

# Air Conditioning Fuel Tax Refund

## Information Update by the Bus Industry Confederation



**19 September 2013**

## **Introduction**

This communication follows on from the BIC's previous information regarding fuel tax credits refunds for operators arising from a recent ruling by the Australian Taxation Office (ATO).

A Draft Practice Statement has been issued by the ATO on 19 September 2013 which identifies a Safe Harbour figure for the use of fuel attributable to air-conditioning on buses.

This figure is open for comment until 16 October 2013 and it is vital that the BIC gets feedback from bus operators and air conditioning manufacturers to ensure we get the best outcome for the whole industry.

Please read the following information carefully and contact the BIC on 02 6247 5990 or email [admin@bic.asn.au](mailto:admin@bic.asn.au) if you need any clarification.

## **Safe Harbour**

The Safe Harbour is a set percentage that will be determined by the ATO. The Safe Harbour figure allows operators to make a claim for a refund of the Road User Charge paid on fuel use attributable to air conditioning for a backdated period of up to 4 years from the date that the refund notification letter is lodged with the ATO.

You would have received a refund notification letter template in the last update from BIC and it is available at the page dedicated to this matter on Ozebus.

<http://ozebus.com.au/information-for-moving-people/taxes-and-charges#aircon>

This Safe Harbour figure will mean that an operator will be able to make a claim without undertaking direct testing. In the Draft Practice Statement released on 19 September the ATO issued a Safe Harbour figure for comment from the industry.

## **This figure is 5%.**

This in effect means that bus operators will be able to claim 5 per cent of total fuel use as attributable to the operation of air conditioning for passenger comfort and reclaim the road user charge paid on this fuel. This claim can be backdated up to 4 years from the date that the refund notification letter is lodged with the ATO.

The BIC would like to work with bus operators and air conditioning manufacturers over the next three weeks to provide input to the ATO with a view to identify, based on evidence from testing and manufacturer specifications, if this Safe Harbour figure should be increased.

## **BIC Data Collection**

As part of our work with the ATO the BIC would like to work with operators and air conditioning manufacturers to collect data. The two sources of data we would like to collect are as follows:

- Results testing undertaken by operators to determine the fuel use attributable to air conditioning on buses.
- Manufacturer specifications at high and low range of the percentage of fuel use attributable to air conditioning for two modes of operation:
  - 1) Stop start operations: This encompasses route, school and other services where frequent stopping is required.
  - 2) Long distance services: Encompasses charter, intercity express and other long distance A to B type operations.

Attached is a spreadsheet which operators can fill out, which tracks the testing method used, the vehicle type, the air conditioning model on the vehicle, the season and location of testing, the number of vehicles tested and the results produced.

This can be filled out by operators who have previously conducted testing, operators who are undertaking testing to make their claim and operators who plan to use manufacturer specifications to make claims.

The BIC would also like air conditioning manufacturers, if possible, to provide branded information detailing the high and low range specifications for fuel use for the two types of operations as outlined above.

This data will allow us to input into the Safe Harbour determination process and ensure that the whole industry gets a fair go in making refund claims to the ATO. If you are willing to participate in this process please contact the BIC via email [isuru@bic.asn.au](mailto:isuru@bic.asn.au) or by calling (02) 6247 5990 and we will discuss how you can help.

## Testing Methodologies

The ATO has issued a Practice Statement to assist tax payers in making claims. This Practice Statement identifies methods operators may use in testing the fuel use attributable to auxiliary equipment, in this case, air conditioning on their buses.

**If you base your claim on testing results, the methodology you use will be assessed by the ATO on the basis of it being “fair and reasonable”. Testing Methodologies are outlined in the table below.**

TESTING METHODOLOGY	DETAILS	COMMENTS/INFORMATION
Records Method	Actual records of fuel supplied to auxiliary equipment based on the amount of fuel acquired.	This method is suitable where the equipment is fuelled from a separate tank to the vehicle’s main tank. This would not apply to buses and coaches.
Manufacturers Method	Manufacturer specification of fuel consumption of the auxiliary equipment.	Based on advice provided by the air conditioning suppliers and/or chassis suppliers.  This will be based on the air conditioning manufacturers’ range of additional fuel usage figures from the low to the high performance of the air con unit.  The ATO will more likely average these figures. This may be irrelevant depending on the final Safe Harbour percentage identified by the ATO.
Idle Method	Comparing the vehicle’s fuel consumption when the vehicle is idling with, and without the auxiliary equipment engaged.	The idle test may be irrelevant in the context of the figure at which the Safe Harbour is set.
On Road Method	Trials to compare the fuel consumption of the vehicle with and without the auxiliary equipment operating.	Test results may be very specific to the actual types of service, number of stops, summer/winter running.
Engine Diagnostic Method	Engine diagnostic download. A vehicle that is equipped with an electronic control module has the capacity to report a detailed history of the actual fuel consumption of the vehicle.	If the auxiliary equipment is connected to the module, the running time and fuel consumption of the auxiliary equipment may be reported. Generally, the diagnostics will indicate the idle time of vehicle with and without the auxiliary equipment engaged.