Parliamentary Budget Office

Policy costing

Budget savings from $50 million cap on Diesel Fuel Tax Credit	
Requestor:	Ms Kate Chaney MP, Independent Member for Curtin
Date costing completed:	17 July 2026 *Authorised for public release on 27 August 2026*
Expiry date of the costing:	Release of the next economic and fiscal outlook report

Summary of proposal:

The proposal would institute a cap of $50 million per individual claimant for Fuel tax credits (FTCs) related to diesel fuel use.

Additional distributional analysis on affected businesses was also requested.

The proposal has a start date of 1 July 2027.

Overview

The proposal would be expected to increase the fiscal balance by around $5.1 billion and the underlying cash balance by around $4.7 billion over the 2026-27 Budget forward estimates period (see Table 1). This impact reflects a decrease in fuel tax credit expenses, partially offset by lower company income tax collections.

The proposal would be expected to have an impact beyond the 2026-27 Budget forward estimates period. A breakdown of the financial implications, including separate public debt interest (PDI) tables, over the period to 2036-37 is provided at Attachment A.

Distributional data on businesses with annual FTC claims above $50 million is provided at Attachment B.

Table 1: Budget savings from $50 million cap on Diesel Fuel Tax Credit – Financial implications(a)(b)(c)

	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m	**Total to 2029-30 $m**
Fiscal balance	-	1,650.0	1,700.4	1,811.0	**5,161.4**
Underlying cash balance	-	1,320.0	1,640.4	1,741.0	**4,701.4**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.
(c) Financial implications were rounded consistent with the PBO's rounding rules.
- Indicates nil.

The financial implications of the proposal are sensitive to the actual fuel use of businesses that claim more that $50 million in FTCs. Affected businesses may change their behaviour in response to the cap, including by adjusting fuel use or their shareholder structures. However, the size of any response is unclear. This costing does not include behavioural changes that may occur in response to a cap on FTCs.

Key assumptions

The Parliamentary Budget Office made the following assumptions in costing this proposal.

- All fuel use eligible for FTCs above the $50 million cap would be for diesel fuel.
- Over the medium term, FTC claims from affected businesses would grow in line with growth in individual FTC rates, and mining and non-mining Gross Operating Surplus (GOS).
- All affected businesses would be in a taxable position and subject to a company tax rate of 30%.
- Around 85% of FTCs would be claimed during the current tax year, with 15% claimed in the following year.[1]
- Taxable businesses currently claiming FTCs would pay around 92% of their income tax during the year, as instalments, with the remaining 8% paid in the following year.
- Affected businesses have a foreign shareholding ratio of 80%.
- The average marginal tax rate of domestic shareholders would be around 29%.
  - Shareholders would be Australian resident taxpayers who can claim a tax credit for the franking credits attached to their dividends.
  - Shareholders would be individuals, superannuation funds, partnerships, trusts, charities, and other companies.[2]
- Companies would pay out 65% of their after-tax profits as franked dividends.
- There would be negligible departmental implementation costs, as the cap would be relatively simple to introduce under the existing FTC system.

Methodology

De-identified Business Activity Statement (BAS) data for 2024-25,[3] the most recent year of available data, was used to identify the cohort of FTC claimants with FTC claims above $50 million and their total FTC claims. These claims were projected over the medium term using the assumptions above and then applied the $50 million cap. FTCs above the cap were returned to the budget through lower FTC expenses.

The estimated impact to company income tax collections was calculated using the reduction in FTC expenses and the assumptions above, taking into account the shareholder structure of affected businesses.

The broad industries used for distributional analysis are based on the 'Australian and New Zealand Standard Industrial Classification' (ANZSIC) codes 'Business industry codes 2021'.

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[1] This is based on historic FTC claims made via business activity statements, and their associated lodgement timing.

[2] This is based on the weighted distribution of dividend recipients in the Australian Taxation Office's (ATO's) 2020-21 Taxation Statistics, applying 2024-25 rates and thresholds. This assumption incorporates the impact of the Stage 3 tax cuts taking effect from 1 July 2024.

[3] Deidentified BAS data includes net flows, for a given tax year, of fuel tax credits claimed by businesses from the ATO, and repayments of FTC credits previously incorrectly claimed.

Data sources

The Australian Taxation Office provided estimates for fuel tax credit expenses and road user charge revenue as at the 2026-27 Budget.

The Australian Taxation Office provided de-identified Business Activity Statement (BAS) data over the period 2020-21 to 2024-25.

Australian Government (2026), *2026-27 Budget*, Canberra: Australian Government.

Attachment A – Budget savings from $50 million cap on Diesel Fuel Tax Credit – Financial implications

Table A1: Budget savings from $50 million cap on Diesel Fuel Tax Credit – Fiscal balance[(a)(b)]

	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m	2030-31 $m	2031-32 $m	2032-33 $m	2033-34 $m	2034-35 $m	2035-36 $m	2036-37 $m	**Total to 2029-30 $m**	**Total to 2036-37 $m**
Revenue													
Tax revenue													
Company Income Tax	-	-630.0	-720.0	-760.0	-820.0	-890.0	-950.0	-1,020.0	-1,100.0	-1,180.0	-1,270.0	**-2,110.0**	**-9,340.0**
Franking credit claims	-	-	10.4	11.0	11.7	12.6	13.5	14.5	15.6	16.8	18.1	**21.4**	**124.2**
Total – tax revenue	**-**	**-630.0**	**-709.6**	**-749.0**	**-808.3**	**-877.4**	**-936.5**	**-1,005.5**	**-1,084.4**	**-1,163.2**	**-1,251.9**	**-2,088.6**	**-9,215.8**
Expenses													
Fuel Tax Credit Expenses	-	2,280.0	2,410.0	2,560.0	2,760.0	2,970.0	3,190.0	3,430.0	3,690.0	3,970.0	4,260.0	**7,250.0**	**31,520.0**
Total – expenses	**-**	**1,650.0**	**1,700.4**	**1,811.0**	**1,951.7**	**2,092.6**	**2,253.5**	**2,424.5**	**2,605.6**	**2,806.8**	**3,008.1**	**5,161.4**	**22,304.2**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

(b) Financial implications were rounded consistent with the PBO's rounding rules.[4]

\- Indicates nil.

[4] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Table A2: Budget savings from $50 million cap on Diesel Fuel Tax Credit – Underlying cash balance[(a)(b)]

	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m	2030-31 $m	2031-32 $m	2032-33 $m	2033-34 $m	2034-35 $m	2035-36 $m	2036-37 $m	Total to 2029-30 $m	Total to 2036-37 $m
Receipts													
Tax receipts													
Income tax revenue (related to companies, sole proprietorships, partnerships, and trusts)	-	*-630.0*	*-720.0*	*-760.0*	*-820.0*	*-890.0*	*-950.0*	*-1,020.0*	*-1,100.0*	*-1,180.0*	*-1,270.0*	***-2,110.0***	***-9,340.0***
Franking credit claims	-	*0.0*	*10.4*	*11.0*	*11.7*	*12.6*	*13.5*	*14.5*	*15.6*	*16.8*	*18.1*	***21.4***	***124.2***
Total – tax receipts	**-**	**-630.0**	**-709.6**	**-749.0**	**-808.3**	**-877.4**	**-936.5**	**-1,005.5**	**-1,084.4**	**-1,163.2**	**-1,251.9**	**-2,088.6**	**-9,215.8**
Payments													
Fuel Tax Credit Scheme	-	*1,950.0*	*2,350.0*	*2,490.0*	*2,680.0*	*2,890.0*	*3,100.0*	*3,330.0*	*3,580.0*	*3,860.0*	*4,140.0*	***6,790.0***	***30,370.0***
Total (excluding PDI)	**-**	**1,320.0**	**1,640.4**	**1,741.0**	**1,871.7**	**2,012.6**	**2,163.5**	**2,324.5**	**2,495.6**	**2,696.8**	**2,888.1**	**4,701.4**	**21,154.2**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Financial implications were rounded consistent with the PBO's rounding rules.[5]

\- Indicates nil.

Table A3: Budget savings from $50 million cap on Diesel Fuel Tax Credit – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances[(a)(b)(c)]

	2026-27 $m	2027-28 $m	2028-29 $m	2029-30 $m	2030-31 $m	2031-32 $m	2032-33 $m	2033-34 $m	2034-35 $m	2035-36 $m	2036-37 $m	Total to 2029-30 $m	Total to 2036-37 $m
Fiscal balance	-	*30.0*	*110.0*	*190.0*	*290.0*	*390.0*	*510.0*	*630.0*	*770.0*	*920.0*	*1,090.0*	***330.0***	***4,930.0***
Underlying cash balance	-	*20.0*	*90.0*	*170.0*	*260.0*	*360.0*	*470.0*	*600.0*	*730.0*	*880.0*	*1,050.0*	***280.0***	***4,630.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary.[6]

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(c) Financial implications were rounded consistent with the PBO's rounding rules.

\- Indicates nil.

Attachment B – Budget savings from $50 million cap on Diesel Fuel Tax Credit – Distributional analysis

Table B1: Total FTCs claimed by industry, for claims over $50 million per business, 2027-28 to 2036-37[(a)(b)]

	2027-28		2028-29		2029-30		2030-31		2031-32	
Industry	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**
Total Mining	3,208.6	23	3,326.4	23	3,443.5	23	3,664.8	24	3,847.1	24
Coal Mining	992.5	10	1,028.9	10	1,065.1	10	1,168.6	11	1,226.7	11
Iron Ore Mining	828.4	4	858.9	4	889.1	4	933.1	4	979.5	4
Other Mining[(c)]	1,058.0	4	1,096.8	4	1,135.5	4	1,191.7	4	1,251.0	4
Other Mining Support Services	329.7	5	341.8	5	353.8	5	371.4	5	389.8	5
Other[(d)]	417.9	4	486.2	5	564.7	6	595.2	6	624.3	6
Total	**3,626.5**	**27**	**3,812.6**	**28**	**4,008.2**	**29**	**4,260.0**	**30**	**4,471.4**	**30**

	2032-33		2033-34		2034-35		2035-36		2036-37	
Industry	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**	**FTC ($m)**	**Number of claimants**
Total Mining	4,036.1	24	4,341.4	26	4,764.1	30	5,051.0	31	5,399.0	33
Coal Mining	1,287.0	11	1,402.9	12	1,524.8	13	1,652.1	14	1,732.3	14
Iron Ore Mining	1,027.7	4	1,079.4	4	1,133.7	4	1,189.5	4	1,247.3	4
Other Mining[(c)]	1,312.4	4	1,429.5	5	1,552.1	6	1,628.6	6	1,810.5	8
Other Mining Support Services	409.0	5	429.6	5	553.4	7	580.7	7	608.9	7
Other[(d)]	654.5	6	737.6	7	876.3	9	920.2	9	965.8	9
Total	**4,690.5**	**30**	**5,079.0**	**33**	**5,640.4**	**39**	**5,971.2**	**40**	**6,364.8**	**42**

(a) FTC is calculated as the difference between amount payable and amount refunded. Some industries have been grouped together due to sensitivities in the granularity of the data.
(b) This table includes estimates based on PBO projections of businesses with over $50 million FTC Claims for the 2024-25 financial year.
(c) Other Mining includes ANZSIC groups Bauxite Mining, Gold Ore Mining, Nickel Ore Mining, Oil and Gas Extraction, Other Metal Ore Mining, and Other Non-Metallic Mineral Mining and Quarrying.
(d) Other is the sum of the totals from the ANZSIC Divisions Administrative and Support Services, Construction, Financial and Insurance Services, Manufacturing, and Professional, Scientific and Technical Services, Transport, Postal and Warehousing, Public Administration and Safety, Wholesale Trade, and Other Services.

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[5] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

[6] https://www.pbo.gov.au/about-budgets/online-budget-glossary