


FTR 2009/1A3 - Addendum - Fuel tax: entitlement to a fuel tax credit under section 41-5 of the Fuel Tax Act 2006 in a vehicle or equipment hire arrangement

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Addendum

Fuel Tax Ruling

Fuel tax: entitlement to a fuel tax credit under section 41-5 of the *Fuel Tax Act 2006* in a vehicle or equipment hire arrangement

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953*. It amends Fuel Tax Ruling FTR 2009/1 to include an example of a hire arrangement involving a 'licence to use' fuel.

FTR 2009/1 is amended as follows:

1. Paragraph 12

Omit both instances of '82'; substitute: '82J'.

2. Footnote 8

- (a) Omit 'five'; substitute 'six'.
- (b) Omit '82'; substitute '82J'.

3. Paragraph 55

Omit 'five'; substitute 'six'.

4. Paragraph 56

- (a) Omit the first sentence; substitute 'The transactions have been labelled Arrangements A, B, C, D, E and F.'
- (b) After Arrangement E, insert:

Arrangement F

The hire company supplies heavy vehicles, equipment and fuel to the hirer and the hirer provides its own drivers and operators. The hire company does not dispose of the fuel but grants the hirer a licence to use the fuel under the arrangement.

5. Paragraph 82

After the paragraph insert:

Example 6 - hire company supplies vehicle/equipment and fuel under a licence to use situation: Arrangement F

82A. *Martin Company (Martin) is registered for GST and carries on an enterprise of hiring out heavy vehicles and equipment.*

82B. *Lewis Company (Lewis) carries on an enterprise of supplying landscaping and earthmoving services to its customers.*

82C. *Martin and Lewis are related entities.*

82D. *Lewis hires from Martin the heavy vehicles and equipment necessary for it to provide landscaping and earthmoving services to its customers.*

82E. *Under the arrangement, Martin acquires and makes available the fuel that is necessary for Lewis to operate the hired vehicles or equipment by way of Martin's fuel card account. Lewis's employees use Martin's fuel card as an agent of Martin, to purchase fuel for use in the hired vehicles or equipment in providing landscaping and earthmoving services.*

82F. *Lewis pays Martin a fixed daily rate for the hire of the vehicles or equipment including the fuel. Lewis does not pay or reimburse Martin for fuel acquired via the fuel card for use in the hired vehicles or equipment. Nor does the quantity of fuel acquired or used change the fixed daily hire rate.*

82G. *Under the arrangement, Lewis agrees that the fuel is only to be used in the hired vehicles and equipment and not for any other purpose. Martin is able to monitor the use of fuel via the fuel card statements, and under the hire agreement Martin can require Lewis to keep records about the manner in which the fuel is being used.*

82H. *In this situation, Martin has acquired the fuel and never disposes of it. Martin provides Lewis a licence to use the fuel under their hire arrangement. There is never any intention to transfer ownership in the fuel. Lewis does not have unfettered use of the fuel supplied under the arrangement. Martin has appropriate controls to ensure that all fuel is used by Lewis in the hired vehicles and equipment in providing landscaping and earthmoving services.*

82I. *As Martin does not dispose of the fuel, it is entitled to the fuel tax credit for fuel acquired and made available to Lewis under the hire arrangement as the fuel is used in carrying on Martin's enterprise and has not been disposed of.*

82J. *Martin should attribute the relevant fuel tax credit to the same tax period to which the respective input tax credits for the fuel are attributed.*

6. Detailed contents list

Insert:

*Example 6 - hire company supplies vehicle/equipment
and fuel under a licence to use situation: Arrangement F 82A*

This Addendum applies both before and after its date of issue.

Commissioner of Taxation

8 January 2014

ATO references

NO:	1-52QPDCV
ISSN:	1834-1470
ATOlaw topic:	Fuel Tax

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