DIGEST OF BILL

Purpose

To give effect to Budget decisions by altering the sales tax classification of a number of goods including certain non-alcoholic beverages, flavoured milk, swimming pool items and 'luxury' motor cars.

Background

Wholesale sales tax is levied on the vast majority of new goods sold in Australia. Generally, goods will be subject to sales tax at the 20% level unless exempted or taxed at a differing rate through the operation of the Sales Tax (Exemptions and Classifications) Act 1935 (the Principal Act). For example, the second schedule to the Principal Act lists goods, such as jewellery, photographic equipment and video recorders, which are taxed at the highest rate of 30%. By comparison, Schedule six lists a number of alcoholic drinks, including wine, which are taxed at the lower rate of 10%.

For information on the general budget impact of the changes, refer to the Digest for the Sales Tax Laws Amendment Bill 1986 (No. 86/115).

Main Provisions

The operative provisions of this Bill will be deemed to have operated from 20 August 1986 (sub-clause 2(2)).
Sub-clause 5(2) will repeal Schedule six of the Principal Act. This will remove the concessional treatment of certain alcoholic beverages including wine which will now be taxed at the general rate of 20%.

Sub-clause 5(1) will amend the First, Second, Third, Fourth and Fifth Schedules of the Principal Act as set out in the Schedule to this Bill. The major amendment will be:

- salt sold for non-culinary purposes will be subject to the general 20% rate (clauses 3 and 4 of the Schedule);
- flavoured milk, which is currently exempt, will be taxed at the 10% rate (clauses 5 and 23 of the Schedule);
- Australian non-alcoholic wine and cider, currently exempt, will be subject to tax at the 10% rate (clauses 7 and 24 of the Schedule);
- scientific instruments (calculators, computers, etc.) bought by teachers or students for use in institutions will no longer be exempt and will be taxed at the general rate. Such items bought by institutions will remain exempt (clause 9 of the Schedule);
- clauses 10 to 14 of the Schedule will remove the exemption for various goods used in the construction of spa baths which will now be taxed at the general rate;
- the exemption for aeroplanes used for business will be extended to all types of aircraft used for business (clause 17 of the Schedule);
- if a motor vehicle's wholesale sale value exceeds the depreciation limit (i.e. $29,646) that vehicle will be taxed at the maximum rate of 30% (clause 21 of the Schedule);
- household type goods used in connection with swimming pools and spa baths (such as pool vacuum cleaners) will be excluded from the Third Schedule (10% rate) and so will be taxed at the general rate (clause 22 of the Schedule);
- industrial hand tools, video tapes used for commercial or industrial purposes and machinery and materials used for business in servicing motor vehicles,
planes, trains, retreading tyres or construction will be excluded from Schedule 3 (10%) and so will be taxed at the general rate (20%) (clause 24 of the Schedule); 

- swimming pool liners will be excluded from Schedule 3 and so will be taxed at the general rate (clause 25 of the Schedule); and 

- swimming pool heaters (other than solar heaters) will be excluded from the Third Schedule and so will be taxed at the general rate (clause 26 of the Schedule).

For further information, if required, contact the Economics and Commerce Group.

9 September 1986