

**THE PARLIAMENT OF THE COMMONWEALTH  
OF AUSTRALIA**

**HOUSE OF REPRESENTATIVES**

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**SALES TAX  
(EXEMPTIONS AND CLASSIFICATIONS)  
AMENDMENT BILL 1992**

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**EXPLANATORY MEMORANDUM**

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



## **General Outline**

The Sales Tax (Exemptions and Classifications) Amendment Bill 1992 will remove the sales tax exemption for the following recycled paper products:

- books of paper;
- toilet and facial tissue; and
- paper bags.

2. The change will apply to any dealings with those goods that occur on or after 26 June 1992.

## **Financial Impact**

3. The proposed change will provide a gain to the revenue of \$11m in 1992-93 and \$12m in 1993-94.

## **Background**

### **Overview of the sales tax law**

4. The existing wholesale sales tax law (WST) comprises 11 Assessment Acts, 14 Rating Acts, an Exemptions and Classifications Act and the Procedure Act. A package of 6 Bills was introduced into the Parliament on 26 May 1992 which will completely restructure the WST law. This package of Bills consists of an Assessment Bill, 3 Imposition Bills, an Exemptions and Classifications Bill and a Transitional Provisions Bill.

5. This new law will commence on the 28th day after it receives Royal Assent. However, the new law will not impose tax on any dealings with goods until the '*first taxing day*'. That term is defined to be the first day of the fourth month after the month in which the new law receives the Royal Assent.

### **Goods taxed at different rates**

6. Most goods are subject to sales tax at the 'general rate' (which is currently 20%), unless the goods are listed in any of the Schedules to the *Sales Tax (Exemptions and Classifications) Act 1935*. Goods listed in any of the Schedules will either be exempt or taxed at 10%, 15%, 20% or 30% depending on where they are listed.

### **Current treatment of recycled paper products**

7. The following goods are currently exempt from sales tax if all the paper in the goods is made from recycled paper, cardboard or other recycled fibre:

- (a) writing, drawing or printing paper that is either blank or has parallel lines to serve as a guide for writing or printed lines to serve as a guide for drawing graphs. Paper that is treated to react to heat or electromagnetic energy is not included;
- (b) pads or books of paper covered by (a);
- (c) paper for use in accounting ledgers or journals;
- (d) envelopes that are blank apart from a return address, postage mark or trade mark or logo;
- (e) toilet tissue;

- (f) facial tissue; and
  - (g) paper bags marketed for household purposes or for use in marketing goods sold by retail;
8. These goods are listed in item 60 in the First Schedule to the *Sales Tax (Exemptions and Classifications) Act 1935*. The goods are also listed in Item 108 of Schedule 1 to the new Sales Tax (Exemptions and Classifications) Bill 1992, which is currently before the Parliament and will replace the existing law from the first taxing day. Item 108 of the new legislation has the same effect as existing item 60.
9. Goods that are made only partly from recycled paper, cardboard or other fibre are not covered by the exemption.

### **Treatment of paper products made from virgin paper**

10. Paper products made from virgin paper are taxed at the general rate of 20% unless they are listed in one of the *Schedules to the Sales Tax (Exemptions and Classifications) Act 1935*. For example, books, newspapers and magazines are exempt from tax, while maps are taxed at 10%. These products will be treated the same under the Sales Tax (Exemptions and Classifications) Bill 1992.

## **Explanation of the Amendments**

### **Goods made taxable by the amendment**

11. The following goods, if they are made wholly from recycled paper, cardboard or other recycled fibre, will become taxable:

books of blank, lined or graph paper used for writing or drawing;

toilet tissue;

facial tissue; and

paper bags marketed for household purposes or for use in marketing goods sold by retail. *[clause 4(1) and clause 6(1)]*

12. These goods will now be taxed on the same basis as similar goods that are made from virgin fibre.

## **Recycled paper goods that are exempt from sales tax**

13. The goods that will remain exempt from sales tax if all the paper in those goods consists of recycled paper, recycled cardboard or other recycled fibre are:

- (a) writing, drawing or printing paper that is either blank or has parallel lines to serve as a guide for writing or printed lines to serve as a guide for drawing graphs. The paper may also have a printed trade mark, logo or letterhead on it. Paper that is treated to react to heat or electromagnetic energy will continue to be taxable;
- (b) pads of paper covered by (a);
- (c) paper for use in accounting ledgers or journals; and
- (d) envelopes that are blank apart from a return address, postage mark, trade mark or logo.

## **Application of the Amendments**

14. The amendment of the *Sales Tax (Exemptions and Classifications) Act 1935* will apply to all transactions, acts and operations with goods on or after 26 June 1992. [*clause 2(1) and clause 4(2)*]

15. The amendment of the *Sales Tax (Exemptions and Classifications) Act 1992* will apply to all dealings with goods on or after the **first taxing day**. This is defined in the *Sales Tax Assessment Bill 1992* to be the first day of the fourth month after the month in which the legislation receives the Royal Assent, e.g. if the new law receives Royal Assent in July, then the first taxing day will be 1 November 1992. [*clause 2(2) and clause 6(2)*]

16. It is common, as is the case with this Bill, for increases in the sales tax rate to take effect before the amending legislation receives the Royal Assent. As a consequence, a person may be liable to pay tax, on a retrospective basis, before the amending legislation becomes law. Once the amending legislation is enacted, a person who has failed to remit the sales tax that may be payable on transactions since the date of effect of the legislation, technically and retrospectively, would be liable to prosecution for an offence or liable to additional tax by way of a penalty.

**17.** Section 12F of the *Sales Tax Procedure Act 1934* ensures that any amendments made to the sales tax law do not result in a person being liable to prosecution for an offence or liable to pay additional tax by way of penalty for acts or omissions before the 28th day after the day on which the amending legislation receives the Royal Assent. Consistent with that, obligations arising from amendments that are not formally met before the 28th day after Royal Assent is given to the amending legislation will not result in any penalty being levied on the taxpayer. Clause 129 of the new Sales Tax Assessment Bill 1992 will have the same effect as section 12F.



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