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THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

SALES TAX AMENDMENT BILLS (Nos 1-9) 1982

SALES TAX (EXEMPTIONS AND CLASSIFICATIONS)
AMENDMENT BILL 1982

EXPLANATORY MEMORANDUM

(Circulated by authority of the Treasurer,
the Hon. John Howard, M.P.)

General outline

The first group of Bills - the Sales Tax Amendment Bills (Nos 1-9) 1982 - will increase by 2.5 percentage points the rates of sales tax. Goods previously taxable at 5% will become taxable at 7.5%, those previously taxed at the rate of 17.5% will be taxable at 20% and goods in the top-rate category will be taxable at 32.5% rather than 30%.

The changes in rates are to take effect in relation to goods that, on or after 18 August 1982, pass the point at which sales tax becomes payable, ordinarily the sale from a wholesaler to a retailer.

The Sales Tax (Exemptions and Classifications) Amendment Bill 1982 will have the effect of making certain categories of goods that are presently exempt from sales tax subject to sales tax at 7.5%. The tax will apply to goods in these categories which on or after 1 January 1982 pass the point at which sales tax becomes payable. This is ordinarily the sale of goods by a wholesaler to a retailer.

In summary only, and subject to overriding exemptions applicable to particular industries and organisations (including Governments), the goods affected will comprise: maps and geographical globes; imported overseas travel literature; hand tools and abrasive implements; motion picture films; servicing, repairing and construction equipment; household drapery and soft furnishings; cleaning and polishing rags; blankets; handkerchiefs; and cleaning sponges and engine-cleaning cotton waste. Baby rugs and quilts will continue to be exempt.

The imposition of sales tax at 7.5% on the relevant categories of goods will be effected by the omission of the appropriate items from the First Schedule to the Sales Tax (Exemptions and Classifications) Act, which lists the classes of goods that are exempt from tax. Those categories of goods, in the main, will be covered by new items to be included in the Third Schedule to that Act which will cover goods taxable at 7.5%.

As background to these changes, the sales tax is a single stage tax levied on goods. In general, it is designed to fall at the wholesale level but is payable by manufacturers and importers, as well as by wholesalers, the tax in each case being based on a sale value equivalent to the wholesale value of the goods. The overall intention is that goods that are produced in, or

imported into, Australia for use or consumption here will bear the tax unless they are specifically exempted from it. Second-hand goods that have been used in Australia are not ordinarily taxed but imported goods that have been used overseas are normally taxable on a basis corresponding with that applicable to new goods.

The levy is not limited to sales. Where goods have not already borne the tax it could, for example, fall on leases of those goods or on the application of those goods to a taxpayer's own use. It may also fall on importations of goods where they are not imported for sale by a wholesaler, e.g., where they are imported by retailers or consumers.

Manufacturers and wholesalers are required to register with the Taxation Office, unless they deal only in exempt goods. When registered they are issued with a certificate of registration and by quoting the certificate number when purchasing or importing goods they can acquire the goods free of tax. The system of quoting certificates has the effect of deferring payment of tax until the last wholesale sale.

Registered manufacturers and wholesale merchants are required to furnish monthly returns of their transactions to the Taxation Office. The tax is basically a self-assessment one and persons furnishing returns are required to calculate the tax payable on transactions for the month, and to forward payment of the tax with each return. Importers are required to pay tax when clearing goods through Customs unless they are registered persons who quote their certificates for the goods.

Reflecting the fact that sales tax payers are obliged to pay tax to the Taxation Office in this way they in turn, when selling goods to a retailer or other customer charge to the customer an amount equal to the tax they are liable to remit when forwarding a sales tax return for the month. In that way the tax is passed on to the consumer.

Because of constitutional considerations, the sales tax legislation is contained in a number of separate Acts. There are nine Sales Tax Acts which specify the rates at which tax is payable and each Sales Tax Act has a complementary Sales Tax Assessment Act providing the machinery for assessment, collection and administration of the tax imposed by the related Sales Tax Act. The subjects of taxation and the various Assessment Acts and Rates Acts are set out in the following table -

Assessment Act and Rates ActSubject of taxation

Sales Tax Assessment Act
(No. 1) and Sales Tax Act
(No. 1)

Goods manufactured in Australia and sold by the manufacturer or treated by him as stock for sale by retail or applied to his own use.

Sales Tax Assessment Act
(No. 2) and Sales Tax Act
(No. 2)

Goods manufactured in Australia and sold by a purchaser from the manufacturer.

Sales Tax Assessment Act
(No. 3) and Sales Tax Act
(No. 3)

Goods manufactured in Australia and sold by a person not being either the manufacturer or the purchaser from the manufacturer.

Sales Tax Assessment Act
(No. 4) and Sales Tax Act
(No. 4)

Goods manufactured in Australia and applied to his own use by a purchaser who quoted his certificate for the goods.

Sales Tax Assessment Act
(No. 5) and Sales Tax Act
(No. 5)

Goods imported into Australia.

Sales Tax Assessment Act
(No. 6) and Sales Tax Act
(No. 6)

Goods imported into Australia and sold by the importer or applied by the importer to his own use.

Sales Tax Assessment Act
(No. 7) and Sales Tax Act
(No. 7)

Goods imported into Australia and sold by a person other than the importer.

Sales Tax Assessment Act
(No. 8) and Sales Tax Act
(No. 8)

Goods imported into Australia and applied to his own use by a purchaser who quoted his certificate for the goods.

Sales Tax Assessment Act
(No. 9) and Sales Tax Act
(No. 9)

Goods in Australia dealt with by lease.

A further Act, the Sales Tax (Exemptions and Classifications) Act, contains a First Schedule that lists the classes of goods that are exempt from tax and further Schedules listing those that are taxable at rates specified in the Rates Acts. Goods not listed in any of the Schedules are taxable at what is called the general rate. Exemptions from tax set out in this Act extend to otherwise taxable goods that are for use by specified organisations or in particular industries or production processes.

The provisions of the Bills are explained in more detail in the notes that follow.

SALES TAX AMENDMENT BILLS (Nos 1-9) 1982

The purpose of these Bills is to increase all rates of sales tax by 2.5 percentage points. The increases are to take effect on and after 18 August 1982, the proposed rates being -

Goods covered by the Second Schedule	32.5% (previously 30%)
Goods covered by the Third Schedule	7.5% (previously 5%)
Goods covered by the Fourth Schedule	20% (previously 17.5%)
Goods covered by the Fifth Schedule	20% (previously 17.5%)
Goods not covered by any Schedule, i.e., goods taxable at the general rate.	20% (previously 17.5%)

As the rating provisions in each of the nine Bills are expressed in similar terms, the corresponding clauses of each are dealt with collectively.

Clause 1 : Short title, etc.

Clause 1 of each Bill formally states the citation of the amending Act and refers to the relevant Sales Tax Act as the Principal Act.

Clause 2 : Commencement

By this clause of each Bill, the amending Acts will come into operation on 18 August 1982. This accords with normal practice for changes in the rates of sales tax. But for clause 2, the amending Act would - by reason of sub-section 5(1A) of the Acts Interpretation Act 1901 - come into operation on the twenty-eighth day after the date of Assent.

Clause 3 : Imposition and rates of tax

Clause 3 will repeal sections 3 and 4 of each of the Principal Acts and substitute new sections 3 and 4. The substituted section 3 will formally impose sales tax at the rates specified in section 4 upon the sale value of goods sold or otherwise dealt with in taxable circumstances on or after 18 August 1982.

Substituted section 4 will set out the new rates of sales tax applicable to goods covered by the relevant Schedules to the Sales Tax (Exemptions and Classifications) Act and to goods not covered by any of the Schedules.

The goods to which the new rates will apply on or after 18 August 1982 are broadly as follows:

Second Schedule (32.5%)

Radio and television receivers, record players,
 tape recorders, household-type video recorders
 Cameras, photographic films, photographs,
 photographic equipment and non-commercial
 slide projectors and viewing equipment
 Jewellery
 Watches and clocks
 Furs and fur garments
 Gold and silver plate and gold plated ware
 Cosmetics, perfumery and bath salts
 Electric shavers, safety razors and shaving
 accessories
 Combs, hair brushes, toilet and dressing
 sets and pieces
 Fountain pens, ball point pens and
 propelling pencils
 Artificial flowers and fruits
 Ornaments and vases
 Cigarette lighters and cases
 Field glasses
 Slot and coin machines (other than vending
 machines)

Third Schedule (7.5%)

Household goods of the following kinds -

Furniture
 Floor coverings
 Blinds
 Refrigerators and freezers
 Washing machines, clothes driers and irons
 Vacuum cleaners, carpet sweepers, floor
 polishers, brooms, mops and dusters
 Portable and oil-fired heating equipment
 Air conditioners and electric fans
 Toasters, jugs, mixing machines, percolators,
 portable stoves and grillers (stoves that
 are fixtures are exempt)
 Lighting appliances
 Mattresses and pillows
 Crockery, cutlery, glassware, kitchen
 utensils and hardware
 Sewing machines and knitting machines
 Incinerators and garbage cans

Fourth Schedule (20%)

Commercial motor vehicles

Fifth Schedule (20%)

Motor cars

Goods not in any Schedule and taxable at the
general rate (20%)

Motor cycles, caravans, trailers and bicycles
 Motor vehicle parts, tyres and accessories
 Oils, greases and lubricants
 Boats, yachts and outboard motors and parts and accessories
 Aircraft for private use and gliders
 Computers, other business equipment and office furniture
 Industrial and business machinery and equipment other than production equipment
 Radio and television transmission equipment
 Vending machines
 Commercial air conditioning equipment
 Commercial refrigeration equipment
 Commercial laundering and dry cleaning equipment
 Commercial cooking equipment
 Chemicals, detergents, soaps, soap powders, polishes, glues, starches and disinfectants
 Dentrifices
 Whisky, brandy and other potable spirits
 Imported beers and wines
 Soft drinks
 Chocolates and other confectionery
 Pet foods and grooming preparations
 Advertising matter
 Stationery
 Certain paper cups and other paper containers
 Toilet paper and other paper products
 Toys, games and other amusement equipment
 Sporting equipment including firearms and ammunition
 Fireworks
 Musical instruments including pianos and organs
 Wheel barrows
 Lawn mowers, garden sprinklers and hoses
 Umbrellas
 Ladders
 Travelware, handbags and baskets
 Tents, tarpaulins, car covers and ropes

Clause 4 : Saving

Clause 4 is a saving clause which will ensure that sales tax at the rates imposed by the repealed sections 3 and 4 will continue to be imposed as if those sections had not been repealed. Effectively, it ensures that tax is still payable at the previous rates of sales tax on goods sold or otherwise dealt with in taxable circumstances on or before 17 August 1982.

SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) BILL 1982

The Sales Tax (Exemptions and Classifications) Act, which this Bill will amend, contains a First Schedule that lists the classes of goods that are exempt from tax and other Schedules listing those that are taxable at rates specified in the Rates Acts. Exemptions from tax set out in this Act extend to otherwise taxable goods that are for use by specified organisations or in particular industries or production processes.

This Bill is designed to classify certain goods which are at present exempt from sales tax as taxable at 7.5%, with effect on and after 1 January 1983. In general terms the goods to which the tax is to apply are those presently covered by the following items in the First Schedule to the Sales Tax (Exemptions and Classifications) Act:-

item 53	maps and geographical globes, etc.
item 58	imported overseas travel literature
item 105	hand tools and abrasive implements
item 107	motion picture films
item 113F	servicing, repairing and construction equipment
item 120(4)	household drapery and soft furnishings
item 120(5A)	cleaning and polishing cloths
item 120(6)	braid, ribbon and tape
item 120(7)	blankets
item 120(10)	handkerchiefs
item 120A	cleaning sponges and engine-cleaning cotton waste.

Under this Bill, new items will be introduced into the Third Schedule which will be expressed in essentially similar terms to the above items as they appear in the First Schedule.

Item 124(5) in the First Schedule will be amended to ensure that the following classes of goods will continue to be exempt - baby rugs and quilts and seats, mattresses, etc., which are designed for goods to which item 124 applies, such as baby carriages, bassinets, cuddle seats, cradles and cots.

The Bill will also provide for the exemption from sales tax of the official flag of the XII Commonwealth Games. This exemption is to apply from 1 January 1982.

The provisions of the Bill are explained in more detail in the notes that follow.

Clause 1 : Short title, etc.

This clause formally provides for the citation of the amending Act as the Sales Tax (Exemptions and Classifications) Amendment Act 1982 and for the Sales Tax (Exemptions and Classifications) Act 1935 to be referred to as the Principal Act.

Clause 2 : Commencement

By sub-clause 1 of this clause it is proposed that subject to sub-clause 2 the amending Act will come into operation on and after 1 January 1983.

Sub-clause 2 provides that the amendment to be made by Schedule clause 5 shall be deemed to have come into operation on 1 January 1982.

But for clause 2, the amending Act would - by reason of sub-section 5(1A) of the Acts Interpretation Act 1901 - come into operation on the twenty-eighth day after the date of Assent.

Clause 3 : Amendments of the Schedules to Principal Act

This clause proposes that the First and Third Schedules to the Principal Act be amended as set out in the Schedule to the amending Act. The Schedule is divided into two parts. Part I proposes amendments to the First Schedule and Part II will amend the Third Schedule.

Part I : Amendments of First ScheduleSchedule clause 1 : Items 53, 58, 105, 107 and 113F

Clause 1 will omit items 53, 58, 105, 107 and 113F from the First Schedule to the Principal Act. This will have the effect of excluding from exemption the categories of goods at present covered by those items, which broadly are - maps and geographical globes; imported overseas travel literature; hand tools and abrasive implements; motion picture films; and servicing, repairing and construction equipment.

Schedule clause 2 : Item 120

Clause 2 will omit sub-items (4), (5A), (6), (7) and (10) of item 120 in the First Schedule to the Principal Act. This will have the effect of excluding from exemption the categories of goods at present covered by those sub-items, which broadly are - household drapery and soft furnishings; cleaning and polishing cloths; braid, ribbon and tape; blankets and handkerchiefs.

Clause 2 will also omit from the preamble to item 120 the words "drapery" and "soft furnishings" and will insert after the words "Second Schedule" to the words "or Third Schedule".

Schedule clause 3 : Item 120A

Clause 3 will omit item 120A in the First Schedule to the Principal Act. This will have the effect of excluding from exemption the categories of goods at present covered by that item, namely cleaning sponges and engine-cleaning cotton waste.

Schedule clause 4 : Item 124

Clause 4 will omit sub-item (5) of item 124 in the First Schedule to the Principal Act. This sub-item at present exempts seats, mattresses, pillows, cushions, covers, stands, and parts, for goods to which item 124 applies.

New sub-items (5) and (6) will maintain the exemption for goods presently covered by sub-item (5) and will also maintain the present exemption for baby rugs and baby quilts. The opportunity has been taken to re-express the sub-item to correct a drafting deficiency.

Schedule clause 5 : Item 141

Clause 5 will amend item 141 in the First Schedule to the Principal Act so as to exempt the official flag of the XII Commonwealth Games from sales tax. By virtue of clause 2 of the Bill the exemption is to apply on and from 1 January 1982.

Part II : Amendments of Third ScheduleSchedule clause 6 : items 3 to 10

Clause 6 will omit item 3 in the Third Schedule to the Principal Act. This item covers containers for goods covered by the Third Schedule. New item 10 is in the same terms as the omitted item.

The items to be introduced into the Third Schedule to the Principal Act, together with a summary of the goods covered by each item, are set out below.

Item 3

Maps including road and tourist maps, navigators' charts, and geographical, topographical and astronomical globes fall under this item.

Item 4

Imported overseas travel literature and other printed matter relating to overseas travel comes within item 58.

Item 5

Sub-item (1) of this item covers hand tools of the kinds used for industrial purposes, including power-driven tools, but not including -

- (a) tools of the kinds ordinarily attached to benches, stands or fixtures;
- (b) office equipment, equipment of the kinds used for or in connection with writing or drawing or brushes of the kinds used by artists or draughtsmen; or
- (c) goods covered by an item in any other Schedule to the Sales Tax (Exemptions and Classifications) Act.

The effect of these exclusions from the item is to maintain higher rates of tax for certain excluded goods and to preserve exemption for certain hand tools of a kind used in the agricultural industry such as secateurs, pruning saws and pruning knives.

Sub-item (2) covers hand tools of the kinds used for gardening, but not power driven gardening tools which are taxable at the general rate (now to be 20%).

Item 5 (3) covers abrasive implements and apparatus of the kinds used for industrial purposes.

The kinds of goods coming within the terms of item 5 include carpenters' tools, paint brushes, cement workers' tools, axes and hatchets, motor vehicle tool kits, portable power tools, soldering irons, spray guns and welding electrode holders.

Item 6

Goods to be covered by this item include exhibition copies of motion picture films including films to be exhibited by television, but not including exhibition copies of films for the private, domestic or personal use of the person by or for whom the copies are produced. These latter films are taxable at the general rate.

The item will also include goods for use in the production of motion picture films for business or industrial purposes, certain imported tourist films depicting places outside Australia, copies of those films, sound recordings produced in conjunction with such films and motion picture films exposed outside Australia by amateur photographers that are free of Customs duties.

Item 7

Item 7 will cover machinery, implements, apparatus and materials (but not including road vehicles or goods which become part of the equipment being serviced etc.) for use exclusively or primarily and principally, for business or industrial purposes, in :

- (a) servicing, repairing and reconditioning -
 - (i) motor vehicles
 - (ii) aeroplanes (including helicopters)
 - (iii) ships, boats and other vessels
 - (iv) railway rolling stock; or
 - (v) parts for any goods specified in the preceding provisions of the item;
- (b) repairing tyres including retreading and recapping;
- (c) constructing, maintaining or repairing buildings or other structures, or roads, dams, pipelines, drains, trenches, tunnels or other works; or
- (d) repairing footwear for human wear.

The effect of the Bill will be to tax at 7.5% machinery, implements, apparatus and materials (and parts and lubricants for such machinery, implements and apparatus) for use in the construction industry, the transport servicing industry, the repairing and recapping of tyres and

the repair of footwear. The item does not cover goods which become part of the goods being repaired or serviced or part of structures.

Item 8

Item 8 will cover the following categories of goods:-

- "8(1) Household drapery and soft furnishings, viz.:-
- (a) Bed sheets;
 - (b) Bed spreads;
 - (c) Bolster cases, bolster shams and bolster slips;
 - (d) Chair back covers;
 - (e) Counterpanes;
 - (f) Curtains and textile cords for fastening curtains; plastic eyelet tape for use as part of plastic shower curtains;
 - (g) Cushion covers;
 - (h) Laundry bags;
 - (i) Loose furniture covers;
 - (j) Mattress cases, mattress covers and mattress protectors;
 - (k) Meat bags;
 - (l) Mosquito nets;
 - (m) Pillow cases, pillow shams and pillow slips;
 - (n) Pudding cloths;
 - (o) Quilts;
 - (p) Table cloths, table covers, table mats, table napkins, table runners and doilies;
 - (q) Tea-towels;
 - (r) Towels, face cloths and face washers.
- (2) Cleaning and polishing cloths (including dusting cloths, dishcloths and sweat-cloths) made of piece goods covered by sub-item (5) of item 120 in the First Schedule, but not including goods consisting, in whole or in part, of metal or a plastic abrasive substance.
- (3) Braid, cloth belting, cloth ribbon, cloth tape, elastic, fringe, insertion lace, wadding, webbing, lacing cord and other textile cords of a kind used on clothing, drapery or soft furnishings.

- (4) Blankets and travelling rugs but not including goods designed to be covered by sub-item 5 of item 124 in the First Schedule.
- (5) Handkerchiefs made of cloth."

Item 9

Item 9 covers certain sponges and synthetic sponges and other cleaning materials.

Item 10

Proposed item 10 is to replace existing item 3 in the Third Schedule and is a drafting amendment to accommodate the wider range of goods in the Third Schedule.

It is a general principle of the sales tax law that the tax applicable to a container is the same as the tax applicable to the contents. Item 10 will ensure that a "container", as defined, of goods covered by the Third Schedule will also be taxable at the same rate as those goods.