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Paint makers get the big brush-off

COMMENT
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Paint manufacturers are angrily questioning the commitment of the federal government to assessing the impact on small business of proposed legislation.

Under proposed changes to the Excise Tariff Act and the Customs Tariff Act, the fuel excise of 38.143¢ a litre will extend to petroleum products used in solvent-based paints. Paint makers had been exempt from the excise on petroleum products used in paint because paint is not a fuel. The changes require the excise be paid up front and claimed back from the government.

One angry paint maker with annual turnover of $4 million who contacted the writer said the change would add additional costs to his business. The owner, who asked not to be identified, says his company consumes about 50,000 litres of hydrocarbon solvent a month, representing $19,071.60 in excise.

Once the solvent is converted into a finished product, the excise will be credited back through the business activity statement, but the accounting fees to change from a quarterly or annual BAS, plus extra bank fees to increase loans to provide the capital to pay the excise, will not. It is also understood that businesses will not get the interest on money the government holds.

For this particular business, which wants to undertake research and development so it can move from dependence on hydrocarbon solvents, the money it could have used is tied up in funding the excise.

The same business's solvent supplier faces a bigger impact. It has to remit the excise that is based on weekly sales on the first Monday of each week from July 1 to the Australian Taxation Office.

The supplier sells 1.2 million litres a week of solvent, representing $457,716 in excise payable on July 10. The supplier does not recoup its sales to the paint maker until the end of August, yet has to find $456,716 a week, a figure that could grow to more than $1 million during the month.

The Australian Paint Manufacturers Federation has 50 industry members that together produced 213 million litres of paint in 2005, down from 231 million litres in 2002.

Imports accounted for 18 to 20 million litres a year and grew by 7 per cent in the past 12 months, the federation says.

The federation's executive director, Michael Hambrook, says modification of reporting and record systems will prove costly, particularly to small paint manufacturers, and waiting for refunds will worsen the cash-flow picture.

The cost of the measures will be passed on to consumers of local product but imported paint will not face the same problem, he says.

Hambrook received a letter from Treasury which says "the government has concluded that the cash-flow implications for some businesses would be more than offset by the reduction in compliance costs to businesses more generally".

I'm sure businesses forced to close or lay off staff would like to see those calculations.

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