

**Australian Oil Recyclers Association Limited**  
**ACN 087 519 953**

30 May 2006

Committee Secretary  
Senate Economics Committee  
Department of the Senate  
PO Box 6100  
Parliament House  
Canberra ACT

Dear Mr Hallahan

**Inquiry into the provisions of the Fuel Tax Bill 2006 and the Fuel Tax  
(Consequential and Transitional Provisions) Bill 2006**

The Australian Oil Recyclers Association Ltd (The Association) is making this late submission. The Association is made up by small to medium businesses that collect used oil, recycle it and sell it for a variety of purposes including burner fuel and fuel oil. Our members have been recently visited by the ATO who explained the proposed legislation and how it will effect our industry.

The Australian Government Australian Taxation Office Excise tariff reform recycled fuel products fact sheet provides information about the proposed changes to the excise treatment of recycled fuel products.

**Summary of changes**

The key changes relating to recycled fuel products are:  
most recycled fuel products will be subject to excise duty of  
\$0.38143 per litre

- a streamlined excise tariff schedule which includes changes to the numbering system for recycled fuel products
- removal of the requirement to chemically mark fuel
- replacement of the concessions for business end users of recycled fuel products with the proposed fuel tax credit, and
- an additional benefit under the PSO (Product Stewardship Oil) program.

These changes are expected to apply from 1 July 2006.

Eligible recyclers will receive:

- \$0.07557 per litre from 1 July 2006 to 30 June 2007
- \$0.05 per litre from 1 July 2007 to 30 June 2008
- \$0.025 per litre from 1 July 2008 to 30 June 2009

The additional amount of product stewardship (oil) benefit will cease after 30 June 2009.

The Association is concerned about the intention to tax recycled product at the full excise rate (currently 38.143 cents per litre) and allow credits at the user level. The financial burden this will place on recyclers is such that many recyclers will not be able to continue in business.

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The Association believes the additional amount of product stewardship (oil) benefit will be helpful but has been mis-directed (deliberately?) as a temporary sop to accept the imposition of the permanent financial cost burden of oil recyclers collecting the \$0.38143 per litre, submitting it to ATO weekly and waiting 30 to 60 days for payment.

Since 2004 Oil recyclers reported to the Treasury and ATO via individual written submissions, AORA submissions, personal lobbying at high levels of Treasury Ministerial level and oil recycler members of the Oil Stewardship Advisory Council advising that the removal of the \$0.07557 excise on new burner fuel would make recycled product less competitive in the long term, not the relatively short time of three years on a reducing basis as proposed by the bureaucrats.

What is worrisome, is that some members have reported the loss of recycled oil sales to customers who will change to burner fuel gas which does not attract excise because they do not want to finance the cost of the \$0.38143 while they wait for a Tax Credit on their BAS.

Any oil product that is recycled must have originated with the oil companies and have been subjected to the excise regime in the first instance. To subject the product to excise for a second time is a form of unfair double taxation.

The Department of the Environment and Heritage annual report 2004-05 advises that approximately 193 million litres of recycled product is used as burner fuel in Australia. This means oil recyclers have to fund approx \$73.6 million for minimum periods of 30-60 days on a continuing basis. This is a cost that the industry cannot afford.

- The flow on effect of such a measure will impact:
- Employment;
- Costs to the consumer; and
- The environment, but will have no impact in net terms on the revenue to the government.

Yours sincerely

Fred Wren  
Chairman  
**AORA**