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Bunker fuel and commercial shipping

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Last modified: 02 Jun 2015

QC 22910

Bunker fuel and commercial shipping

About bunkers

Ships' bunkers are generally described as:

- oil carried as fuel on oil-burning ships
- ships' fuel not listed on the manifest of cargo.

Bunker fuel includes all types of petroleum products – for example, fuel oil, aviation fuel or diesel used by ships as fuel or to power auxiliary equipment, including helicopters.

If you import or acquire bunkers used in commercial shipping operations, you may have obligations and entitlements to various duty and tax requirements, including:

- customs duty
- excise duty

GST and associated input tax credits
fuel tax credits
refunds of duty.

You may need to pay duty and taxes or be able to claim any credit entitlements depending on:

the type of voyages undertaken in Australian waters
the residency (for tax purposes) of the shipping operator
agency arrangements on behalf of non-resident shipping operators.

Voyage types and duty requirements

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=2>
(<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=2>)

Last modified: 02 Jun 2015

QC 22910

The type of voyage an overseas ship is taking is determined by the primary purpose of the trip within Australian waters. Types of voyages are:

international voyages
domestic voyages, including

- short-term disconnections
- long-term disconnections
- fully-imported ships.

The type of voyage determines if bunkers will be subject to customs or excise duty or GST.

Overseas ship

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=3>

[\(http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=3\)](http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=3)

Last modified: 02 Jun 2015

QC 22910

An overseas ship is one that is currently making, or about to make, an international voyage. Ships undertaking international voyages include cargo ships, passenger ships and a range of other ships that undertake maritime work.

An overseas ship may be:

- an international (foreign) ship owned by a non-resident shipping operator that may or may not perform domestic voyages

- a resident-owned ship that travels directly overseas or via another Australian port which is incidental to that voyage.

The residency of the shipping operation is relevant to who has GST obligations and who is entitled to fuel tax credits or input tax credits.

Overseas ships on international voyages

An international voyage is a voyage, whether direct or indirect, between a place in Australia and a place outside Australia. A 'place outside Australia' does not include:

- any area of waters outside Australia

- installations outside Australia

- a ship outside Australia

- a reef or uninhabited island outside Australia

- waters and installations in the Joint Petroleum Development Area.

When determining if a ship has undertaken a voyage to a place outside Australia and as a result duty is not payable on the bunker fuel, 'Australia' means the Commonwealth of Australia excluding all external territories.

If a ship travels from an Australian port to a place that is not a 'place outside Australia' before returning to Australia, it has not undertaken an international voyage. As a result, duty is payable on the bunker fuel consumed during this voyage.

An overseas ship is making a continuing international voyage when it loads or unloads international cargo in an Australian port on arrival from overseas and is in transit to an overseas destination. This also includes legs travelled between Australian ports where international cargo is loaded or unloaded.

A ship may travel from an Australian port to a foreign port via other Australian ports and still be on an international voyage. However, carrying domestic cargo during that voyage can alter that status and you may need to pay duty on the bunker fuel consumed during this part of the voyage.

Overseas ships and domestic cargo

Any domestic cargo loaded or unloaded at an Australian port while the ship is on an international voyage is incidental to the international status of the voyage.

However, transporting domestic cargo (passengers or goods) between domestic ports can create a disconnection from the international classification of a voyage if the sole purpose of the trip is to load or unload that domestic cargo. Therefore, you may need to pay excise duty, customs duty or GST.

Ships that conduct survey, construction, oil and gas exploration operations, and similar activities in Australia may interrupt a continuing international voyage and may also have to pay excise duty, customs duty or GST.

Duty payable on bunkers during international voyages

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=4>

[\(http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=4\)](http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=4)

Last modified: 02 Jun 2015

QC 22910

Bunkers on an overseas ship engaged in an uninterrupted international voyage are not subject to customs duty or GST on fuel consumed during the voyage. Local bunkers may be acquired without payment of excise duty or GST.

Example

Xiang Shipping Lines operates a foreign-owned ship. After arriving in Brisbane from Singapore, it discharges some international cargo and loads domestic cargo for Melbourne. In Melbourne it discharges that domestic and some international cargo, acquires local bunkers and departs for Auckland where it discharges the balance of the international cargo.

Although domestic cargo was carried between Brisbane and Melbourne, the international voyage was not interrupted as transportation of that domestic cargo was not the sole purpose of the Brisbane-Melbourne leg. Xiang Shipping Lines do not have to pay customs duty and GST on fuel consumed during domestic travel. The bunkers acquired in Melbourne are free of excise duty.

Next steps:

Download [Type of voyage being undertaken \(/uploadedFiles/Content/ITX/downloads/bus00238793nat73372TOV.pdf\)](#) (PDF, 68KB) to help you work out the type of voyage being undertaken.

Domestic legs of international voyages

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=5>
(<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=5>)

Last modified: 02 Jun 2015

QC 22910

An overseas ship is on a domestic voyage when the sole purpose of a leg is to either:

load or unload domestic cargo

re-position the ship to load or unload domestic cargo for transport to an Australian port.

A continuing international voyage is temporarily interrupted by short or long-term disconnections and permanently ceased if a ship is fully imported.

Short-term voyage disconnection

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=6>

[\(http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=6\)](http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=6)

Last modified: 02 Jun 2015

QC 22910

A short-term disconnection consists of domestic voyages of up to three legs by an overseas ship where the sole purpose is to either:

transport domestic cargo between Australian ports

re-position the ship to load or unload domestic cargo.

The domestic voyage ceases after the domestic cargo is unloaded and the ship resumes its international voyage.

Long-term voyage disconnection

A long-term disconnection consists of domestic voyages of more than three legs by an overseas ship where the sole purpose is either to:

transport domestic cargo between Australian ports
re-position the ship to load or unload domestic cargo.

The domestic voyage ceases after the domestic cargo is unloaded and the ship resumes its international voyage.

Duty payable on bunkers during short-term and long-term disconnections

Fuel consumed during short-term and long term disconnections is subject to the following duties, taxes and credits:

Imported bunker fuel consumed during the domestic leg(s) of a short-term disconnection is subject to customs duty and GST and is payable at the completion of the short-term disconnection. For a long-term disconnection duty-free bunkers on board at the start of the long-term disconnection must be entered into home consumption.

Local bunker fuel acquired while the ship is on a domestic voyage is subject to excise duty and GST and is payable at the time of acquisition.

Bunkers may be acquired free from excise duty and GST if it can be shown that they are acquired for the purpose of resuming an international voyage.

Duty paid on bunker fuel imported or acquired

- is eligible for fuel tax credits and GST input tax credits for a resident agent if acquired or imported through the agent acting on behalf of a non-resident shipping operator
- may be eligible for fuel tax credits and GST input tax credits for the non-resident shipping operator if acquired or imported directly - the non-resident shipping operator must be registered for both GST and fuel tax credits to claim
- is eligible for fuel tax credits for a resident shipping operator only, even if the fuel is acquired or imported through a resident shipping agent.

Example short-term disconnection Nolan Shipping operates a foreign-owned ship. After arriving in Brisbane from Hong Kong, it discharges some international cargo and accepts a spot charter to transport domestic cargo

from Brisbane to Sydney and Melbourne. After unloading that cargo in Melbourne it departs for Auckland where it discharges the balance of the international cargo.

Although it has international cargo on board none of it was unloaded in Sydney or Melbourne and no international cargo was loaded at either port. As a result the two legs conducted between Brisbane and Sydney and Sydney and Melbourne have interrupted the international voyage and are a short-term disconnection to that voyage. The sole purpose of those legs was to transport domestic cargo.

Nolan Shipping must pay customs duty and GST on fuel consumed during that domestic travel. A fuel tax credit may be claimed on customs duty paid, see [Fuel tax credits - business \(/Business/Fuel-schemes/Fuel-tax-credits---business/#FTC\)](#).

Example long-term disconnection

Gvoski Shipping Lines, a non-resident shipping operator owns and operates the *MV Belinz*. After discharging its international cargo in Brisbane, it loads domestic cargo for Sydney, Melbourne, Whyalla and Fremantle. In Fremantle it discharges the remaining domestic cargo, uploads bunker fuel and other cargo before proceeding to Cape Town. There is no international cargo loaded or unloaded during the Brisbane to Fremantle leg of the voyage.

The legs between Brisbane and Fremantle are a long-term disconnection of its international voyage. Gvoski Shipping Lines must pay customs duty and GST on bunker fuel consumed during that domestic transport because the sole purpose of the voyages was to transport domestic cargo. Bunker fuel may be acquired free of excise duty in Fremantle as the ship is resuming its international voyage. A fuel tax credit may be claimed on customs duty paid. If there is no entitlement to a fuel tax credit a refund of duty may be claimed, see [Refunds of duty](#).

When an overseas ship resumes an interrupted international voyage, a refund of duty paid cannot be claimed on the remaining bunker fuel if there is an entitlement to claim fuel tax credits. Refunds of duty are generally only payable to non-resident shipping operators that are not registered or required to be registered for GST.

See also:

[Fuel tax credits - business \(/Business/Fuel-schemes/Fuel-tax-credits---business/\)](#) for information about registering for GST and fuel tax credits.

Fully-imported ship

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=7>
 (<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=7>)

Last modified: 02 Jun 2015

QC 22910

A non-resident ship is fully imported when it terminates or indefinitely suspends an international voyage with the intention of remaining and working within Australian waters.

Duty payable for a fully-imported ship

Bunkers remaining on a fully-imported ship that has completed its international voyage are subject to the following GST, customs and excise duty implications:

bunker fuel on board on importation of the ship is liable for customs duty and GST

bunkers subsequently acquired for domestic use are subject to payment of excise duty and GST

fuel tax credits and input tax credits may be claimed on duty-paid bunkers in accordance with rules on agency and other eligibility requirements.

Different rules apply to transactions involving a resident agent.

See also:

[Agency rules for non-resident shipping operators](#)

Coasting trade licences and permits

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=8>

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=8>

Last modified: 02 Jun 2015

QC 22910

Ships may only engage in the coasting trade if they are licensed or have been granted a temporary licence (Division 1 and 2 of the Coastal Trading Act).

Ships do not need to be entered as imported if they are:

- operating under either a licence or temporary licence issued under the Coastal Trading Act

- otherwise exempt under the Coastal Trading Act.

However, there are other Australian Customs and Border Protection Service requirements, such as reporting and paying duty and GST on bunkers and other ship's stores.

There is no direct correlation between coasting trade licenses or permits and the voyage types used for the purposes of establishing liability for duty and tax. This is due to differences in definitions and the underlying concepts.

The coasting trade is generally defined as the carriage of cargo or passengers in the interstate coastal trades. In 2012 the Coastal Trading (Revitalisation Australian Shipping) Act 2012 (Coastal Trading Act) was introduced and replaced the part of the *Navigation Act 1912* that dealt with the licence/permit system which exists for ships engaged in the coasting trade.

See also:

Australian Customs and Border Protection Service

(<http://www.customs.gov.au/>)

Fuel tax credits

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=9>

(<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=9>)

Last modified: 02 Jun 2015

QC 22910

Bunker fuel acquired or imported for use in marine transport is eligible for fuel tax credits.

Registering for fuel tax credits

You must be registered for GST if you are a:

resident agent acting on behalf of a non-resident shipping operator, even if the non-resident shipping operator is already registered or must be registered for GST.

non-resident shipping operator

- if the revenue from business transactions in Australia (one-off or cumulative) exceeds the relevant GST turnover threshold (</Business/GST/Registering-for-GST/>)

- needing to claim fuel tax credits on bunkers not acquired through a resident agent.

resident shipping operator where the business turnover is in excess of the GST turnover threshold. You must account for all GST transactions (and fuel tax credit claims) on your own BAS even if you conduct transactions through a resident agent.

Agency rules for non-resident operators and their resident agents do not apply to resident shipping operators.

Agency rules for non-resident shipping operators

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=10>
 (<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=10>)

Last modified: 02 Jun 2015

QC 22910

Specific GST rules apply to non-resident shipping operator transactions made through a resident agent. Where a resident agent makes a creditable acquisition or importation of bunker fuel on behalf of a non-resident shipping operator:

only the resident agent is entitled to the input tax credit or fuel tax credits on the fuel acquisition or importation

the non-resident shipping operator is not entitled to any input tax credit or fuel tax credits on the fuel acquisition or importation.

A resident agent must include on their BAS all GST supplies they make on behalf of non-resident shipping operators, even where the operator is registered or must be registered for GST.

The resident agent is:

liable for GST arising from all transactions

entitled to any fuel tax credits and input tax credits for bunker fuel acquisitions made by them on behalf of the non-resident shipping operator.

Agency rules do not apply to a non-resident shipping operator if they are a member of a GST group. In this case, the rules apply to the group's resident representative member.

Fuel tax credit entitlements

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=11>

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Last modified: 02 Jun 2015

QC 22910

Resident shipping agent

A resident shipping agent is a resident agent who provides shipping operators with a comprehensive package of supporting and complimentary goods and services, often including the provision of bunker fuel.

For a resident shipping agent to be entitled to claim fuel tax credits, the fuel transaction must be conducted through them on behalf of a non-resident shipping operator.

A resident shipping agent cannot claim fuel tax credits for transactions conducted on behalf of resident shipping operators.

Example

Australian Shipping Agency arranges for the acquisition of duty-paid bunker fuel for *APL Hong Kong*, a foreign ship owned by Yang Shipping Lines. Yang Shipping Lines is invoiced directly by the fuel supplier for the fuel acquired.

Under the GST non-resident agency rules, Australian Shipping Agency is exclusively entitled to claim the fuel tax credits on the fuel that Yang Shipping Lines acquired through them. The payment for the fuel is incidental to the acquisition of the fuel if Australian Shipping Agency can demonstrate the acquisition was arranged through them.

Non-resident shipping operator

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=12>
[\(http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=12\)](http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=12)

Last modified: 02 Jun 2015

QC 22910

GST agency rules for non-resident enterprises allow the GST requirements (and fuel tax credit entitlements) of Australian transactions conducted through their resident shipping agent, to pass to that agent. A non-resident shipping operator is not entitled to fuel tax credits on duty-paid fuel bunkers acquired or imported through their resident agent.

However, if non-resident shipping operators acquire fuel bunkers directly:

- only they can claim fuel tax credits by lodging a BAS

- they must be registered for both GST and fuel tax credits

- if they are not registered or required to be registered for GST, then a refund of the excise duty would be payable.

Agency rules do not apply to a non-resident shipping operator if they are a member of a GST group. In this case, the rules apply to the group's resident representative member.

Example

JZ Shipping is a non-resident shipping operator. They arrange the supply and payment of duty-paid bunker fuel to be used by their ship, *APL Hong Sang*, during the domestic legs of its voyage. Australasian Shipping Services, a local shipping agent makes arrangements on their behalf for the supply of **other** ship's stores (e.g. alcohol and cigarettes).

Australasian Shipping Services cannot claim fuel tax credits as the bunker fuel acquisition was not made through them. JZ Shipping must be registered for GST and fuel tax credits to be entitled to claim any associated credit on their BAS.

Resident shipping operator

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=13>
(<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=13>)

Last modified: 02 Jun 2015

QC 22910

Resident shipping operators must:

be registered for GST if their turnover is in excess of the GST turnover threshold account for all GST transactions (and fuel tax credit claims) on their own BAS even if they conduct transactions through a resident agent.

If the resident shipping operator is a member of a GST group, the rules apply to the group's resident representative member.

Example

Holiday Shipping Services is the resident shipping agent for Bass Shipping Lines, an Australian shipping operator. They provide a range of shipping services, including arranging the supply of duty-paid bunker fuel for consumption in Bass ships.

The GST agency rules do not apply to transactions conducted by Holiday Shipping Services on behalf of Bass Shipping Lines. Bass Shipping Lines is solely responsible for all GST and fuel tax credits regardless of Holiday Shipping Services involvement in those transactions.

Fuel supplier

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=14>

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Last modified: 02 Jun 2015

QC 22910

A fuel supplier:

cannot claim fuel tax credits for duty-paid bunker fuel on-sold free of duty – the on-selling of fuel to another entity is not fuel used in an enterprise for fuel tax credit purposes

can claim an excise refund for duty-paid bunker fuel that is on-sold free of duty only if no other entity is entitled to claim the fuel tax credits.

Example

Australora Oil sources duty paid fuel from a major fuel manufacturer and supplies it as bunker fuel directly to Argut Shipping Services, a non-resident shipping operator, for use in its cargo ship the *MV Augusta*. The fuel is supplied at a duty-free price.

Australora Oil cannot claim fuel tax credits for the fuel on-sold as the transaction is not an eligible use of the fuel and they are not engaged as a resident agent for Argut Shipping Services. Australora Oil can only claim a refund of duty paid if Argut Shipping Services have no entitlement to fuel tax credits.

Next steps:

Download [Fuel tax credit entitlements](#)

(</uploadedFiles/Content/ITX/downloads/bus00238793nat73372FCE.pdf>) (PDF, 65KB) to help you work out any fuel tax credit entitlement.

Customs broker

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=15>

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Last modified: 02 Jun 2015

QC 22910

If a non-resident shipping operator makes a taxable importation of bunker fuel through a resident shipping agent:

the agent is entered as 'owner' on the customs entry

the agent (not the non-resident shipping operator) is liable to pay the GST and customs duty on the taxable importation

the agent is entitled to claim an input tax credit and fuel tax credits for those fuel transactions.

A resident agent may include a licensed customs broker appointed by the non-resident shipping operator to enter the goods as an 'owner' on their behalf. In that case, a creditable importation is made through a customs broker in the capacity of resident agent.

Generally, a customs broker only facilitates the customs entry on behalf of the 'owner' and the customs broker is not shown as 'owner' on the customs entry. The customs broker prepares and lodges the customs entry on behalf of the non-resident shipping operator or their appointed shipping agent who is named as the owner on the entry. In that case, a creditable importation is not made through the customs broker.

Example

Sanka Shipping Line, a non-resident shipping operator, engages Terrier Shipping Agency to act on their behalf in Australia. Lacking in-house licensed customs brokers, Terrier Shipping Agency engages Acute Customs Brokerage to prepare and lodge a customs entry on their behalf for fuel used by Sanka Shipping Line to transport domestic cargo.

Under the non-resident agency rules, only Terrier Shipping Agency is entitled to claim fuel tax credits on the deemed importation of bunker fuel used in Sanka Shipping Line's domestic operations. Acute Customs Brokerage only facilitates the lodging of the relevant customs entry.

See also:

[GSTR 2003/15 \(http://law.ato.gov.au/atolaw/view.htm?Docid=GST/GSTR200315/NAT/ATO/00001&PiT=99991231235958\)](http://law.ato.gov.au/atolaw/view.htm?Docid=GST/GSTR200315/NAT/ATO/00001&PiT=99991231235958) *Goods and services tax: importation of goods into Australia.*

Refunds of duty

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=16>
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Last modified: 02 Jun 2015

QC 22910

A refund of customs or excise duty may apply if duty-paid goods including fuel, are loaded onto a ship as ships stores.

Duty-paid fuel remaining in a ship's bunker when a ship resumes an international voyage is considered to be ships stores and as such would be eligible for a refund of the duty paid, but only if there is no entitlement to claim fuel tax credits.

Residual bunker fuel that was acquired in Australia excise duty-paid or had customs duty paid on its deemed importation will:

continue to be eligible for fuel tax credits if a non-resident ship resumes its international voyage

only be eligible for a refund of duty if there is no fuel tax credit entitlement for any of the parties involved.

Example

Upon arrival in Brisbane, Morray Shipping Agency arranges for the entry of imported fuel bunkers and payment of customs duty for *APL Hong Kong*, a foreign ship owned by Yang Shipping Lines. *APL Hong Kong* discharges all international cargo in Brisbane and carries out a number of domestic cargo voyages considered to be a long-term disconnection, before loading international cargo and departing for Auckland.

Under non-resident agency rules, Murray Shipping Agency is entitled to claim the fuel tax credits on the fuel that Yang Shipping Lines acquired through them, including fuel remaining in bunkers when the ship departs Australia. As the fuel is eligible for fuel tax credits, a refund cannot be claimed on the fuel remaining when the ship departs.

Example

ZK Shipping is a foreign shipping operator. They arrange the supply and payment of duty-paid bunkers to be used by their ship, *APL Hong Sang*, during a long-term disconnection of its international voyage. Australasian Shipping Services, a local shipping agent, makes arrangements on their behalf for the supply of **other** ship's stores (for example, alcohol and cigarettes).

Australasian Shipping Services cannot claim fuel tax credits as the fuel acquisition was not made through them. ZK Shipping must be registered for GST and fuel tax credits to claim fuel tax credits on fuel acquired. Once entitled to claim for all fuel, they cannot apply for a refund of duty on the balance of fuel in its bunkers when the international voyage is resumed.

Example

Arin Shipping, a small New Zealand company, own and use the *MV Tilbus* to transport cargo in a series of short-term Australian voyages. The ship departs for Auckland with duty-paid fuel in its bunkers. Arin Shipping is not registered for GST or fuel tax credits as their turnover is under the GST threshold.

Having ceased its local operations, Arin Shipping may apply for a refund of duty on the balance of fuel in its bunkers upon departure as there is no entitlement to fuel tax credits for that fuel.

You may need a private ruling

<http://www.ato.gov.au/Business/Fuel-schemes/In-detail/Specific-activities-for-fuel-tax-credits/Bunker-fuel-and-commercial-shipping/?page=17>

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Last modified: 02 Jun 2015

QC 22910

If your circumstances are complex, you can apply to us for a private ruling that will clarify how excise, fuel tax credits or GST applies to you.

See also:

[How to apply for a private ruling \(/General/ATO-advice-and-guidance/ATO-advice-products-\(rulings\)/Private-rulings/Applying-for-a-private-ruling/\)](#)

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