



SUBMISSION

To: Senate Economics Committee

Subject: Fuel Tax Bill – 2006

Summary

The Fuel Tax Bill – 2006, will require Australian paint manufacturers to pay the Fuel Tax Excise of 38 cents per litre on all purchases of petroleum products used in the manufacture of solvent based paints.

Up until now paint and varnish manufacturers have only had to satisfy the Australian Tax Office that the petroleum products they purchase, such as toluene, methyl ethyl ketone, methylene chloride etc, will be used in paint production, in order to avoid the upfront payment of the excise duty.

The Australian paint industry is not in a position to accept increased production costs.

The industry is now several years into a cycle of rising costs and falling sales. The price of solvents and tin plate has more than doubled in the past year. Sales have declined for 3 years in a row while the 2005 total production figure of 213 million litres is less than the 224 million litres produced in 1994.

Against this background imports are rising steadily with 2005 figures up 7% over 2004.

If this proposal goes through, Australian paint manufacturers will suffer:

- a significant cash flow disadvantage
- a significant increase in record keeping and accounting processes
- a loss of competitive advantage over imported paint which will not be affected by this legislation.

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Recommendation

Australian paint manufacturers urge the Senate Committee to consider this submission carefully and to amend the Bill to allow paint manufacturers continue to receive, on a duty free basis, the solvents they require for the manufacture of paints and varnishes.

Submissions to Government

The APMF has made a number of submissions to Government.

A copy of the APMF's submission to the Minister for Revenue and Assistant Treasurer on 20 October 2005 is attached.

The response to this submission was a letter from the Minister's office stating:

“When considering these matters the Government concluded that the cash flow implications for some businesses were more than off-set by the reduction in compliance costs to businesses more generally and the extension of benefits to a wider range of activities and fuels”.

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