



Excise on fuel blending

Understand your excise obligations if your business deals in fuel blends manufactured or stored in Australia.

What is fuel blending



Understand which fuel blends are subject to excise.

Fuel tax credits for excisable fuel blends



Check if your business is entitled to fuel tax credits for fuels you use in your fuel blends.

Fuel blends exempt from excise duty



Check when blending fuel is not considered manufacture or the blend is no longer fuel and excise duty is not payable.

When a blend is no longer considered fuel



How to determine which fuel blends are not considered fuel and are not subject to excise duty.

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What is fuel blending

Understand which fuel blends are subject to excise.

Manufacture of fuel blends

Fuel blending is the blending of fuel with other fuels or any other substances. It can include the blending of different quantities of like-fuel, for example diesel with diesel.

Most fuel blending that produces an excisable good is considered manufacture of those goods for excise purposes. They are covered by item 10(g) of The Schedule to the Excise Tariff Act 1921.

The following examples are considered excise manufacture, where excise duty will apply to the blend:

- Blending fuel with like-fuel, such as blending diesel with diesel (imported or local) when one or both the blend components are underbond.
- Blending a transport **gaseous fuel**, such as liquid petroleum gas (LPG), with a like non-transport gaseous fuel for transport use.

Businesses that manufacture fuel blends in Australia may be entitled to fuel tax credits for excisable fuels they use in their fuel blends.

Exempt fuel blends

Some fuel blends are exempt from excise duty. These include fuel blends not considered to be excise manufacture and blends containing fuel components that are no longer considered to be fuel.

Fuel excise obligations

If you manufacture an excisable fuel blend, you must:

- hold an **excise manufacturer licence** – it's an offence to manufacture or store underbond excisable goods without the relevant licence
- report the quantity of product being delivered into the Australian domestic market on an **excise return**
- **lodge your excise return and pay excise duty** when applicable – you pay excise duty at the same time you lodge your excise return

- have permission to move any underbond excisable goods to another licensed premises or for export without first paying the applicable excise duty.

If you're still unsure of the tax treatment of your fuel blend, you can:

- seek advice from a registered tax agent
- contact us
- apply for a private binding ruling.

Note: Excise duty rates are indexed twice a year. Check the current rate when calculating the duty payable.

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Fuel tax credits for excisable fuel blends

Check if your business is entitled to fuel tax credits for fuels you use in your fuel blends.

15 May 2023

What are fuel tax credits

Fuel tax credits provide you with a credit for the fuel tax (excise or customs duty) included in the price of fuel you use in your business activities for:

- machinery
- plant
- equipment
- heavy vehicles.

Fuel tax credits for manufacture of excisable fuel

Fuel manufacture doesn't create an entitlement to fuel tax credits. You may be entitled to fuel tax credits for fuels used in fuel blends if either:

- the blend can't be used in an internal combustion engine (for example, paint)
- we determine the blend is no longer a fuel under the *Fuel Tax Act 2006* (Fuel Tax Act).

No fuel tax credits for certain recycled used oil

We don't consider it to be excise manufacture if you only filter and de-water used oil so it can be reused, for example in recycled petroleum products. The used oil isn't a taxable fuel for the purposes of the Fuel Tax Act and there's no entitlement to fuel tax credits.

Contact your supplier to confirm whether the used oil you use in your business is included in this category.

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Fuel blends exempt from excise duty

Check when blending fuel is not considered manufacture or the blend is no longer fuel and excise duty is not payable.

15 May 2023

List of general exemptions

Some fuel blending is not considered excise manufacture if the resulting blend is an exempt blend under either:

- section 77H of the *Excise Act 1901*
- a determination (legislative instrument)

- an excluded blend not considered to be manufacture for excise purposes.

Excise duty is **not** payable for:

- a blend that can't be used in an internal combustion engine, when any fuel components of the blend have been duty paid at the applicable rate
- a blend that can be used in an internal combustion engine where excise or customs duty has been paid on all components in the blend. The rate of duty paid must be the same, except if the rates are different due to
 - a component being biodiesel or fuel ethanol
 - the twice-yearly indexation of **excise duty rates**
- fuels excisable under tariff item 10 of the Schedule to the *Excise Tariff Act 1921*, which are exempt under a determination if any of the following apply
 - when oil and gasoline are blended for use as two-stroke gasoline (petrol) and duty has been paid on both the oil and the gasoline
 - fuels that are placed in a tank containing remnants of other fuels excisable under tariff item 10 or another substance (incidental blend)
 - duty-paid diesel or biodiesel that is blended with certain stabilised crude oil
 - fuels on which duty has been paid that are blended with a dye
 - fuels on which duty has been paid and which are blended with prepared additives (other than methanol or fuel excisable under tariff item 10 or their imported equivalents) that enhance the performance of an internal combustion engine or help in its maintenance, and either
 - they are packaged into containers of not more than 10 litres capacity
 - the total amount of prepared additives in the final blend does not exceed 0.5% volume / volume and they are packaged into containers of at least 10 litres capacity

- they are a blend that we have determined to be no longer a fuel under section 95–5 of the *Fuel Tax Act 2006* (Fuel Tax Act).

For more details on blending exemptions, see **EXC 2014/1 – Excise (Blending exemptions) Determination 2014 (No.1)**.

Exemptions for gaseous fuel

Excise duty is not payable on some gaseous fuel blends. This blending is not considered to be excise manufacture if either:

- it's a blend of liquefied petroleum gas (LPG) or liquefied natural gas (LNG) and a remission of excise or customs duty has been applied to all components of the fuel blend because it's intended for non-transport use
- the blend is exempted by a determination.

Example: gaseous fuel mixed-duty rates

John is a service station operator. On 3 February 2023, John receives 10,000 litres of LPG that was duty paid. (No remission applies because it is intended for transport use).

The supplier adds this fuel to John's tank containing 5,000 litres of LPG. This was duty paid before 31 January 2023 at a different rate. (This also has no remission applied because it is intended for transport use).

The blending of these 2 quantities of LPG, although subject to different duty rates, does not constitute excise manufacture. The blend is not subject to further duty and John does not need to pay excise duty.

For more information, see **Excise on fuel and petroleum products**.

When a blend is no longer considered fuel

How to determine which fuel blends are not considered fuel and are not subject to excise duty.

25 May 2023

Working out what is no longer fuel

Some blends containing fuel components are no longer considered to be fuel and are not subject to excise duty. For example, oil-based paint. However, it may not be so clear for other blends.

Under section 95–5 of the *Fuel Tax Act 2006* (Fuel Tax Act), we may decide that certain blends of fuel are not a fuel for the purposes of the Act.

We have determined that a blend is not fuel if the blend is not marketed or sold for use as fuel in an internal combustion engine, and the blend either:

- contains biodiesel classified to tariff sub-item 10.21 and has a minimum concentration of either
 - 5% by volume of surfactant, or
 - 2% by volume of oleic acid
- is a fuel classified to tariff sub-items 10.25, 10.26, 10.27, 10.28 and has either
 - a product listed in Table 1 below at a concentration equal to or greater than the specified minimum, or
 - more than one product listed in Table 1 below and the total concentration of those products is equal to or exceeds 10% by volume.

Blends that satisfy the requirements of EXC 2016/5 *Fuel Tax (Fuel Blends) Determination 2016 (No 1)* are also not a fuel blend for excise purposes.

Non-fuel components

See the following tables for the minimum concentration of non-fuel product and how we deal with blends under the determination.

Table 1: Non-fuel components

Product	Minimum concentration % volume / volume
Tertiary butyl alcohol	0.5
Other alcohols (other than methanol, ethanol and isopropyl alcohol)	10.0
Ketones	10.0
Methyl tertiary butyl ether	1.0
Di-isopropyl ether	1.0
Other ethers	10.0
Esters	10.0
Surfactants	1.0
Silicone oils	2.0
Oleic acid	2.0
Water	5.0

Table 2: Examples of blends under the determination

Blend	Is it a fuel under the Fuel Tax Act?
90% toluene with 10% volume / volume ketone	No

90% toluene with 8% volume / volume ketone and 2% volume / volume esters	No
92% toluene with 4% volume / volume ketone and 4% volume / volume esters	Yes

For more information, see [Excise on fuel and petroleum products](#).

Excise obligations

If excise duty has been paid on all the excisable components of the blend, and the resulting blend is not excisable, you will have no further excise liability or excise obligations.

However, if an entity (including you or your supplier) is **entitled to a fuel tax credit** on any of the components of the blend, then the blending is excise manufacture. You will have **excise obligations**.

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Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

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