


# ***PCG 2016/2 - Fuel tax credits - practical compliance methods for small claimants***

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## Fuel tax credits – practical compliance methods for small claimants

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### 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. In meeting their fuel tax credit obligations an entity must:
  - (a) calculate the number of litres of taxable fuel they acquired in the tax period
  - (b) identify the rate of the fuel tax credit in force on the day the taxable fuel was acquired, and
  - (c) retain records relevant to the fuel tax credit entitlements they have claimed.
2. Currently, these requirements can result in significant compliance costs and administrative burdens for small claimants that are disproportionate to their fuel tax credit claims. To alleviate some of these costs and burdens, this Guideline provides some acceptable, practical compliance methods to assist small claimants in meeting their obligations.

### Date of effect

3. For the approaches covered by Method 1 and Method 2, this Guideline applies to tax periods ending on or after 31 March 2016. For the approach covered by Method 3, this Guideline applies to tax periods commencing both before and after the date of issue of this Guideline.

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### Which entities are covered by this Guideline?

4. This Guideline applies:
- (a) to an entity that has an entitlement to fuel tax credits for taxable fuel under section 41-5 of the *Fuel Tax Act 2006*, and
  - (b) the entitlement is for acquisitions of liquid taxable fuels, and
  - (c) the total fuel tax credit entitlement for tax periods during the previous 12 months is \$10,000 or less, and
  - (d) there is a reasonable expectation that the total fuel tax credit entitlement in the current 12 month period will be \$10,000 or less.
5. The criteria in the paragraph above determine who is a 'small claimant' for the purpose of applying the compliance methods outlined in this Guideline. 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 the paragraph above.
6. This Guideline does not apply where the disentanglement rules of Subdivision 41-B of the *Fuel Tax Act 2006* apply to the taxable fuel and, in particular, to taxable fuel acquired for use in a vehicle with a gross vehicle mass of 4.5 tonnes or less travelling on a public road.

### What are the accepted methods?

7. The accepted methods set out:
- (a) how an entity can work out litres acquired of taxable fuel
  - (b) the day on which all taxable fuel is taken to be acquired in the tax period
  - (c) alternative records that can be used to substantiate fuel tax credit claims.
8. A small claimant entity may choose to use any or all of the methods.

### Method 1: working out litres of taxable fuel acquired in the tax period

9. Method 1 allows a small claimant to work out the number of litres of fuel acquired using the following formula:

**Litres = Total \$ / Average GST inclusive price of fuel**

**Total \$** means the total dollar spend on taxable fuel during the relevant tax period.

**Average GST inclusive price of fuel** for the tax period is:

- (a) the average fuel price for the relevant fuel type
  - (b) in your area of operation
  - (c) as shown on the Australian Institute of Petroleum (State and National prices) website ([www.aip.com.au/pricing/retail.htm](http://www.aip.com.au/pricing/retail.htm))
10. This method is relevant in the circumstances of commercially available accounting software that only accepts dollar values in respect of fuel acquisitions (for example, MYOB, Xero, Cashflow Manager, QuickBooks) and fuel acquisition records that display dollar amounts and do not display the quantity of fuel dispensed.

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**Method 2: determining the day on which all taxable fuel is taken to be acquired**

11. Where there is a change in the rate of fuel tax credit in a tax period because of indexation, it will be accepted that all the fuel was acquired on the last day of the tax period.
12. The fuel tax credit rate for all the taxable fuel acquired during the tax period will then be the one rate.
13. If the small claimant entity uses the '*Fuel tax credit calculator*' it will be accepted that 1 litre of the total taxable fuel acquired in the tax period was acquired on the first day of the tax period and the remaining taxable fuel was acquired at the end of the tax period.

**Method 3: records substantiating fuel tax credit entitlements**

14. It will be accepted that a small claimant has met their record-keeping requirements to substantiate fuel tax credit entitlements where they can provide documentation of a kind mentioned in the relevant item in the **Substantiation Table – accepted records**.
15. For entities that have not claimed fuel tax credits in previous years, the entity must reasonably demonstrate that the quantity of taxable fuel for which fuel tax credits are claimed would be used in carrying on their enterprise and is consistent with the pattern of fuel use in subsequent tax periods.

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**Commissioner of Taxation**  
22 March 2016

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**References**

ATOlaw topic	Excise ~~ Fuel tax credits ~~ Reporting
Legislative references	Fuel Tax Act 2006 Fuel Tax Act 2006 41-5 Fuel Tax Act 2006 Subdiv 41-B

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## Substantiation Table – accepted records

Item	Record relied on when claiming a FTC in the tax period	Conditions for use of document
1	<p>Contractor statement:</p> <p>Where an amount for fuel used in the performance of services is deducted from the amount payable for the services.</p>	<ol style="list-style-type: none"> <li>1. When applying the formula in Method 1 to the amount deducted for the fuel on the statement the amount of litres calculated should reasonably reflect the quantity of fuel that would be used in the enterprise.</li> <li>2. If the relevant statement is lost or destroyed, the entity can substantiate they were carrying on an enterprise during the tax period in which taxable fuel would be consumed. For example, by reference to the type of vehicles and equipment used in the enterprise.</li> <li>3. If the relevant statement is lost or destroyed, another contractor statement(s) for an earlier or later tax period can be provided.</li> </ol>
2	<p>Financial institution business or personal credit / debit account statement:</p> <p>Where only the dollar amount is displayed on the statement</p>	<ol style="list-style-type: none"> <li>1. When applying the formula in Method 1 to the dollar amount on the statement the amount of litres calculated should reasonably reflect the quantity of fuel that would be used in the enterprise.</li> <li>2. If the relevant statement is lost or destroyed, the entity can substantiate they were carrying on an enterprise during the tax period in which taxable fuel would be consumed. For example, by reference to the type of vehicles and equipment used in the enterprise.</li> <li>3. If the relevant statement is lost or destroyed, another financial institution credit/debit account statement(s) for an earlier or later tax period can be provided.</li> </ol>
3	<p>Point-of-sale docket:</p> <p>Where:</p> <ol style="list-style-type: none"> <li>(a) the docket does not itemise the quantity of fuel dispensed; or</li> <li>(b) the quantity on the docket is illegible; or</li> <li>(c) the docket is lost.</li> </ol>	<ol style="list-style-type: none"> <li>1. Entity can substantiate they were carrying on an enterprise during the tax period in which taxable fuel would be consumed, for example, by reference to the type of vehicles and equipment used in the enterprise.</li> <li>2. Entity has other records to substantiate other fuel acquisitions, for example other point-of-sale dockets, supplier statements, financial institution debit / credit card statements.</li> </ol>
4	<p>Fuel supplier statement or invoice.</p> <p>Where only the dollar amount is displayed on the statement.</p>	<ol style="list-style-type: none"> <li>1. When applying the formula in Method 1 to the dollar amount on the statement the amount of litres calculated should reasonably reflect the quantity of fuel that would be used in the enterprise.</li> <li>2. If the relevant statement is lost or destroyed, the entity can substantiate they were carrying on an enterprise during the tax period in which taxable fuel would be consumed. For example, by reference to the type of vehicles and equipment used in the enterprise.</li> <li>3. If the relevant statement is lost or destroyed, another supplier statement(s) for an earlier or later tax period can be provided.</li> </ol>