

1979

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

SALES TAX (EXEMPTIONS AND CLASSIFICATIONS)

AMENDMENT BILL (NO.3) 1979

EXPLANATORY MEMORANDUM

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

Introductory Note

This memorandum explains the provisions of the Sales Tax (Exemptions and Classifications) Amendment Bill (No.3) 1979 which is designed to amend the Sales Tax (Exemptions and Classifications) Act 1935.

The Bill introduces new exemption items into the First Schedule to the Sales Tax (Exemptions and Classifications) Act which, broadly, will provide exemption for the following categories of goods -

- . goods designed and manufactured expressly for use by blind persons or by deaf persons
- . imported antiques
- . rolls for player-pianos
- . equipment for the conversion of internal combustion engines to natural gas or liquefied petroleum gas operation
- . portable non-oil burning domestic space heating appliances
- . certain solar energy appliances.

Notes on each clause of the Bill are set out in the following paragraphs.

Clause 1 : Short Title Etc.

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

Clause 2 : Commencement

This clause provides for the commencement of the various provisions in the amending Act.

By sub-clause(1), the amending Act, with the exception of paragraphs 3(a), (b), (c), (d) and (e), shall be deemed to have come into operation on 28 June 1979.

Sub-clause(2) provides that paragraphs 3(a), (b), (c), (d) and (e) of the amending Bill shall be deemed to have come into operation on 22 August 1979. Paragraphs 3(a), (b), (c), (d) and (e) relate to goods for use by blind persons or deaf persons, imported antiques and rolls for player-pianos.

Clause 3 : First Schedule

Clause 3 will amend the First Schedule to the Principal Act. The First Schedule comprises items specifying the classes of goods that are exempt from tax.

Paragraph(a) of clause 3 will omit sub-item(4) of item 42 in the First Schedule to the Principal Act. That sub-item exempts -

"Articles designed for the alleviation of deafness, but not including articles for public use in buildings or other places."

Goods covered by sub-item 42(4) will be covered by new item 123 to be substituted by paragraph(d) of clause 3 for the present item 123 in the First Schedule to the Principal Act

By paragraph(b) of clause 3 the heading to Division X of the First Schedule to the Principal Act will be amended to include a reference to antiques. This amendment is consequential on the amendment proposed by paragraph(c) of clause 3 which will insert in Division X a new item relating to antiques.

Paragraph(c) of clause 3 will insert in the First Schedule to the Principal Act a new item 70A that will exempt imported antiques that are, or were, at the time of their entry for home consumption under the Customs Act, covered by item 99.06 in Schedule 1 to the Customs Tariff. That Tariff item applies to imported antiques that are, in the opinion of the Minister for Business and Consumer Affairs, of an age exceeding 100 years.

Paragraph(d) of clause 3 will omit item 123 in the First Schedule to the Principal Act and substitute for it a new item 123. Item 123 in the First Schedule to the Principal Act now exempts -

"Goods for use by blind persons, namely:-

- (a) braille watches and braille clocks, and movements, parts and keys for those goods;
- (b) braille writing frames, and styles for use with those goods;
- (c) braille machines;
- (d) braille playing cards;
- (e) talking book machines of a kind specially designed for the playing of records of speech for blind persons, and parts and accessories for those machines; and
- (f) records of speech of a kind specifically designed for use with talking book machines covered by paragraph(e)".

New item 123 will provide for exemption in respect of a range of goods for use by blind persons or by deaf persons.

Sub-item(1) of item 123 will exempt goods designed and manufactured expressly for use by blind persons if they are goods of a kind not ordinarily used by persons who are not blind. Goods covered by present item 123 will be exempt under sub-item(1) of the new item. Sub-item(1) will also exempt other goods designed and manufactured expressly for use by blind persons, for example -

- . the Optacon, a device which enables blind persons to read printed matter by tactile sensing
- . ultrasonic sensing devices which emit audible signals indicating objects in the path of blind persons.

Sub-item(2) of item 123 will exempt goods designed and manufactured expressly for use by deaf persons if they are goods of a kind not ordinarily used by persons who are not deaf. Goods now covered by sub-item(4) of item 42 in the First Schedule to the Principal Act will be exempt under this sub-item.

Sub-item(3) of item 123 will exempt parts for goods covered by sub-items(1) and (2) of item 123.

Paragraph(e) of clause 3 will insert in the First Schedule to the Principal Act item 140A, a new item which will exempt rolls for player-pianos.

Paragraph(f) of clause 3 will add to the First Schedule to the Principal Act three new items - item 151, item 152 and item 153.

Item 151 will exempt goods which are to be used in the conversion of internal combustion engines (e.g. motor vehicle engines, marine engines and stationary engines) to enable them to operate on natural gas or liquefied petroleum gas. Paragraphs(a) and (b) of item 151 set out the tests for determining whether goods will qualify for exemption.

Paragraph(a) of item 151 will limit the exemption to those goods that are essential to effect the conversion.

The exemption will thus not apply to a replacement for a worn or defective engine component if the replacement is of the same kind as the component being replaced and is fitted at the time of conversion as a matter of convenience. Nor will the exemption apply to a replacement component which is of a different kind to that replaced unless the change is essential to the effective conversion of the engine.

Under paragraph(b) of item 151 the goods will need to form an integral part of the converted engine(e.g. a vaporiser) or of the unit of which the converted engine forms part (e.g. a gas fuel tank or cylinder fitted in the boot of a motor car) or, alternatively, the goods will need to be connected, directly or indirectly, to the converted engine (e.g. a gas fuel tank connected by gas fuel line to a stationary engine).

Subject to certain exceptions, item 152 will provide exemption for space heating appliances of a kind ordinarily used for household purposes. The exceptions will be -

- (a) appliances of a kind that burn kerosene or other refined petroleum oils; and
- (b) air conditioning appliances.

The practical effect of this amendment will be to exempt space heating appliances, mainly portable appliances, (other than the excepted types) of a kind ordinarily used for household purposes that are at present covered by item 1 in the Third Schedule to the Principal Act and taxable at 2½%. Portable household kerosene heaters and household air conditioners will remain taxable at 2½%. Household space heaters of the built-in type, including oil fired, gas fired and electric heaters, are largely exempt from sales tax under the provisions of item 90B(2) in the First Schedule to the Principal Act. They will remain exempt.

Sub-item(2) of item 152 will exempt parts for space heating appliances covered by sub-item(1).

Item 153 will exempt certain classes of goods connected with the use of solar energy.

Sub-item(1) of item 153 will exempt goods of a kind used exclusively, or primarily and principally, for collecting, absorbing or concentrating solar rays for the purpose of using them as a source of heat. This sub-item will exempt solar absorption panels of the type used in heating water for industrial use, for swimming pools or for any other purposes. Solar absorption panels for domestic hot water services are at present exempt under item 90F in the First Schedule to the Principal Act. Item 90F applies to water heating and hot water storage equipment of a kind installed as fixtures in houses but these panels will be covered also by the new provision. Sub-item(1) will exempt also solar concentrators and other devices which focus or concentrate solar rays to provide a heat source for heating water, for cooking food or for industrial or other purposes.

Sub-item(2) of item 153 will provide exemption for photovoltaic cells which convert solar energy to electrical energy. The sub-item will apply to modules or panels of photovoltaic cells as well as to individual cells. It will not have the effect of exempting articles such as watches, radios and calculators which are equipped with photovoltaic cells.

Sub-item(3) of item 153 will exempt goods which are for use exclusively or primarily and principally in facilitating the operation of solar appliances covered by sub-items(1) and (2). Goods that will be covered by sub-item(3) would include stands or racks for solar collectors or photovoltaic cells and motors which enable solar collectors to track the sun.

Exemption will be provided by sub-item(4) of item 153 for parts for goods covered by sub-items(1), (2) and (3) of that item.

Clause 4 : Third Schedule

Clause 4 will amend the Third Schedule to the Principal Act. The Third Schedule comprises items which specify the classes of goods which are currently subject to tax at 2½%.

The purpose of this clause is to ensure that the exemptions for certain heating appliances provided in sub-item(2) of item 90B in the First Schedule to the Principal Act and to be provided by sub-item(1) of item 152 which is to be added by clause 3 will be fully effective. Some of these heating appliances could be covered also by the terms of paragraph(h) of item 1 in the Third Schedule to the Principal Act. The amendment proposed by this clause will exclude from item 1 in the Third Schedule to the Principal Act goods covered by sub-item(2) of item 90B or sub-item(1) of item 152 in the First Schedule thus removing any duplication that could otherwise occur.