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THE PARLIAMENT OF THE COMMONWEALTH

OF AUSTRALIA

HOUSE OF REPRESENTATIVES

SALES TAX LAWS AMENDMENT BILL 1987

EXPLANATORY MEMORANDUM

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

GENERAL OUTLINE

This Bill will give effect to two measures announced in the Government's May 1987 Economic Statement by amending the sales tax law:

to remove any exemption from sales tax that is allowable in respect of:

- .. certain Commonwealth commercial authorities established before 14 May 1987; and
- .. any Commonwealth authority established on or after that date, unless exemption from sales tax is expressly conferred on that authority by Commonwealth legislation; and

to implement changes to the sales tax concessions available to passengers and crew members of ships and aircraft arriving in Australia.

FINANCIAL IMPACT

The withdrawal of sales tax exemption for certain Commonwealth commercial authorities will result in a gain to revenue of \$310m in 1987-88 and \$395m in 1988-89.

The restriction of sales tax exemption for future Commonwealth authorities will have no quantifiable effect on the revenue, but will prevent erosion of the sales tax base.

The changes to the passenger concessions will result in a net revenue gain of \$20m in 1987-88 and \$21m in 1988-89 (estimate covers customs duty and sales tax).

BROAD FRAMEWORK OF SALES TAX LAW

The following broad framework of the sales tax law is provided to assist in an understanding of the changes being made by this Bill.

Sales tax is a single stage tax levied on, or in relation to, goods. In general, it is designed to fall at the wholesale level, but is payable by manufacturers and importers, as well as by wholesalers, the tax in each case being based on a sale value equivalent to the wholesale value of the goods. The overall intention is that goods that are produced in, or imported into, Australia for use or consumption here will bear the tax unless they are specifically exempted from it. Second-hand goods that have been used in Australia are not ordinarily taxable, but

imported goods that have been used overseas are normally taxable on a basis corresponding with that applicable to new goods.

The levy is not limited to sales. Where goods have not already borne tax it could, for example, fall on leases of those goods or on the application of those goods to a taxpayer's own use. It may also fall on the entry for home consumption of imported goods where they are not entered for sale by a wholesaler, e.g., where they are entered by a retailer or consumer. Where a person pays a royalty in relation to goods in circumstances where the amount of the royalty is not part of the sale value of the goods, tax is payable by the person paying the royalty at the rate applicable to the goods.

Tax is also levied on certain Australian manufactured goods sold by inwards duty free shops to persons who, if they had imported those goods as passengers or crew of aircraft arriving in Australia, would have been liable to tax.

Manufacturers and wholesalers are required to register with the Taxation Office, unless they deal only in exempt goods. When registered they are issued with a certificate of registration and by quoting the certificate number when purchasing goods or entering imported goods for home consumption they can acquire the goods free of tax. The system of quoting certificates is designed to defer payment of the tax until the last wholesale sale.

Registered manufacturers and wholesale merchants are required to furnish monthly returns of their transactions to the Taxation Office. The tax is basically a self-assessment one and persons furnishing returns are required to calculate the tax payable on transactions for the month, and to forward payment of that tax with each return. Importers are required to pay tax when clearing goods through Customs unless they are registered persons who quote their certificates for the goods.

Reflecting the fact that sales taxpayers are obliged to pay tax in this way they, in turn, when selling goods to a retailer or other customer, charge to the retailer or customer an amount equal to the tax that they are liable to remit when forwarding a sales tax return for the month. In that way, the tax is passed on to the consumer.

The sales tax legislation is contained in a number of separate Acts. In addition, there is a series of Regulations that are complementary to those Acts. The Acts and Regulations must be regarded as a whole to properly understand the wholesale sales tax.

There are 11 basic Sales Tax Acts (Rating Acts) that specify the rates at which tax is payable. Where royalties are payable in respect of goods, and the royalties are not subject to tax under the Rating Acts, three further Sales Tax Acts impose tax on the royalty payments but at the rates that are applicable in relation to the particular goods under the basic Rating Acts. Each of the basic Rating Acts has a complementary Sales Tax Assessment Act providing the machinery for assessment, collection and administration of the tax imposed by the related Sales Tax Act. There is also a Sales Tax Assessment Act for the three Sales Tax Acts relating to royalty payments. The subjects of taxation and the various Assessment Acts and Sales Tax Acts are set out in the following table -

<u>Assessment Acts and Sales Tax Acts</u>	<u>Subjects of Taxation</u>
Sales Tax Assessment Act (No. 1) and Sales Tax Act (No. 1)	Goods manufactured in Australia and sold by the manufacturer or treated by the manufacturer as stock for sale by retail or applied to the manufacturer's own use.
Sales Tax Assessment Act (No. 2) and Sales Tax Act (No. 2)	Goods manufactured in Australia and sold by a purchaser from the manufacturer.
Sales Tax Assessment Act (No. 3) and Sales Tax Act (No. 3)	Goods manufactured in Australia and sold by a person not being either the manufacturer or a purchaser from the manufacturer.
Sales Tax Assessment Act (No. 4) and Sales Tax Act (No. 4)	Goods manufactured in Australia and applied to own use by a purchaser who quoted a sales tax certificate number when purchasing the goods.
Sales Tax Assessment Act (No. 5) and Sales Tax Act (No. 5)	Imported goods entered for home consumption in Australia.

Sales Tax Assessment Act
(No. 6) and Sales Tax Act
(No. 6)

Goods imported into Australia and sold by the importer or applied to own use by the importer.

Sales Tax Assessment Act
(No. 7) and Sales Tax Act
(No. 7)

Goods imported into Australia and sold by a person other than the importer.

Sales Tax Assessment Act
(No. 8) and Sales Tax Act
(No. 8)

Goods imported into Australia and applied to own use by a purchaser who quoted a sales tax certificate number when purchasing the goods.

Sales Tax Assessment Act
(No. 9) and Sales Tax Act
(No. 9)

Goods in Australia dealt with by lease.

Sales Tax Assessment Act
(No. 10) and Sales Tax Act
(No. 10A), Sales Tax Act
(No. 10B) and Sales Tax Act
(No. 10C)

Certain royalties payable in respect of goods.

Sales Tax Assessment Act
(No. 11) and Sales Tax Act
(No. 11A) and Sales Tax Act
(No. 11B)

Australian manufactured airport shop goods purchased by relevant travellers, sold to persons other than relevant travellers or applied to own use by the proprietor of an inwards duty free shop.

Another Act, the Sales Tax (Exemptions and Classifications) Act 1935, contains a First Schedule that lists classes of goods that are exempt from tax and specifies the circumstances in which particular exemptions apply. Further Schedules list the classes of goods that are taxable at specified rates. Goods not listed in any of the Schedules are taxable at what is called the "general rate" - currently 20%. Exemptions from tax set out in this Act extend to otherwise taxable goods that are for use by specified organisations or are dealt with in a particular manner.

A further Act, the Sales Tax Procedure Act 1934, provides the machinery for the collection and recovery of sales tax but obviates the necessity to establish under which of the various Assessment Acts a particular transaction falls.

The Taxation Administration Act 1953 contains provisions relating to offences and prosecution of offences against the various taxation laws including the sales tax law.

MAIN FEATURES

The main features of the Bill are as follows:

Withdrawal of sales tax exemption for certain Commonwealth authorities.

(Clauses 2 - 27, 29, 30, and 31, and Schedule)

The Bill will alter the sales tax treatment of certain Commonwealth authorities.

Under existing provisions in the First Schedule to the Sales Tax (Exemptions and Classifications) Act 1935 certain Commonwealth authorities may qualify for exemption from sales tax on goods acquired for their use and not for sale. Broadly, a Commonwealth authority is exempt from tax on such goods if it is:

- an authority which is completely controlled by, and the expenditure of which is exclusively borne by, the Commonwealth Government (item 74, First Schedule);
- a public transport authority, where the goods are for use exclusively in, or in connection with, the establishment, conduct or maintenance of transport services (item 77, First Schedule); or
- a local government council or similar public authority, harbour trust, harbour board or marine board established under a law of the Commonwealth or a fire brigade or fire brigade board established for public purposes (item 78, First Schedule).

Additionally, some Commonwealth authorities are constituted by legislation which confers exemption from taxation generally or from particular classes of taxation. For example, subsection 83(1) of the Postal Services Act 1975 provides that the Australian Postal Commission ("Australia Post") is not subject to taxation under any law of the Commonwealth or of a State or Territory. Provisions of this kind generally confer exemption from any liability to sales tax that the relevant authority may have (e.g. as a manufacturer or wholesaler of any goods, or on entry of imported goods for home consumption), but not where the sales tax liability falls on another person, such as a supplier of goods to the authority.

The first alteration made to the sales tax law by the Bill will be to withdraw any exemption from sales tax that is currently allowable, under either the sales tax law or any other Commonwealth legislation, in respect of certain Commonwealth authorities that were established before 14 May 1987. These authorities will be prescribed in a new Schedule to be inserted by the Bill in the Sales Tax Assessment Act (No. 1) 1930.

Essentially, the authorities to be prescribed (there are 29 in all) are all authorities that carry on commercial undertakings. However, not all Commonwealth authorities carrying on commercial undertakings are to be prescribed. Public transport authorities and those carrying out local government functions will continue to be entitled to obtain goods for their use free of sales tax, in line with their State counterparts.

Of the authorities to be prescribed in the Schedule, only 7 are at present regarded as qualifying for exemption from sales tax on goods acquired for their use. These are:

- . ACT Gaming and Liquor Authority
- . Army and Air Force Canteen Service
- . Australian Postal Commission (Australia Post)
- . Australian Telecommunications Commission
(Telecom Australia)
- . Housing Loans Insurance Corporation
- . Phosphate Mining Corporation of Christmas Island
- . Superannuation Fund Investment Trust (SFIT)

In relation to the Phosphate Mining Corporation of Christmas Island, the Bill will only withdraw the exemption from sales tax which the Corporation enjoys by virtue of its status as a Commonwealth authority. Goods exported from Australia to Christmas Island, for use by the Corporation, will continue to qualify for exemption under a general provision in the sales tax law which exempts goods exported, or to be exported, from Australia.

The other authorities (i.e., the remaining 22) are specified in the Schedule to put beyond doubt the sales tax treatment of these authorities. Their inclusion in the Schedule does not affect their sales tax status in respect of any period prior to 14 May 1987 and is not to be taken as suggesting that they were entitled to the benefit of any sales tax exemption prior to that date. Nor should it be taken as suggesting that any Commonwealth authority not specified is automatically entitled to sales tax exemption - the existing requirements for exemption (see later notes on clause 29) must still be met.

The Bill will also provide for the Schedule to be varied, by regulation, to:

remove an authority from the Schedule; or

add to the Schedule any other Commonwealth authority established before 14 May 1987 (including an authority not engaged in commercial undertakings). The addition to the Schedule of Commonwealth authorities established after that date will not be necessary because the Bill provides that those authorities will only enjoy sales tax exemption if exemption is expressly conferred on them - see notes below.

In addition to withdrawing exemption for the authorities to be prescribed in the new Schedule to the (No. 1) Assessment Act, amendments proposed by the Bill to the sales tax law will prevent any Commonwealth authority (whether or not engaged in a commercial undertaking) that is established on or after 14 May 1987 from qualifying for sales tax exemption under that law. The Bill will also have the effect that any general provision in any Commonwealth legislation that exempts from taxation an authority established on or after 14 May, will not exempt the authority from sales tax.

Commonwealth authorities established on or after 14 May 1987 will only qualify for exemption from sales tax if that exemption is expressly conferred on them by Commonwealth legislation.

For authorities that are to be prescribed in new Schedule 2 to the (No. 1) Assessment Act, and authorities established after 14 May 1987, exemption is to be withdrawn in respect of both:

goods for use by those authorities, where the sales tax on the goods is payable not by the relevant authority but, for example, by the supplier of the goods; and

any liability for tax which the authorities themselves may have under the sales tax legislation e.g. as manufacturers or wholesale merchants, or on entry of imported goods for home consumption.

Passenger concessions

(Clauses 2, 28, 29 and 31)

Under existing provisions in the Customs duty and sales tax laws, special concessions are available to passengers and crew members of ships and aircraft arriving in Australia.

The relevant Customs duty concessions are set out under items 15 and 16 in Part I of Schedule 4 to the Customs Tariff Act 1982. Item 15 frees from duty certain

goods that are for personal use, are in non-commercial quantities and which, with certain exceptions, accompany the arriving traveller. These include limited quantities of tobacco and alcohol, goods to the value of \$200, personal effects and goods which would otherwise be duty free or dutiable at 2%. Item 16 provides for additional goods up to the value of \$160, not falling within item 15, to be dutiable at the concessional rate of 20 per cent.

For travellers under 18 years of age, the liquor and tobacco concessions are not available and the two general concessional allowances of \$200 and \$160 referred to above are halved to \$100 and \$80 respectively.

The complementary sales tax concessions are set out in item 114 in the First Schedule to the Exemptions and Classifications Act. Broadly, the relevant parts of this item exempt from sales tax:

- goods covered by Customs Tariff items 15 and 16 (or goods purchased from inwards duty free stores that would be covered by those items if they were imported by the traveller) (sub-item 114(1)); and

- goods contained in the personal baggage of a passenger in an incoming ship or aircraft, which are:

- not subject to customs duty; and
- not intended to be sold, or used in the course of trading, in Australia.

These customs duty and sales tax passenger concessions are to be amended, with effect from 1 July 1987, in accordance with the announcement in the Government's May 1987 Economic Statement. Broadly, the effect of the changes will be to replace the existing concessions with an across-the-board provision for free entry of goods to a value of \$400 (\$200 for persons under 18 years of age). There will be no limit on clothing (other than furs) which may be entered free for travellers' personal use. The existing alcohol and tobacco concessions will continue, but the special concession which allowed free entry for migrants' motor vehicles will be abolished.

To facilitate the application to the sales tax law of the new monetary limits on the value of goods to be exempt from tax, the Bill will insert a new provision to allow apportionment of exemption from sales tax in the case of goods the value of which exceeds the monetary limits.

In addition, the Bill will repeal the existing exemption from sales tax for certain goods imported by passengers in their personal baggage which are not subject

to customs duty. Because some goods are free of customs duty but subject to sales tax, repeal of the exemption is necessary to prevent goods of this kind from escaping sales tax when imported by passengers, to the extent that they exceed the new \$400 limit on free entry of goods.

A more detailed explanation of the provisions of the Bill is contained in the following notes.

SALES TAX LAWS AMENDMENT BILL 1987
PART 1 - PRELIMINARY

Clause 1 : Short title

This clause provides for the amending Act to be cited as the Sales Tax Laws Amendment Act 1987.

Clause 2 : Commencement

By subclause 2(1), Part 1 of the amending Act is to come into operation on the day on which the Act receives the Royal Assent.

By subclause 2(2), clause 28, the amendment made by paragraph (d) of clause 29, and subclause 31(1), are to come into operation on 1 July 1987. These provisions will effect changes to the sales tax passenger concessions that are set out in item 114 in the First Schedule to the Sales Tax (Exemptions and Classifications) Act 1935.

Subclause 2(3) deems the remaining provisions of the amending Act to have come into operation on 14 May 1987. These provisions excludes from sales tax exemption certain Commonwealth authorities.

PART II - AMENDMENT OF SALES TAX ASSESSMENT
ACT (NO. 1) 1930

Clause 3 : Principal Act

Clause 3 facilitates references to the Sales Tax Assessment Act (No. 1) 1930 which, in Part II of the Bill, is referred to as "the Principal Act".

Clause 4 : Non-exempt authorities

Clause 4 will insert a new section 20A in the Principal Act which will effect changes to the sales tax treatment of certain Commonwealth authorities.

Proposed new subsection 20A(1) is an interpretation provision which defines the term 'authority' when used in section 20A. 'Authority' will mean:

- . an authority, established before 14 May 1987, which is specified in proposed Schedule 2 to the Principal Act - see notes on clause 6 (paragraph 20A(1)(a)); or
- . an authority established on or after 14 May 1987 which is:
 - a corporation established for a public purpose by a law of the Commonwealth (subparagraph 20A(1)(b)(i));
 - a company in which the Commonwealth has a controlling interest (subparagraph 20A(1)(b)(ii)); or
 - a company in which such a corporation or company has a controlling interest (subparagraph 20A(1)(b)(iii)).

The definition of 'authority' is central to the operation of the amendments in the Bill relating to the exclusion of certain Commonwealth commercial authorities from sales tax exemption, and the restriction of exemption from sales tax for future Commonwealth authorities, as explained in the Main Features section of this Explanatory Memorandum.

New subsection 20A(2) will, subject to new subsection 20A(3), have the effect that any provision in Commonwealth legislation (e.g. the enabling Act of a particular authority) which confers on any authority an exemption from taxation generally or from particular classes of taxation will not confer exemption from sales tax. This overriding provision will apply whether the relevant provision was enacted before, on or after 14 May 1987.

Proposed subsection 20A(3) will provide that subsection 20A(2) will not apply to any provision enacted on or after 14 May 1987 which specifically provides for exemption from sales tax.

New subsection 20A(4) will authorise the making of regulations to amend proposed Schedule 2 to the Principal Act, which specifies those Commonwealth commercial authorities that are to be excluded from exemption, to:

- . remove an authority from the Schedule - paragraph 20A(4)(a); or
- . add an authority established before 14 May 1987 and which is a corporation or company of a kind referred to in proposed paragraph 20A(1)(b), - paragraph 20A(4)(b).

Clause 5 : Heading to Schedule

This clause is a drafting measure, consequent upon the proposed insertion by clause 6 - see notes on that clause - of a new Schedule (Schedule 2) to the Principal Act. The amendment will alter the heading to the existing Schedule to read 'SCHEDULE 1'.

Clause 6 : Non-exempt authorities established before
14 May 1987

Clause 6 will insert a new Schedule - Schedule 2 - to the Principal Act. This Schedule contains a list of Commonwealth commercial authorities for which sales tax exemption is to be excluded by the Bill (see the Main Features section of this Memorandum).

Schedule 2 is essential to the operation of paragraph (a) of the definition of 'authority' in the new subsection 20A(1) proposed by the Bill - see notes on clause 4. The Schedule is to be capable of variation by regulation, as specified in proposed new subsection 20A(4).

PARTS III to XII - AMENDMENTS OF SALES TAX
ASSESSMENT ACTS (NOS. 2-9) 1930 AND SALES TAX
ASSESSMENT ACTS (NOS. 10 AND 11) 1985

Clauses 7,9,11,13,15,17,19,21,23 and 25 : Principal Acts

These clauses facilitate references to the relevant Sales Tax Assessment Act which, in each of these Parts, is referred to as the "Principal Act".

Clauses 8,10,12,14,16,18,20,22,24 and 26 : Application of
provisions of Sales Tax Assessment Act (No. 1) 1930

Each of these clauses proposes an amendment of subsection 12(1) of the relevant Principal Act, other than clause 26, which proposes an amendment of subsection 16(1) of Sales Tax Assessment Act (No. 11) 1985. These subsections apply certain provisions of the Sales Tax Assessment Act (No. 1) 1930, with appropriate modification, in the respective Principal Acts.

By these clauses, new section 20A (see notes on clause 4) will also be applied for the purposes of each Sales Tax Assessment Act.

PART XIII - AMENDMENT OF SALES TAX
(EXEMPTIONS AND CLASSIFICATIONS) ACT 1935

Clause 27 : Principal Act

This clause facilitates references to the Sales Tax (Exemptions and Classifications) Act 1935 which, in Part XIII, is referred to as "the Principal Act".

Clause 28 : Sales tax not payable on proportion of value of certain goods

Under the sales tax law, sales tax is levied on the sale value of goods. However, subsection 5(1) of the Principal Act has the effect that, broadly, sales tax is not payable on the sale value of goods covered by an item in the First Schedule to the Act.

As mentioned in the Main Features section of this Explanatory Memorandum, changes to the customs duty and sales tax passenger concessions announced in the Government's May 1987 Economic Statement include provision for free entry of certain goods up to a value of \$400 (\$200 for travellers under 18 years of age). The relevant customs duty provision is item 15 in Part 1 of Schedule 4 to the Customs Tariff Act 1982 (the "Customs Tariff"), and this concession applies in the sales tax law by virtue of sub-item 114(2) in the First Schedule to the Principal Act.

To facilitate partial exemption of goods from sales tax under item 114 (e.g. for individual goods the value of which exceeds the \$400 limit on free entry of goods), the Bill will insert a new section 6AC in the Principal Act. Section 6AC will exempt from sales tax the same proportion of the sale value of goods as the proportion of the value of the goods which is exempt from customs duty under Customs Tariff item 15.

For example, if a passenger imports an item with a value of \$1000, to which the \$400 limit on free entry applies, 40% of the sale value of the item will be exempt from sales tax. The remaining 60% of the sale value of the item will attract sales tax, unless it is otherwise exempt from sales tax.

Clause 29 : First Schedule

The Bill will amend items 74, 77 and 78 in the First Schedule to the Principal Act. These items exempt from sales tax:

- goods for official use (whether as goods or in some other form), and not for sale, by a Commonwealth, State or Northern Territory government department, or an authority which is completely controlled by, and the expenditure of which is exclusively borne by, a Commonwealth, State or Northern Territory government (item 74);
- goods for use (whether as goods or in some other form) by public transport authorities exclusively in, or in connection with, the establishment, conduct or maintenance of transport services (item 77); and

goods for use (whether as goods or in some other form), and not for sale, by a local government council or similar public authority, harbour trust, harbour board or marine board established under any Commonwealth, State or Territory law or a fire brigade or fire brigade board established for public purposes (item 78).

Clause 29 will amend items 74, 77 and 78 by, in each case, excluding from the operation of the item an 'authority' as defined in proposed subsection 20A(1) of Sales Tax Assessment Act (No. 1) 1930 - see notes on clause 4.

Clause 29 will also repeal sub-item 114(2) in the First Schedule to the Principal Act. This sub-item exempts from sales tax goods contained in the personal baggage of a passenger in a ship or aircraft, where the goods are not subject to customs duty and are not intended to be sold, or used in the course of trading, in Australia.

The repeal of sub-item 114(2) is complementary to proposed changes to the Customs Tariff to give effect to changes to the customs duty and sales tax passenger concessions announced in the Government's May 1987 Economic Statement. An explanation of these changes, and the reason for the proposed repeal of sub-item 114(2), are set out in the Main Features section of this Explanatory Memorandum.

PART XIV - SUPPLEMENTARY

Clause 30: Avoidance of sales tax

The amendments of the sales tax law proposed by this Bill in relation to Commonwealth authorities were announced by the Treasurer on 13 May 1987, as part of the Government's May 1987 Economic Statement. These amendments come into operation on 14 May 1987.

Clause 30 is an anti-avoidance provision that will apply to any transactions, acts or operations that have been brought forward by taxpayers for a purpose of avoiding a liability to sales tax that could reasonably be expected to arise if the transactions, acts or operations had been entered into after the amendments of the law take effect. It does this by deeming any such transactions, etc., to have been entered into on 14 May 1987, i.e., after the amended provisions are to take effect.

Clause 31 : Application of amendments

By subclause 31(1), the amendments to be made by clause 28 and paragraph (d) of clause 29 will apply in relation to transactions, acts or operations effected or done at or after the commencement of subclause 31(1) i.e. 1 July 1987 - see notes on clause 2. Subclause 31(1) has

the effect that the amendments in relation to passenger concessions (see notes on clauses 28 and 29) apply in relation to goods entered for home consumption on or after 1 July 1987.

Under subclause 31(2), the amendments made by the remaining provisions of the Bill, which relate to certain Commonwealth authorities, apply in relation to transactions, acts or operations effected or done after the commencement of subclause 31(2), i.e., on or after 14 May 1987 - see notes on clause 2. Subclause 31(2) has the effect that dealings in goods affected by the amendments in relation to Commonwealth commercial authorities specified in the Schedule to the Bill, which reach a taxing point on or after 14 May 1987, will be subject to tax.

Taxpayers who sell or lease taxable goods on or after 14 May 1987 to an authority specified in the Schedule will be required to bring sales tax to account on those goods in their monthly sales tax returns, regardless of whether the contract for the supply of the goods was entered into before 14 May 1987. Where a contract for the supply of taxable goods to a currently exempt authority specified in the Schedule was entered into before 14 May 1987, but a liability to sales tax arises on or after that date as a result of the amendments made by this Bill, section 70A of Sales Tax Assessment Act (No. 1) 1930 will allow the sales tax liability to be passed on to the authority (Section 70A does not apply if the agreement between the parties contains an express written provision that the price at which the goods are sold is not to be altered on account of any alteration of the sales tax law, or it is clear from the terms of the agreement that the amendments made by the Bill have been taken into account in the agreed price of the goods).

Commonwealth authorities specified in the Schedule that manufacture taxable goods in Australia (other than those to which the small manufacturers' provisions apply) will be liable to sales tax on taxable goods manufactured and sold, treated as stock for sale by retail or applied to own use, and any goods leased by the authority, on or after 14 May 1987. (The small manufacturers' provisions are contained in items 100 and 103 in the First Schedule to the Sales Tax (Exemptions and Classifications) Act 1935. Broadly, these provisions exempt goods manufactured and sold by a person - including an authority - where the annual value of the person's sales of all goods does not exceed \$12,000, and goods manufactured by a person who would otherwise be liable to no more than \$250 sales tax annually.)

Authorities specified in the Schedule that sell goods by wholesale will be liable to tax on taxable goods sold or leased on or after 14 May 1987. The specified

authorities will also be liable for sales tax on taxable imported goods entered for home consumption on or after 14 May 1987.

SCHEDULE

The Schedule to the Bill, which specifies certain Commonwealth authorities for which sales tax exemption is to be excluded on and from 14 May 1987, will become Schedule 2 to Sales Tax Assessment Act (No. 1) 1930. A general description of the authorities prescribed in the Schedule, together with an explanation of the effect of the insertion of the Schedule into that Act, is set out in the Main Features section of this Explanatory Memorandum.

