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THE PARLIAMENT OF THE COMMONWEALTH
OF AUSTRALIA

HOUSE OF REPRESENTATIVES

SALES TAX (EXEMPTIONS AND CLASSIFICATIONS)
AMENDMENT BILL (NO.2) 1989

SUPPLEMENTARY EXPLANATORY MEMORANDUM

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

INTRODUCTORY NOTE

This supplementary explanatory memorandum explains the amendment proposed to the Sales Tax (Exemptions and Classifications) Amendment Bill (No.2) 1989 as introduced into the House of Representatives.

GENERAL OUTLINE

The amendment will amend paragraph (d) of clause 3 of the Bill to extend sales tax exemption to a wider range of goods that are for use by a sub-contractor exclusively in carrying out activities on behalf of one or more persons, even where those persons are not technically manufacturers for sales tax purposes.

FINANCIAL IMPACT

The cost to revenue of the amendment is estimated to be less than \$1 million in a full year.

NOTES ON AMENDMENT

Paragraph (d) of clause 3 of the Bill proposes the amendment of the First Schedule to the Sales Tax (Exemptions and Classifications) Act 1935 by inserting a new item 113F. Broadly, the new item will exempt from sales tax goods for use by a sub-contractor exclusively in carrying out activities for

one or more manufacturers where each of those manufacturers, had they acquired and appropriately used the goods, would have been entitled to sales tax exemption for those goods under the existing 'aids to manufacture' or 'auxiliaries to aids to manufacture' provisions.

Sales tax exemption under item 113F will only be available for goods that satisfy the two conditions set out in paragraphs (a) and (b) of the new item.

The amendment to the Bill will replace the words "more manufacturers" in paragraph (a) of item 113F in subclause 3(d) - line 17 of page 3 - with the words "more other persons".

The effect of the amendment will be that paragraph (a) of item 113F will be satisfied where the goods are for use by a sub-contractor exclusively in carrying out contracted activities for one or more persons, regardless of whether those persons are manufacturers for sales tax purposes. But for this amendment, the exemption under proposed item 113F would not be available for goods for use by a sub-contractor exclusively in carrying out activities for another person who undertakes activities of a manufacturing nature, but who is not a manufacturer for sales tax purposes.