where it obtains vehicle-calculated data including speed, revolutions per minute (RPMs) and odometer readings. The DTU generates data from its sensors, including GNSS location data, speed, virtual GNSS-based odometer and gyroscopic data.
- Other parameters of data that is collected dynamically include speed, heading, distance, location, ignition on and off and movement from stationary. This may vary by fleet in some instances.
- The DTU formats data into DTU messages which are transmitted securely to Ethings integrated data management and harmonisation network Ethings in a Directed message format.
- Ethings receives and stores DTU messages and performs formatting, checks and validations, storing in accordance with key Australian Privacy Principles. The data is also secured in accordance with relevant laws. It then makes the data available in the prescribed format for use by KPMG.
- In the FTC Automator, the data goes through an automated quality and validation check and cleansing process.²
- KPMG classify, create or add relevant geofences. The FTC Automator applies the road classification including geotunnels to the data.
- The FTC Automator calculates the distances travelled for display purposes only.
- The FTC Automator determines the quantity of fuel used based on the direct measurement of fuel and calculates (for display purposes only) idle fuel use, time, and fuel consumption rates.
- The FTC Automator produces a preliminary fuel tax credit calculation.

² Invalid data will be captured and printed in the comma-separated values (CSV) or a format that is user friendly.

Status: **legally binding**

- KPMG address any anomalies, validate and reconcile fuel use and distances to source documents, gather further evidence as required and rectify the records as required.
- A final fuel tax credit calculation is undertaken.
- KPMG consult with the client and explain the fuel tax credit calculation.
- A final FTC report is provided to the client. The report is locked to prevent it from being edited.

Hardware

24. Directed collects data from the vehicle and sensors via the telematics devices. The device is the same as those installed in vehicles by heavy vehicles manufacturers, for government authorities and enterprise customers.

25. There are 2 types of installation:

- (a) the original equipment manufacturer (OEM) installation for manufacturers of certain vehicles, and
- (b) standard installation – installation of the DTU by either Directed or the OEM.

26. The DTU is specific to the vehicle, but the installation procedure is the same across all vehicles. The DTU's can be installed either as standard or an installation relevant to each vehicle make and model as required and by a qualified installer. The installation is then verified through software to confirm that the DTU is installed and communicating with Ethings. Directed configure the user interface (which is built and managed by Directed) directly. The same governance and controls are in place to ensure that the data harvested is of acceptable quality. If a device is not installed correctly or is faulty, Directed's data processing and validation processes flag that for attention.

Configuration, records, data upload and validation

27. Not all data fields required for the FTC Automator are available for all vehicles. If this occurs, an assessment will be made during the validation process. A vehicle and its data with missing mandatory fields will be discarded. If, however, it meets the minimum data requirement it will be used for the next step of processing.

28. There are a number of fields required for the 'FTC upload template' to upload to the FTC Automator the data collected from the DTU for analysing. Some of the fields are used for the calculation and others in the validation process to ensure that the outcome is accurate. The validation process automates the reconciliation of fuel use and validates the accuracy of the telematics data for the odometer reading, fuel acquisition and time of transaction against a third-party record, where available.

29. The fields for the template to upload to the FTC Automator are:

- telematics identification number (ID)
- asset number
- vehicle or asset registration number
- vehicle make
- model
- vehicle type

Status: **legally binding**

- auxiliary equipment
- GVM (tonnes)
- fuel type
- trip ID
- date from (GPS time)
- date to (GPS time)
- date from (local time)
- date to (local time)
- latitude
- longitude
- Pdop
- Hdop
- heading
- direction
- odometer or vehicle distance (metres)
- location description or name
- location suburb
- location State
- engine status
- ignition status
- auxiliary or PTO on or off
- PTO fuel (millilitres)
- vehicle speed (kilometres per hour)
- engine speed (RPM)
- total fuel or fuel usage (millilitres)
- fuel flow rate or fuel use rate (millilitres per hour)
- fuel level or refuel flag
- Combination Weight (kilograms).

30. The client provides fuel records and vehicle and asset register relating to the claim period(s). Other relevant documents are provided as relevant (for example, Deed of data release, sample job sheet).

31. The relevant details from the fuel records and vehicle and asset register are uploaded to the FTC Automator. These details include but not limited to and based on the specific record are Telematics ID, Asset number, transaction information (date, fuel type, litres, location and odometer reading), vehicle details (make; model, type, configuration).

32. Other records used for the client file or used for verification of time and location accuracy against the telematics data are obtained as relevant.

Status: **legally binding**

33. Once uploaded, the data is subject to a range of cleansing, validation, and quality checks to ensure that the data quality is acceptable for further processing and, for the accuracy of the fuel tax credits calculation. KPMG will be alerted to vehicles with erroneous data which will need to be reviewed or removed from the sample size. The 'cleaner' data will be then uploaded again for further processing.

34. The validation rules and other quality checks undertaken during this stage include:

- checking
 - for duplication details – such as asset identification, vehicle registration, vehicle type or class and GVM, auxiliary equipment asset identification and type, duplicate entries and dates
 - the data and time stamp
 - the latitude and longitude details
 - vehicle speed and details that it does not contain anomalies
 - engine or diagnostics reports, fuel records, sample job sheets have been uploaded
 - to ensure that sample (vehicle with telematics data) vehicles are on the current fleet list or asset register to ensure they belong to the client
- confirming certain odometer information
- vehicle's telematics data details, and
- removal of fields with empty values or device default values that do not impact fuel use measurement or distance calculation.

Transmission information and data collection

35. The DTU is connected to the vehicle CAN bus, integrated with cooperation and support from the vehicle manufacturer.

36. The DTU collects data from the telematics device and that is sourced from either the vehicle generated via CAN bus or sensors. The vehicle-generated data via CAN bus includes odometer, speed, fuel, PTO, events, and aggregated data for trips. The sensor generated data includes GNSS location, GPS, speed and virtual GNSS-based odometer and gyroscopic data.

37. Data is transmitted in near real time except for where there are communications coverage issues. If there are communication coverage issues the data is stored on the telematics unit until communications is restored, generally from 2 weeks to one month. It is then transmitted to ensure all data is available in the Ethings platform.

38. Data is collected at varying intervals that range from second by second to several minutes. The DTU formats data into DTU messages which are transmitted securely to Ethings in a Directed message format.

39. Ethings receives and stores DTU messages and performs formatting, checks and validations and storing. It then makes the data available in the prescribed format for use by KPMG. The parameters (which may vary by fleet in some instances) include speed, heading, distance, location, ignition on or off, and moving from stationary.

Status: **legally binding**

40. The parameters can be changed and tailored to an OEM's needs; any changes will need to be discussed with the OEM. As part of the process, Directed detects and resolves misconfiguration issues; this includes audit trails to detect the setting of the vehicles, identify what changes were made, and monitors for anomalies, and a process in place to rectify the anomalies.
41. When the reporting of odometer and fuel readings are from the vehicle itself and not derived or implied, the reporting of these readings is consistent with that displayed to the driver on the dashboard. This means that it is consistent with the physical odometer and fuel from the vehicle and will be updated on each 'message' sent from the telematics unit.
42. The odometer, speeds, and distances for display in FTC Automator is sourced from the vehicle (CAN bus data) by default. When this is not available, it will be flagged in the 'Anomaly report' to indicate that the vehicle uses GPS distance. This may occur for a specific vehicle where an odometer in a vehicle is faulty from GNSS data. This enables KPMG to process the data and display distances. This can also apply to a fleet of vehicles where they are only able to provide odometer readings via GPS due to the nature of the vehicles. The GPS-based odometer is the use of time and position to calculate the distance travelled and update the odometer values rather than the odometer taken directly from the CAN bus.
43. The data collected can vary depending on the make and the model and requires some harmonisation among manufacturers.
44. Once data is ingested, Directed processes and prepares the data for storage using a standardised data scheme structure. The converted data is in a format that can be transferred between platform services and storage services. Data is also validated to ensure consistency.
45. In the event of a disaster, Directed operates an infrastructure-as-code approach. This means Directed can recover systems using their code tools to ensure system recovery.
46. Data captured cannot be manipulated and is tamper-proof. The data is secured in accordance with the relevant laws.³
47. Directed store data in a primary cloud-based storage service. Data retention can vary for each client and is based on commercial agreements. Typically, data is retained for at least 12 months but in many cases, it can be retained for longer.

Road map data and geofences

48. OpenStreetMap (OSM) is used in FTC Automator for the road data and then overlaid with road classification⁴, geotunnel and geofence application.
49. As the status of some roads may change over time there are controls and governance processes in place to review details to ensure they are correct. These are undertaken prior to preparing a fuel tax credit claim to ensure the fuel tax credit entitlements are determined correctly.

³ Data relating to heavy vehicles is maintained and managed as required under the Heavy Vehicle National Law.

⁴ Roads are classified according to FTR 2008/1. Public roads are roads that are accessible to the public and integrated into the overall public road network regardless, of whether they are publicly or privately owned, operated, or maintained.

Status: **legally binding**

50. The geotunnel parameter is set at 30 metres from the middle line on either side of a lane in a public road and is applied to all public road map layer data in the OSM shapefiles road data for all of Australia. All GPS points within the geotunnel parameter are classified as being on public roads and all the others as off public, subject to the operation of geofences.

51. In FTC Automator a geofence is used to 'fence' off an area that is not considered a public road. There are KPMG geofences and KPMG-client-level geofences. Certain geofences have a limited timeframe. Geofence boundaries are locked. Any changes to the geofence are logged in an audit trail. If an error in the geofence boundary is identified subsequent to a fuel tax credit claim already lodged, a recalculation will occur, and an adjustment or correction made accordingly.

52. KPMG sets relevant geofences based on a combination of geotunnel boundaries, satellite images and land parcel information based on guidance in FTR 2008/1. If necessary, KPMG will work with the client to set geofences applicable to their business.

53. As all claims are calculated by KPMG in the FTC Automator, KPMG user will review the locational data prior to consulting with the client. This includes reviews for any map anomalies. Where map anomalies are identified, they are rectified and approved by the Tax Lead Advisor. The amount of fuel tax credit is then recalculated.

54. FTC Automator has a visualisation function (hotspot analysis) where the hotspots will appear for the entire fleet by default. Specific selections such as vehicle, location, hot spots, or other parameters can be viewed for a trip or routes of the fleet. This function enables KPMG to identify locations that may be incorrectly classified or require classification.

Distance calculation for display

55. In FTC Automator the distance travelled in a period is determined by subtracting an earlier Odometer (metre) from a later Odometer (metre). The distance is then further classified into distance travelled on and off the public roads.

56. A daily average distance is derived in order to determine whether off public road distance and fuel use is reasonable. This is used to identify potential anomalies and can be easily mapped to a driver's job sheet. The distance for display takes the approach that the transitioning distance, from the last 'ping' reading in an off the public road location to the public road and vice versa, is always classified as the distance travelled on the public road.

Apportionment methodology

57. For a client with telematics data for every vehicle (telematics coverage of 100%) and for all tax periods, the apportionment of fuel use is as follows:

- Determine the quantity of fuel use as extracted from the CAN bus data in millilitres in a period.
- Determine where the use took place based on the location of the GNSS coordinates.
- Classify whether the fuel use was on or off public roads (guided by FTR 2008/1 and the application of geotunnels and geofences).
- The off public road fuel is divided by the total fuel to arrive at an off-road fuel use percentage for the period (FTC Automator rate).

Status: **legally binding**

- If a vehicle has auxiliary equipment or a PTO, this off-road fuel use percentage is compared to the ATO accepted percentages.⁵ If the ATO-accepted percentage is to be applied, it will be excluded from any weighted average calculation. The FTC Automator rate can only be applied with appropriate substantiation.
- The fuel tax credit calculation is:
 - total fuel acquired for the truck = invoiced fuel
 - total fuel used off public road = invoiced fuel × FTC Automator percentage
 - total fuel used on public road = invoice fuel – Total fuel used off public road
 - total fuel tax credits = (on-road fuel tax credit rate × total fuel used on public road) + (all other business use (off-road) rate × total fuel used off public road).
- The FTC Automator percentage is determined by dividing the 'Total off public road fuel use quantified' by 'Total fuel use quantified'. These quantities of fuel are extracted for each of the vehicle with telematics data.

58. For a client with telematics data for less than the entire fleet of vehicles (telematics coverage of less than 100%), the apportionment of fuel use depends on whether the method is appropriate to the business operation. The 3 methods are:

- (a) sample size-based – the Australian Bureau of Statistics Sample Size Calculator⁶ is used to determine if the telematics coverage is acceptable for fleets with similar trucks
- (b) cost centre-based – where a cost centre may perform unique activity, and
- (c) activity-based – such as long haul, short haul, mining etcetera.

Sample size-based apportionment

59. The fuel tax credits calculation is as follows:

- Determine a weighted FTC Automator percentage for the fleet by dividing 'Total off public road fuel use in vehicles quantified by telematics' by 'Total fuel use in vehicles quantified by telematics'.
- This weighted FTC Automator percentage is then applied to the fuel acquired for each of the vehicles with no telematics coverage.
- For vehicles with telematics coverage, the vehicle's FTC Automator percentage will be used to apply to the fuel acquired for the vehicle.
- For vehicles with auxiliary equipment (as per asset register) but no telematics coverage, the ATO-accepted safe harbour percentage will be used where permissible.
- From the above steps, the 'Total fuel used off public road' and 'Total fuel used on public road' are determined.

⁵ PCG 2016/11.

⁶ www.abs.gov.au.

Status: **legally binding**

- Total fuel tax credits = (on public road fuel tax credit rate × total fuel used on public road) + all other business use (off-road) rate × total fuel used off public road.

Cost centre-based and activity-based apportionment

60. A broad extrapolation from a sample of vehicles may not be appropriate as it could skew the off-road fuel use percentages. When a client's business operation requires this approach, the following will apply, and the fuel tax credit calculation is as follows:

- Vehicles are categorised into their cost centre or activity group.
- Applying a similar concept to above, a weighted FTC Automator percentage for the vehicles in the relevant cost centre or activity group is obtained by dividing 'total off public road fuel use in vehicles quantified by telematics' by 'total fuel use in vehicles quantified by telematics'.
- This weighted FTC Automator percentage is then applied to the fuel acquired for each of the vehicles with no telematics coverage within the relevant cost centre or activity group.
- For vehicles within the cost centre or activity group with telematics coverage, the vehicle's FTC Automator percentage will be used to apply to the fuel acquired for the vehicle.
- For vehicles with auxiliary equipment (as per the asset register) but no telematics coverage, the ATO-accepted percentage will be used where relevant. For those vehicles with telematics coverage the FTC Automator percentage will apply where this is higher than the ATO-accepted percentage (to the extent one is available). From the above steps, the 'Total fuel used off public road' and 'Total fuel used on public road' are determined.
- Total fuel tax credits = (on public road fuel tax credit rate × total fuel used on public road) + (all other business use (off-road) rate × total fuel used off public road).

Fuel use apportionment and calculation

61. The CAN bus data is also relied upon to report fuel use once it has been verified to be acceptable against fuel records. The amount of fuel used in a period is determined by subtracting an earlier total fuel or fuel usage (millilitres) from a later total fuel or fuel usage (millilitres).

62. The apportionment of fuel use is based on quantity of fuel used:

- off the public road – attracting the full fuel tax credit rate
- on the public road – reduced fuel tax credit rate (rate reduced by the road user charge)
- transitioning fuel use, that is, the fuel use when a vehicle is crossing from a public road to an off public road or from the last 'ping' reading in an off the public road location to the public road and vice versa. This is classified as fuel used on public roads and the reduced fuel tax credit rate applies.

63. This approach disregards the vehicular activity (driving, idling) and time.

Status: **legally binding**

Idle fuel use and idle time

64. These values are used to derive the idle fuel consumption rate which is intended for display only and not used in any fuel tax credit calculations for the client. The fuel used-idling information is used to detect potential data quality issues.

Governance, assurance, and internal controls

65. The FTC Automator has built-in and automated governance and assurance processes. It also requires user intervention to review and rectify any exceptions prior to proceeding to the next step.

66. Controls and governance are in place for the following:

- data capture is accurate and tamper-proof
- device is vehicle specific
- telecommunications or transmission coverage is limited or interrupted
- representativeness of the sample
- storage and backup
- data accuracy
- road map data
- road classification
- system update
- output accuracy
- data security
- fuel tax credit rates
- correct use of FTC Automator.

67. Other governance undertaken includes:

- (a) Validation processes to ensure that distances (either GPS or odometer) are approximating the actual distance undertaken by the vehicle. Visualising routes to identify and rectify anomalies by amending the source data classification to ensure there is no misclassification of roads.
- (b) Distance verification for the distance travelled on and off public roads. A daily average distance is derived to ensure reasonableness of distance travelled by a vehicle and determine the off public road percentage of distance and fuel use. This process is to identify anomalies. It also can involve mapping to a driver's job sheet.
- (c) Anomaly resolution to address and rectify anomalies and gather further evidence as warranted.

Status: **legally binding**

68. As part of ongoing governance to address and resolve any potential anomalies, in the Anomaly Report KPMG will review all output shown in the report including the apportionment percentages for each of the vehicles, by either resolving or accepting the anomaly if there is an acceptable explanation with evidence available. KPMG will verify any records that supports the claim. For example, if the off public road fuel use is high, KPMG will verify the routes and fuel use of the vehicle via the fuel records, job sheets, geofence areas, or delivery records to support or, modify the percentages. If there is no anomaly, KPMG will still review and check some samples against business records to ensure accuracy.

69. As part of the Ruling assurance process, documentary evidence has been supplied supporting governance, assurance processes and controls. Upon implementation of the FTC Automator, KPMG will provide a further sample for the ATO to review to further support the evidence provided during the assurance processes of this Ruling.

70. The documentary evidence provided for this Ruling assurance process includes the following (but not limited to):

- in-vehicle testing (trials and actual testing) pertaining to a variety of travel conditions and terrain (highway, country, dense urban, low speeds, dry and wet conditions, hills, various speeds, public roads) and activities off public roads. This testing involved reality check processes and distance verification, driving fuel consumption verification. The testing included analysing the data against the test drive notes and independent telematics data collected during the drive test. The results were verified. The purpose was to ensure and obtain evidence that the factual activity of the vehicle aligned with the data story
- data accuracy information – verification of the data with mapping sources, engine management systems, and reports, and
- road classification and evidence to support apportionment between public roads and other uses.

Fuel tax credit calculation and reporting

71. The apportionment is a cumulative measurement of fuel and, whether that fuel was used on or off public roads.

72. After validation rules are applied to the data received, KPMG reviews, including addressing exceptions and resolving any anomalies as listed in the 'Anomaly report'. KPMG gathers further evidence if warranted. Once the anomalies and exceptions are resolved, the FTC Automator engine processes the data and calculates the amount of fuel tax credit in a report generated along with a summary in the user interface. The calculation is:

- (a) heavy vehicles for travelling on public roads – reduced fuel tax credit rate (taking account of the road user charge)
- (b) all other business fuel uses including fuel used off public roads – full fuel tax credits.

73. The fuel tax credits rates reference table is based on the rates published on the ATO website and historical rates on data.gov.au's website at [Historical FTC rates](#).

74. The fuel tax credits calculation is supported by relevant evidence which may contain further documentation from the client. This aims to clarify and address the reason for any anomalies which are to be accepted or resolved (where applicable).

Status: **legally binding**

75. A final fuel tax credits calculation is created in the relevant template and printed out electronically in portable document format (PDF) for review and discussion with the client. The PDF is locked to prevent it from being edited. If, for whatever reason, any changes are required, KPMG make the changes in the FTC Automator and share the final calculation with the client in an updated PDF report.

76. Only after discussion explaining all relevant details with the client can a fuel tax credit claim be lodged. This is to ensure that the client understands and agrees with the calculation prior to any fuel tax credit claim being including on a BAS that is lodged with the ATO. The lodgment of the fuel tax credit claim can be made by KPMG on behalf of the client or the client, as governed by the terms and conditions of the client engagement.

77. FTC Automator compiles an FTC report which is provided to clients. The FTC report contains multiple sections, comprising of:

- cover page
- FTC summary for BAS
- FTC calculation summary
- FTC calculation detail
- fuel apportionment report – telematics
- vehicle activity daily – telematics
- anomaly report – telematics
- fuel – distance – location verification, and
- transaction verification.

78. The report enables KPMG to check the details as it can be aligned with driver job sheets and fuel records for any day. All these reports will be provided to the client for discussion prior to submitting a claim.

79. The Telematics information shows the hot spots analysis where routes of the vehicles can be visualised with filters to shortlist vehicles and dates for the in-situ analysis.

80. The Anomaly report outlines anomalies in the data for the vehicle and auxiliary equipment. It identifies the date and the location and contains relevant fields to input whether the error has been resolved and the reason. It includes information such as:

- exception type for telematics vehicles
- telematics ID
- registration number
- vehicle type or configuration
- auxiliary equipment
- GVM (tonnes)
- from
- to
- business unit
- fuel type
- invoice fuel (litres)

Status: **legally binding**

- FTC Automator fuel (litres)
- FTC Automator apportionment percentage (including AUX⁷ and PTO)
- difference (litres)
- date
- location
- accept (Yes or No rectified)
- reason.

81. The Fuel Apportionment Report generated by FTC Automator shows the apportionment percentages, litres allocated for the various uses on and off public roads for the vehicle and auxiliary equipment following:

- telematics ID
- registration number
- vehicle type or configuration
- auxiliary equipment
- GVM (tonnes)
- ATO safe harbour percentage
- from
- to
- business unit
- use activity type (forestry, farm, long haul)
- main use
- location type
- invoice fuel (litres)
- FTC Automator apportionment percentage (including AUX and PTO)
- odometer distance for the sample period (kilometres)
- total engine on time (hours)
- public road distance (kilometres)
- driving time on public road (hour)
- idling time on public road (minutes)
- driving fuel use on public road (litres)
- idling fuel used on public road (litres)
- off public road distance (kilometres)
- driving time off public road (hour)
- idling time off public road (minutes)

⁷ In this Ruling, the abbreviated term 'AUX' is in reference to auxiliary equipment.

Status: **legally binding**

- driving fuel used off public road (litres)
- idling fuel used off public road (litres)
- fuel used in geofence (litres)
- AUX or PTO fuel (litres)
- total fuel used (litres)
- public road fuel used (percentage)
- FTC Automator apportionment percentage (including AUX or PTO)
- AUX or PTO fuel percentage
- fuel rate driving on public road (litres per 100 kilometres)
- fuel rate driving off public road (litres per 100 kilometres)
- fuel rate idling on public road (litres per hour)
- fuel rate idling off public road (litres per hour)
- fuel rate off public (litres per hour).

82. The FTC calculation tab not only shows the percentages allocated on and off public roads but provides the amount in dollars of fuel tax credits allocated to the full rate or the rate for heavy vehicles for travelling on public roads.

Record keeping

83. With the client's consent, the required telematics data from Directed is transferred to KPMG. KPMG becomes the holder of that same data. While Directed retains all telematics related data for at least 12 months (subject to commercial agreements), KPMG retains the required telematics data for at least 5 years.

84. All data and records relating to the fuel tax credit calculations will be stored for at least 5 years in the KPMG system. All the reports and supporting data can be accessed by the clients for at least 5 years. All of this information is in English.

85. Data is archived and replicated to prevent any data loss during a disaster or any down period at a data centre.

86. Clients receive a fuel tax credits report and are advised to retain in their own system for at least 5 years.

Assumptions

87. This Ruling is made on the basis of the following necessary assumptions:
- (a) Each of the clients referred to in paragraphs 7 to 8 of this Ruling has acquired or manufactured or imported taxable fuel into the indirect tax zone.
 - (b) All parties (including KPMG and clients) will continue to review outcomes and reports generated by the FTC Automator to ensure that they are accurate and reflect events that occurred. Evidence of these reviews will be retained.

Status: **legally binding**

- (c) All dealings between any of the class of entities referred to in paragraphs 7 to 8 of this Ruling, Directed and KPMG for the FTC Automator will be at arm's length.
- (d) The scheme will be executed in the manner described in the scheme section of this Ruling and the scheme documentation referred to in paragraph 17 of this Ruling.

Commissioner of Taxation

28 June 2023

 Status: **not legally binding**

Appendix – Explanation

ⓘ *This Explanation is provided as information to help you understand how the Commissioner's view has been reached. It does not form part of the binding public ruling.*

Table of Contents	Paragraph
Use of the FTC Automator for fuel tax credit purposes	88
<i>Is apportionment a requirement to work out the entitlement to a fuel tax credit?</i>	88
<i>What are the principles for apportioning fuel used in a vehicle?</i>	93
<i>Does the FTC Automator provide a step in the apportionment of fuel?</i>	101
<i>Is the apportionment methodology fair and reasonable?</i>	110
<i>Does the FTC Automator generate fair and reasonable results for working out the amount of fuel tax credits in Division 43?</i>	130
<i>Can the amount of fuel tax credits worked out by the FTC Automator be used in working out the net fuel amount for a tax period?</i>	133
<i>Whether the FTC output template named the FTC report can be used for record-keeping purposes (but not the only record)</i>	137
Summary	147
Part 4-4 – anti-avoidance	150

Use of the FTC Automator for fuel tax credit purposes

Is apportionment a requirement to work out the entitlement to a fuel tax credit?

88. An entity is entitled to a fuel tax credit for taxable fuel (referred to as fuel) that it acquires or manufactures in, or imports into, the indirect tax zone to the extent that the entity does so for use in carrying on the entity's enterprise. However, to be entitled to a fuel tax credit in respect of the fuel, the entity must be registered or required to be registered for GST at the time the entity acquires, manufactures, or imports the fuel (subsections 41-5(1) and (2)).

89. Section 41-20 confirms that there is no entitlement to a fuel tax credit for fuel to the extent that an entity acquires, manufactures, or imports the fuel for use in a light vehicle travelling on a public road.

90. Division 43 sets out how to work out the amount of a fuel tax credit. Fuel tax credits for fuel acquired for use in heavy vehicles are reduced by the road user charge to the extent that the fuel is for travelling on a public road under subsection 43-10(3).

91. The use of the phrase 'to the extent' in sections 41-5, 41-20 and subsection 43-10(3) contemplates apportionment between fuel acquired for an eligible use and fuel acquired for an ineligible use or uses which may give rise to different rates of fuel tax credit entitlement.

Status: **not legally binding**

92. To determine the entitlement and the amount of fuel tax credit, an entity that acquires fuel for use in vehicles will need to apportion the fuel between:

- vehicles with a GVM exceeding 4.5 tonnes
 - the extent to which the fuel is for use in a vehicle for travelling on a public road (where the fuel tax credit rate is the excise duty rate less the road user charge)
 - the extent to which the fuel is for other uses (where the fuel tax credit rate is the excise duty rate)
- vehicles with a GVM of 4.5 tonnes or less
 - the extent to which the fuel is for use in a vehicle travelling on a public road
 - the extent to which the fuel is acquired other than for use in a vehicle travelling on a public road, and
- other circumstances in which there is no entitlement including use in heavy diesel vehicles that do not meet the environmental requirements or where another entity has entitlement to a fuel tax credit in respect of the fuel.

What are the principles for apportioning fuel used in a vehicle?

93. The *Fuel Tax Act 2006* contemplates apportionment but does not prescribe any set method for apportioning fuel between different uses. The Commissioner explained in Fuel Tax Determination FTD 2010/1 *Fuel tax: apportionment may apply when determining total fuel tax credits in calculating the net fuel amount under section 60-5 of the Fuel Tax Act 2006* that fuel tax credit entities can use any apportionment method that is fair and reasonable to their circumstances.

94. Paragraph 33 of FTD 2010/1 states:

It is not necessary for an apportionment method to track the intended use of every last drop of fuel. A method may be fair and reasonable without doing so provided that the application of the method reasonably reflects the extent to which taxable fuel is acquired for an eligible activity.

95. Apportionment of fuel for the purpose of working out an entitlement and calculating the amount of the entitlement are distinct phases. An entity can generally perform separate calculations where there are one or more types of fuel for use in the same or multiple activities. A single calculation may be performed for example, where there is the same type of equipment that uses different types of liquid fuel and at the same fuel consumption rate for both types of fuel.

96. The amount of the entitlement calculated should be the same whether a single step process or a discrete step calculation is performed. The apportionment should not result in more fuel being taken into account than has been acquired, manufactured or imported or used and that the apportionment of fuel is reasonable (for example, fuel used in a heavy vehicle for travelling on public roads is reasonable compared to fuel used off public roads for loading, unloading, or idling purposes).

97. To apportion the fuel an entity has acquired to the different activities for which the fuel was used, a reliable measure can be used as part of an apportionment methodology for calculating the amount of fuel that is acquired for use in an eligible activity.

Status: **not legally binding**

98. Examples of known reliable measures include:

- odometer readings of kilometres actually travelled
- route distances
- hours of operation of equipment
- engine monitoring systems
- fuel consumption trails on the vehicles or equipment used in the entity's business under similar operating conditions, and
- telematics technology that produces accurate results and where it supports actual events, data is captured accurately, roads and areas have been correctly classified and geofenced and, that the results are not distorted and can be supported by source documentation.

99. Although these are commonly used measures, because of the diverse range of eligible activities, paragraph 98 of this Ruling is not an exhaustive list and there may be other measures that are appropriate to an entity's circumstances. There also needs to be assurances in place to ensure that any measure used does not distort results.

100. The FTC Automator is a telematics technology product that can be used as a measure in the apportionment process as it has functionalities for data to be transmitted and events to be categorised on use. Provided that the governance, assurances and controls in place are maintained and the checks are undertaken to ensure that the results generated continue to be accurate and are not distorted, it will be a reliable measure.

Does the FTC Automator provide a step in the apportionment of fuel?

101. There are 2 types of installation of the DTU that is used to collect data before it is transmitted to FTC Automator. The installation is either by the vehicle manufacturer or, by Directed. Data is transmitted, formatted, and analysed. The client provides fuel records and vehicle or asset registers relating to the tax period applicable to the relevant data.

102. The reporting of fuel readings are from the vehicle itself via CAN bus, it is not derived or implied. These readings are consistent with that displayed to the driver in the dashboard. Also, fuel invoices for the tax period are supplied to KPMG to support fuel use and for the relevant apportionment of fuel.

103. The validation rules are applied, and the data received is analysed by KPMG. The apportionment methodology of fuel use is based on whether the client has an entire fleet with telematics coverage, partial fleet coverage of vehicles with telematics, or whether the method is appropriate to the business operation (cost centre-based or activity-based).

104. The steps involved in the apportionment methodology include determining:

- the quantity of fuel use based on engine diagnostic data (if applicable), and
- where that fuel use occurred.

The percentage of fuel used off public roads is determined and then deducted from the total invoice fuel for the tax period to apportion to fuel used on public roads.

105. The total fuel tax credits are calculated. If there are any exceptions or anomalies these are resolved, and a final fuel tax credits calculation is undertaken.

106. If not all the vehicles in the fleet have telematics devices, a sample size is used based on the Australian Bureau of Statistics Sample Size Calculator to determine if the telematics coverage is acceptable. Similar to the steps outlined in paragraph 104 of this

Status: **not legally binding**

Ruling, a weighted FTC Automator percentage is determined and the steps involved in the apportionment methodology are outlined in paragraph 59 of this Ruling.

107. Where the methodology is based on cost centre or activity approach, the vehicles are categorised into the cost centre or activity group. Applying a similar approach as above, a weighted FTC Automator percentage is applied by dividing 'total off public road fuel use in vehicles quantified by telematics' by 'total fuel use in vehicles quantified by telematics' within those groups. This percentage is then applied to the fuel acquired for each of the vehicles with no telematics coverage within the cost centre or activity group.

108. For vehicles with auxiliary equipment (as per the asset register) but no telematics coverage, the ATO safe harbour percentage will be applied where permissible. For those vehicles with telematics coverage, the FTC Automator percentage will apply, where applicable.

109. The FTC Automator functionality provides a step in the apportionment of fuel based on the categorisation of use.

Is the apportionment methodology fair and reasonable?

110. Paragraph 2.86 of the Revised Explanatory Memorandum to the Fuel Tax Bill 2006 and the Fuel Tax (Consequential and Transitional Provisions) Bill 2006 explains that an entity needs to apportion fuel use between eligible and ineligible uses in calculating their fuel tax credit entitlement:

If a taxpayer acquires, manufactures, or imports fuel for both eligible and ineligible activities, they will need to apportion the use of that fuel between eligible and ineligible uses to determine the amount of the fuel that is eligible for a fuel tax credit.

111. The Commissioner considers that where an entity is required to apportion the use of fuel between eligible and ineligible uses or multiple eligible uses, the use of the words 'to the extent that' allows an entity to choose a method of apportionment that is fair and reasonable in the circumstances.

112. The principles to be applied in identifying situations where apportionment is appropriate in an income tax context, and the method to be employed where apportionment is required, were considered in an income tax context by the High Court in *Ronpibon Tin NL v Commissioner of Taxation (Cth)* [1949] HCA 15 (*Ronpibon*). The High Court considered what parts of expenses incurred by a taxpayer were referable to gaining or producing assessable income. The High Court considered both the allocation of distinct expenditure to specific activities, and apportionment.

113. Following the principles set out by the High Court in *Ronpibon*, an entity can use any method to apportion fuel to take into account the requirements of the entitlement and calculation provisions, but that method needs to be fair and reasonable in the circumstances.

114. There may be more than one fair and reasonable basis of apportionment. It follows that the calculation of fuel tax credit entitlements cannot necessarily be carried out with absolute arithmetical precision. Rather, an entity is entitled to a fuel tax credit where the other requirements for entitlement are met and, to the extent that an apportionment is required, the amount arrived at is calculated by application of an apportionment method that is fair and reasonable in the circumstances. It is not necessary for an apportionment method to track the intended use of every last drop of fuel.

115. The apportionment methodology is based on whether the entire fleet has telematics coverage or only partial fleet with coverage. Also, the apportionment of fuel use depends

Status: **not legally binding**

on whether the method is appropriate to the business operation and whether a sample size-based methodology, cost centre-based, or activity-based is considered appropriate.

116. Paragraphs 57 to 63 of this Ruling set out the steps for each apportionment method. The functionality in FTC Automator provides a step in apportioning fuel based on the categorisation of use, that is, fuel used on and off public roads.

117. For vehicles fitted with the DTU, the vehicle's location is recorded based on the satellite data. The distance travelled record for the majority of the vehicles is engine-based, that is, odometer distance. This information is used to determine the measure of kilometres travelled (distance) and the location of that travel.

118. Basically, the apportionment methodology for those with telematics coverage of the fleet involves a number of steps determining:

- (a) the quantity of fuel used
- (b) where the fuel was used
- (c) percentage of total fuel off public roads
- (d) comparison, if applicable, for auxiliary equipment to the accepted percentages outlined in PCG 2016/11
- (e) calculating the amount of fuel tax credits. That is
 - (i) total fuel acquired for the truck = invoiced fuel
 - (ii) total fuel used off public road = invoiced fuel × FTC Automator percentage
 - (iii) total fuel used on public road = invoiced fuel – Total fuel used off public road
 - (iv) total fuel tax credits = (on-road fuel tax credit rate × total fuel used on public road) + (all other business use (off-road) fuel tax credit rate × total fuel used off public road).

119. Similar steps are undertaken where there is not an entire fleet covered by telematics or the method is determined by the business operation.

120. Where a sample of the fleet is required due to not all the fleet having telematics coverage, a valid sample of the fleet is used to ensure statistical confidence.

121. The methodology does not rely on idle time or idle fuel use in working out the percentage of fuel use on and off public roads.

122. The methodology applied in FTC Automator where the vehicles and equipment are tracked by the satellites or, a valid sample is used to ascertain the fuel used on and off public roads is considered a fair and reasonable apportionment of fuel.

123. The methodology is only fair and reasonable where the location of the vehicle has been correctly classified according to public roads and other areas.

124. The classification of the public roads for this FTC Automator aligns with the Commissioner's view outlined in FTR 2008/1. That is, a public road is a road that is available for use by members of the public.

125. Along with correct classification of public roads, errors and outliers need to be identified and corrected within time limits to ensure that the methodology is fair and reasonable. There must be governance and controls in place to ensure accuracy of fuel apportionment for each of the vehicle's activities, including auxiliary equipment. This

Status: **not legally binding**

ensures that the methodology used is accurate and to support that it is fair and reasonable.

126. KPMG and the client review the results relating to the road classification prior to a fuel tax credit claim being submitted to the ATO. If any roads have been misclassified a rerun of the fuel tax credit calculation occurs. For geofences set up for the client these are reviewed, and an end date set to ensure the correctness of road classification. Only approved geofences are used for the fuel tax credit calculation.

127. If any anomalies are identified throughout the process of apportionment these are corrected.

128. KPMG have various governance and controls in place to ensure that the methodology applied can be supported.

129. Provided all the points in paragraphs 120 to 128 of this Ruling are considered and reviewed regularly, including checks to ensure data and outcomes remain accurate, the apportionment methodology used by the FTC Automator is fair and reasonable.

Does the FTC Automator generate fair and reasonable results for working out the amount of fuel tax credits in Division 43?

130. The amount of fuel tax credits is determined with reference to Divisions 41 and 43. The 'fair and reasonable' principle applies in determining the extent of entitlement and the amount of fuel tax credits within these Divisions.

131. FTC Automator applies an apportionment methodology that is fair and reasonable. It has relevant checks and processes to ensure:

- ascertainment of eligibility to claim fuel tax credits having regard to Division 41 and Subdivision 41-B
- that roads are correctly classified for applying the road user charge to the relevant fuel within subsections 41-10(3) and (4), and
- the amount of fuel tax that was payable on the fuel is worked out at the rate in force on the day using the table in subsection 43-5(2A).

132. As a result, the FTC Automator provides fair and reasonable results for working out the amount of fuel tax credit for the class of entities identified in paragraphs 7 to 9 of this Ruling.

Can the amount of fuel tax credits worked out by the FTC Automator be used in working out the net fuel amount for a tax period?

133. The net fuel amount has the meaning given by section 60-5.

134. In working out the net fuel amount under section 60-5, the following formula applies:

Total fuel tax – Total fuel tax credits + Total increasing fuel tax adjustments – Total decreasing fuel tax adjustments

135. The apportionment methodology applied within the FTC Automator to the taxable fuel is fair and reasonable in working out the extent of taxable fuel used both on and off public roads. The results generated in respect of that taxable fuel (for vehicles or equipment) are also fair and reasonable, subject to relevant checks and balances,

Status: **not legally binding**

including governance and assurance processes. The results can be used in working out the amount of fuel tax credits for that taxable fuel within Division 43.

136. Because the results generated from the FTC Automator can work out the amount of fuel tax credits for that taxable fuel, it assists in determining fuel tax credits to be included in the calculation of the net fuel amount for a tax period under Division 60.

Whether the FTC output template (named the FTC report) can be used for record-keeping purposes (but not the only record)

137. Subsection 382-5(1) of Schedule 1 to the TAA provides that you must keep records that record and explain all transactions and other acts you engage in that are relevant to acquisitions (for example, an entitlement to a fuel tax credit).

138. The records must be retained for at least 5 years after the completion of the transactions or acts to which they relate.

139. Subsection 382-5(8) of Schedule 1 to the TAA provides that the records must be in English, or easily translated into English, and enable an entitlement under an indirect tax law, that is, a fuel tax law to be ascertained.

140. FTC Automator has an FTC report containing relevant details of the telematics apportionment, data, anomalies, activities and calculation. This template and report are generated by KPMG and used by KPMG and the client to verify the data, apportionment calculations and amount of fuel tax credits. The information contained in the report can be verified with source documentation.

141. The tabs within this template show details of telematics information, Anomaly Report, fuel tax credit calculation and summary, FTC summary for BAS and fuel apportionment.

142. Depending upon the relevant tab, it may contain vehicle-related information, location information, tax invoice details including litres, distance, apportionment percentage, fuel usage and allocation, anomalies and relevant action and the fuel tax credit calculation.

143. Although the information is contained within relevant Excel spreadsheets by KPMG, it enables the client to review the relevant information in conjunction with services provided by KPMG to identify any issues and their correction and, ensure that the data confirms actual events. This information can then be used for preparing the fuel tax credit claim.

144. The template and the reports are in English. The template is retained by KPMG for a period of at least 5 years. The report provided is also available to the client who is advised to retain for a period of at least 5 years.

145. This template containing all report-style information is a record that can be used in the various steps in the apportionment methodology process. The template and report generated by the FTC Automator are documents that are records for the purposes of subsection 382-5(8) of Schedule 1 to the TAA.

146. However, this information 'will not be the only records' that are used in determining apportionment for fuel tax credit purposes or supporting fuel tax credit claims by a client. Other records may include, but are not limited to, source data input information reports, fuel acquisition records (such as tax invoices), confirmation of location and time (such as driver job sheet) and environmental criteria documentation.

Status: **not legally binding**

Summary

147. The data generated from the FTC Automator and the methodology applied can be used in determining the extent of fuel acquired for use in the nominated vehicles and auxiliary equipment. It can then be used in working out the amount of fuel tax credits for those nominated vehicles and auxiliary equipment under Division 43.

Note: Working out the amount of fuel tax credits will require the correct amount of fuel tax that was payable on the fuel at the rate in force on the relevant day using the table in subsection 43-5(2A).

148. The nominated reports generated from the FTC Automator can be used as a record (but not the only record) for the purposes of subsection 382-5(8) of Schedule 1 to the TAA.

149. There are governance and assurance processes that have demonstrated the accuracy and the fair and reasonable results of the FTC Automator. However, checks must continue to be undertaken to ensure that the data generated, and the outcomes reflect actual events and that any outliers or errors are corrected.

Part 4-4 – anti-avoidance

150. Provided that the scheme ruled on is entered into and carried out as disclosed in this Ruling, and that the data, inputs and results generated are not manipulated or tailored to obtain fuel tax benefits by taking advantage of the fuel tax law in circumstances other than those intended by the fuel tax law, Part 4-4, Division 75 will not apply.

Status: **not legally binding**

References

Related Rulings/Determinations:

FTR 2008/1; FTD 2010/1

Legislative references:

- FTA 2006 Div 41
- FTA 2006 41-5
- FTA 2006 41-5(1)
- FTA 2006 41-5(2)
- FTA 2006 41-10(3)
- FTA 2006 41-10(4)
- FTA 2006 Subdiv 41-B
- FTA 2006 41-20
- FTA 2006 Div 43
- FTA 2006 43-5(2A)
- FTA 2006 43-10(3)
- FTA 2006 Div 60
- FTA 2006 60-5

- FTA 2006 Pt 4-4
- FTA 2006 Div 75
- TAA 1953 Sch 1 382-5(1)
- TAA 1953 Sch 1 382-5(8)

Cases references:

- Ronpibon Tin NL v Commissioner of Taxation (Cth) [1949] HCA 15; 78 CLR 47; [1949] ALR 785; 8 ATD 431

Other references:

- PCG 2016/8
- PCG 2016/11
- Revised Explanatory Memorandum to the Fuel Tax Bill 2006 and the Fuel Tax (Consequential and Transitional Provisions) Bill 2006

ATO references

NO: 1-XLEDDUR
ISSN: 2205-6114
BSL: PW
ATOlaw topic Excise ~~ Fuel tax credits

© AUSTRALIAN TAXATION OFFICE FOR THE COMMONWEALTH OF AUSTRALIA

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).