

Regional Fuel Tax Q&As

What is the purpose of a regional fuel tax?

- The purpose of a regional fuel tax is to provide additional funds to a region to pay for transport projects that would not otherwise be funded.

What can the revenue of a regional fuel tax be used for?

- Revenue from a regional fuel tax can be used for a programme of transport projects proposed by a regional council and approved by joint Ministers (Finance and Transport) after public consultation. Auckland Council will soon begin consultation with the public on the transport projects that it proposes to fund with a regional fuel tax.

Who will pay regional fuel tax?

- Regional fuel tax will be collected at the distribution level – when fuel is delivered to service stations or other bulk storage tanks, such as those on farms or construction projects. Liability for the tax will fall on fuel companies, not those who fill up a fuel station.

What will happen to the price of fuel?

- Fuel price is influenced by many factors and different fuel prices can be found reflecting different cost and competitive factors. Therefore the impact of a regional fuel tax is likely to vary.

Can a regional fuel tax be implemented in regions other than Auckland?

- The Land Transport Management (Regional Fuel Tax) Amendment Bill restricts a regional fuel tax to Auckland until at least 1 January 2021.

Will there be a maximum rate for regional fuel tax?

- The Bill specifies a maximum rate for regional fuel tax of no more than 10c per litre.

How long will regional fuel tax apply for?

- A regional fuel tax will have a maximum initial duration of ten years. If a regional council wants to extend beyond ten years, it will need to consult with the public and obtain Ministers' approval.

Will regional fuel tax be subject to GST?

- Fuel retailers charge GST on the total price of fuel. If fuel retailers increase their prices, then GST will apply to the new price of the fuel.

What does regional fuel tax apply to?

- Regional fuel tax will apply to petrol and diesel. Compressed natural gas (CNG) and liquefied petroleum gas (LPG) are excluded because the majority of these fuels are used off-road.

Will there be a rebate system for other off-road users of fuel?

- Yes. The NZ Transport Agency is hard at work to implement a rebate system for fuel (both petrol and diesel) used in dedicated off-road vehicles or other commercial off-road use, such as fuel used on farms. Where a person can claim a refund for fuel excise duty, they should also be able to claim a rebate for regional fuel tax.

Who will be exempt from regional fuel tax?

- Fuel that is used in a commercial ship, electricity generation, or in a vehicle that operates exclusively on railway tracks will not be subject to regional fuel tax.

Is there a risk that people will drive outside a region to purchase fuel to avoid the regional fuel tax?

- This is unlikely to be a significant issue at the household level as only a small proportion of household travel is between regions and the distance to a fuel retailer outside the region is unlikely to provide enough of an incentive for most. The incentive may be greater for long-haul trucks that travel between regions regularly.

How will a regional fuel tax affect lower income households?

- There is some evidence to suggest that a regional fuel tax will have a greater impact on lower income households. However, low income households should benefit from the new transport projects funded by a regional fuel tax, in particular, more public transport.

How equitable is a regional fuel tax?

- A regional fuel tax is only a proxy for the use of a region's roads. Fuel consumption varies by vehicle fuel efficiency and fully electric vehicles use no petrol or diesel, so some people will inevitably pay more tax than others. Lower income households should benefit from the new transport projects funded by the regional fuel tax, in particular, more public transport.