



Budget 2022–23

Fuel excise

The Government is responding in a temporary, targeted and responsible way to reduce cost of living pressures experienced by Australian households and small businesses

Halving fuel excise

From 12.01am on 30 March 2022, the excise and excise equivalent customs duty (excise) rates for petrol, diesel and all other fuel and petroleum-based products, except aviation fuels, will be halved for 6 months. For petrol and diesel, the rates will be reduced from 44.2 cents to 22.1 cents per litre.

Table 1 outlines a selection of current fuel excise duty rates and their reduced rates after the change.

Existing biannual fuel excise indexation arrangements will continue in August according to the consumer price index. Goods and Service Tax (GST) will continue to be applied to the excise inclusive price of fuel.

The halving of fuel excise rates will end at 11.59pm on 28 September 2022.

Expected pass through to prices at the pump

Excise becomes payable when fuel leaves the ‘underbond’ environment and ‘enters home consumption’. In practical terms, this generally occurs when tankers leave storage depots to distribute fuel to retailers – i.e., service stations.

The lower fuel excise rate is expected to flow through to most service stations across Australia within a couple of weeks as fuel stock is turned over, though this may take longer in remote areas. In urban areas where fuel stocks are turned over more quickly, fuel subject to the lower excise rate should arrive within a few days.

What does this mean for households and businesses?

Households

An Australian household with at least one vehicle will receive an average benefit of around \$300 over a 6-month period.

Table 2 provides an overview of expected excise and GST savings per tank for selected vehicles.

Businesses

Fuel tax credits (FTC) provide businesses with a credit for the excise that is included in the price of fuel if the fuel is used in light vehicles travelling off public roads or on private roads, heavy vehicles, or certain non-vehicle settings (machinery, plant and equipment).

The FTC is in effect a rebate of the excise included in the price of fuel. The rate of FTC depends on the size of the vehicle and where it is used.

Those businesses operating vehicles on private roads such as miners and farmers receive a full FTC. These businesses will continue to receive an FTC that matches the rate of excise for eligible fuel use.

Heavy vehicles travelling on public roads get a smaller credit (with the balance being regarded as a 'road user charge' (RUC)).

Lighter vehicles operated on public roads are not eligible for the FTC. From 30 March 2022, the effective tax paid on their fuel at the bowser will halve.

Heavy vehicles on public roads

Heavy vehicles travelling on public roads have their fuel tax credit reduced by the RUC. This means that not all fuel excise is refunded for heavy vehicles travelling on public roads.

The Government is not changing the existing RUC arrangements for heavy vehicles travelling on public roads, but the temporary reduction in fuel excise will provide a net benefit for heavy vehicle operators of 4.3 cents per litre from 30 March, compared to current settings.

This is because the RUC is currently 26.4 cents per litre of fuel used and, from 30 March 2022, the excise paid by heavy vehicles will be 22.1 cents per litre, which is less than the RUC. The FTC for heavy vehicles on public roads will reduce to nil.

Table 1: Selected excise and excise equivalent goods customs duty rates

Description	Unit	Rate at 1 Feb 2022	Rate at 30 Mar 2022
Unleaded petrol such as U91, U95, U98	\$ per litre	0.442	0.221
Diesel	\$ per litre	0.442	0.221
LPG	\$ per litre	0.144	0.072
LNG	\$ per kilogram	0.303	0.152
CNG	\$ per kilogram	0.303	0.152
Various petroleum-based oils, lubricants and greases	\$ per litre and \$ per kilogram	0.085	0.043
Domestically produced – Denatured ethanol for use as fuel in an internal combustion engine	\$ per litre	0.145	0.072
Domestically produced – Biodiesel	\$ per litre	0.088	0.044
Imported excise equivalent good – Denatured ethanol for use as fuel in an internal combustion engine	\$ per litre	0.442	0.221
Imported excise equivalent goods – Biodiesel	\$ per litre	0.442	0.221

Table 2: Estimated household savings in excise and GST per tank of fuel

	Excise saving per tank (\$)	GST saving per tank (\$)	Total savings per tank (\$)
Small hatchback – 40 litre petrol tank	\$8.84	\$0.88	\$9.72
Mid-sized SUV – 60 litre petrol tank	\$13.26	\$1.33	\$14.59
Large 4WD – 80 litre petrol tank	\$17.68	\$1.77	\$19.45

Note: The above table shows the expected change in excise and GST paid, however the exact effect on the cost of a tank of fuel will vary depending on changes in petrol prices. The excise and GST savings assume a full tank would be filled with petrol or diesel only. Excise and GST savings would be less for individuals who use fuel blends, such as E10.