


ST 2174 - SALES TAX: RECYCLING OF OIL

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TAXATION RULING NO. ST 2174

SALES TAX: RECYCLING OF OIL

F.O.I. EMBARGO: May be released

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1199536	RECYCLED OIL	SALES TAX ASSESSMENT ACT (NO. 1); SECTION 3: DEFINITION OF "MANUFACTURE"

PREAMBLE A company engaged in the production of lubricants and other oil based products also undertakes oil recycling. Although hydraulic oil is the major variety of oil recycled other oils are also subjected to the recycling process. Used oil is collected from the end user's premises in minimum lots of 2460 litres and when the recycling process is completed the recycled oil is returned to the end user. In cases where the oil is unable to be restored to a condition suitable for use for its original purpose users are advised if the recycled oil is suitable for use for some other purpose e.g. some restored hydraulic oil is suitable only for use as a cutting oil. In cases where the oil, after recycling, is unsuitable for further use the end user is so advised and the recycling company offers to purchase the oil for a nominal figure. The matter that has been raised is whether the recycling processes undertaken by the company constitute manufacture for sales tax purposes.

RULING 2. While the used oil is subjected to detailed processing the primary object of the processes is to clean the oil. Where appropriate, additives are introduced to bring the oil back as near as possible to its original condition. The processes do not alter the basic nature of the oil. Used hydraulic oil after processing remains hydraulic oil although the recycled oil may not always be suitable for such use.

3. The processes are restorative only. They do not bring any new product into existence and accordingly do not involve the manufacture of goods. No tax liability arises in relation to the sale of or the charge made for the recycled oil. Tax is, however, payable on any taxable additives and other taxable materials used in the recycling processes.

COMMISSIONER OF TAXATION
8 October 1985

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