



Office of State Revenue
NSW TREASURY

ABN: 77 456 270 638

Revenue Ruling No. BF13

Assessment of Business Franchise Fees on Diesel Fuel Mixed with Heating Oil

PREAMBLE

Petroleum wholesalers sometimes sell a mix of diesel fuel/heating oil to overcome problems with freezing of diesel fuel during winter months. This ruling sets out the liability for licence fees on such diesel mixtures.

RULING

Statutory provisions

1. Section 40(1) of the Business Franchise Licences (Petroleum Products) Act 1987 provides for fees to be paid for licences at the prescribed proportion of the value of petroleum products sold during the relevant period, other than petroleum products purchased from a licensee.
2. The phrase "petroleum products" is defined in section 3(1) to mean motor spirit and diesel fuel. Heating oil, before it is mixed with diesel, does not fall within the definition of "petroleum products". However, a diesel fuel/heating oil mixture is diesel and is therefore included in the definition of "petroleum products".

Sales by First Wholesaler

3. In accordance with section 40 of the Act, franchise fees are payable in respect of the first wholesale sale of petroleum products. Accordingly, the total volume of mixed fuel and not just the diesel fuel component must be included in the calculation of licence fees payable by the first wholesaler.

Sales by Second and Subsequent Wholesalers and Retailers

4. Second and subsequent wholesalers and retailers who mix the fuel themselves, are not assessable in respect of the diesel fuel proportion of the mix if the diesel was purchased from a licensee [section 40(1)]. However, they are required to pay fees in respect of the heating oil proportion of the mix, as this proportion of the diesel fuel sold was not purchased from a licensee. The following example demonstrates how to calculate the variable licence fee payable, using the current rate for diesel fuel:-

Lang Centre
Cnr Hunter and Marsden Streets
Parramatta NSW
GPO Box 4042
Sydney NSW 2001
DX 456 Sydney
Phone (02) 9639 6200
Facsimile (02) 9639 6464
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11,000 litres of diesel fuel/heating oil mixture, consisting of 10,000 litres of diesel and 1,000 litres of heating oil, was sold during the relevant period. The 10,000 litres of diesel was purchased from a licensee. Licence fees are therefore calculated as follows:

diesel fuel sold	11,000 litres	
less volume purchased from a licensee	<u>10,000</u> litres	
licence fees payable on	1,000 litres	
	x 3.57 cents/litres	
variable licence fee payable		\$35.70

R. P. DALEY,
for Chief Commissioner for Business
Franchise Licences (Petroleum Products).
20 May 1988