

THE PARLIAMENT OF THE COMMONWEALTH OF
AUSTRALIA

SENATE

TAXATION LAWS AMENDMENT BILL (NO. 5) 1992

ADDITIONAL FURTHER SUPPLEMENTARY
EXPLANATORY MEMORANDUM

(Circulated by the authority of the Treasurer,
the Hon J. Dawkins M.P.)



General Outline and Financial Impact

The proposed amendments of the sales tax law are of a technical, drafting nature only. They are designed to make consequential changes to the sales tax law to accommodate recent amendments of the Customs Act 1901. The customs amendments included a restructuring of part of the Customs Act. The amendments of the sales tax law ensure that references in the law to particular provisions of the Customs Act reflect the recent changes to that Act.

Financial impact: There are no revenue implications from the amendment.

Background to the proposed amendment

Sales tax is a single stage tax levied on goods. It applies to goods that are produced in, or imported into, Australia for use or consumption here unless the goods are specifically exempted from the tax. In general the tax is designed to fall at the point of final wholesale sale, generally the sale from a manufacturer or wholesaler to a retailer. With imported goods the tax is payable either at the time of importation or when the goods are subsequently sold by wholesale in Australia. Tax is generally paid at the time of importation when goods are imported by retailers for retail sale or by consumers and business people who require the goods for their own use.

Where tax is payable at the time of importation, the payment time is linked with the entry for home consumption of the goods. This results in sales tax being paid at the same time as any duty of Customs is payable.

In relation to the entry of goods, the Customs Act has recently been amended to provide for the electronic lodgement of import entries. These amendments have resulted in the repeal of the former entry provisions and their replacement with provisions to cover electronic lodgement. The amendments also cover the situation where

goods are entered otherwise than by electronic lodgement. Because payment of sales tax at time of importation of the goods is linked to the entry of the goods consequential amendments are required to the sales tax law.

Amendments are required both to the existing sales tax law and to the simplified sales tax law (which will come into operation on 1 January 1993).

Explanation of the Amendments

Existing law: *Sales Tax Assessment Act (No.5) 1930*

Under the existing law, sales tax that is payable at the time of entry of the goods is payable under Act (No.5). To keep payment of tax in line with payment of duty, the provisions relating to the entry of goods require amendment. Because Act (No.5) will cease to have application from 1 January 1993 - that is the date the new sales tax law will come into effect - the amendments necessary to Act (No.5) have been effected by an application provision rather than amend each of the relevant provisions.

(Clause 123)

Existing law: *Sales Tax (Exemptions and Classifications) Act 1935*

Items 70A and 80 in the First Schedule to the above Act exempt certain goods at their time of entry for home consumption. Under the new Customs entry provisions goods may be delivered for home consumption besides being entered. To give full effect to the exemptions contained in items 70A and 80, the terms of those items will be amended to also cover the delivery of goods for home consumption.

(Clause 125)

New law: *Sales Tax Assessment Act 1992*

In the new law the relevant Customs entry points to which the sales tax law applies are set out in Table 2 of Schedule 1 to the Act. The new Customs entry provisions require the replacement of entry points LE1, LE2, LE3 and LE4 contained in Table 2. An additional entry point (LE4A) will be inserted to cover situations where goods may be entered otherwise than by electronic or manual entry.

(Clause 127)

New law: *Sales Tax (Exemptions and Classifications) Act 1992*

This is a similar amendment to that explained under the *Sales Tax (Exemptions and Classifications) Act 1935*. Items 70A and 80 have become, respectively, Items 119 and 145 in the 1992 Act and those Items will be amended in like manner to items 70A and 80 to ensure that the exemptions have their full effect.

(Clause 129)

Commencement and Application

Existing law: The amendments made to the existing law will have retrospective effect in that they will be operative from 1 September 1992, the same date that the new Customs entry provisions came into effect. This is necessary to keep the relevant Customs and sales tax provisions in line at all times.

(Subclause 2(4))

New law: The amendments made to the new law will come into effect on 1 January 1993, the date that the new law will come into operation.

(Subclauses 2(5) and 2(6))