

1985

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

THE SENATE

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SALES TAX (EXEMPTIONS AND CLASSIFICATIONS)  
AMENDMENT BILL 1985.

SALES TAX LAWS AMENDMENT BILL (NO.2) 1985.

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SUPPLEMENTARY EXPLANATORY MEMORANDUM

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



## Introductory Note

An Explanatory Memorandum containing explanations of the Sales Tax (Exemptions and Classifications) Amendment Bill 1985 (the "Exemptions and Classifications Bill") and the Sales Tax Laws Amendment Bill (No.2) 1985 (the "Laws Bill") as introduced into the House of Representatives has been circulated.

Amendments are proposed to be moved on behalf of the Government to the Exemptions and Classifications Bill and the Laws Bill during the Committee Stage of the Bills in the Senate.

The amendments of the Exemptions and Classifications Bill, which relate to Schedule 2 of that Bill, will -

- . provide for an exemption from sales tax of satellite earth stations designed to receive the Homestead and Community Broadcasting Satellite Service (HACBSS) and purchased for non-business use (Amendment (5));

- . ensure that raw nuts and seeds that are of a kind used exclusively or principally as ingredients of food for human consumption or as goods to be mixed with, or added to, food for human consumption will not be subject to sales tax as savoury snacks (Amendment (2));

- . correct drafting oversights to ensure that -
  - .. bicarbonate of soda used for non-culinary purposes is not exempt from sales tax (Amendment (4));

- .. retailers who manufacture savoury snacks on their retail premises will be able to obtain their aids to manufacture free of sales tax (Amendments (1) and (3)).

The amendments of the Laws Bill are designed to give full effect to the proposal that businesses that manufacture savoury snacks on retail premises will be entitled to claim an exemption for their "aids to manufacture".

This Supplementary Explanatory Memorandum explains the amendments and should be read in conjunction with the earlier Explanatory Memorandum.

## Financial Impact

The measures contained in the amendments proposed to be moved to the Exemptions and Classifications Bill and

relates to the "aids to manufacture" definition, will reflect the proposed change to the wording of paragraph (f) of that definition.

Amendment (4)

Measures contained in the Exemptions and Classifications Bill provide for a significant simplification of the exemption items covering particular food and beverage products contained in Division VI of the First Schedule to the Principal Act. Although, as noted in the earlier Explanatory Memorandum, it was not intended in drafting those measures to alter, in any substantive way, the present range of exemptions for foodstuffs contained in the sales tax law, except to the extent necessary to impose tax on biscuits, ice-cream products and savoury snacks and to correct an anomaly relating to whey products, there is a minor drafting deficiency in the Bill that has the effect of exempting bicarbonate of soda used for non-culinary purposes - mainly as a chemical for the treatment of swimming pool water. By this amendment, bicarbonate of soda for non-culinary use will be excluded from proposed new exemption item 23, so that that product will continue to be subject to sales tax when sold as a swimming pool chemical or for other non-food uses. Bicarbonate of soda for use as a cooking aid will remain exempt.

Amendment (5)

This amendment will omit existing item 152 in the First Schedule to the Principal Act and insert a new item 152.

Omission of existing item 152, which exempted non-oil burning household space heating appliances and their parts, was proposed by clause 34 of Schedule 2 to the Exemptions and Classifications Bill and is discussed in the earlier Explanatory Memorandum.

The proposed new sub-item 152(1) will provide a conditional exemption from sales tax for satellite earth stations designed to receive the HACBSS (Homestead and Community Broadcasting Satellite Service) signal from the Aussat satellite or satellites, when such earth stations are used for non-business purposes.

Proposed sub-item 152(2) will cover accessories and parts, other than batteries, for the satellite earth stations covered by sub-item (1).

An interpretative provision contained in the proposed item ascribes particular meanings to words and expressions for the purposes of the item.

Paragraph (a) will define "Aussat satellite" and "space satellite" to have the same respective meanings as in the Satellite Communications Act 1984. Accordingly, "Aussat satellite" will mean a space satellite used by Aussat Pty Ltd in carrying on its business and "space satellite" will mean an apparatus placed in geostationary orbit relative to the earth for use as part of a telecommunications system.

Paragraphs (b), (c) and (d) will, when read with proposed sub-item (1), have the effect of limiting the scope of the exemption so that only those satellite earth stations used other than in connection with a business carried on for a purpose of profit or gain will be exempt from tax under the item. For example, a community, or a group within a community, that incorporates a non-profit company for the purpose of acquiring a satellite earth station would be entitled to the proposed exemption. On the other hand, a mining or other business that acquires a satellite earth station for use in that business would not be entitled to the exemption.

Paragraph (g) provides in effect that, where business use of a satellite earth station would constitute a minimal or insignificant part of its overall use, that business use may be disregarded and the satellite earth station taken not to be for a business use. In those circumstances, the purchaser of a satellite earth station would be entitled to purchase the earth station free of sales tax. Where, for example, an earth station was purchased for the reception of television programs by the members of a community in their private homes, it would qualify for exemption on the basis of "non-business use" under the proposed exemption item, notwithstanding that there was some use of the earth station facility by a community member who was the proprietor of an hotel where the HACBSS service was enjoyed by the proprietor and customers alike. Similarly, use of the earth station television service by a primary producer to receive market information, weather forecasts or other information relating to farming activities would not exclude the claiming of a sales tax exemption if the earth station were otherwise to be used for the reception of television programs for the enjoyment of the primary producer and his or her household.

Paragraphs (e) and (f) will have the effect of confining the exemption to earth stations designed to receive the service described as the 'Homestead and Community Broadcasting Satellite Service' or such other Aussat satellite service as may be prescribed by regulation.

SALES TAX LAWS AMENDMENT BILL (NO. 2) 1985.PART VII - AMENDMENT OF SALES TAX REGULATIONSAmendment (1)

Paragraph 12(1)(c) of the Sales Tax Regulations requires a registered person to quote a sales tax certificate in respect of the acquisition of "aids to manufacture". By this amendment of the Laws Bill, references to "a manufacturer of savoury snacks" and "savoury snacks" are to be inserted in paragraph (f) of the definition of "aids to manufacture" contained in sub-regulation 4(1). This will ensure that businesses that manufacture savoury snacks on retail premises are entitled to obtain goods such as ovens and other cooking equipment free of sales tax by quotation of a certificate. The amendment mirrors broadly similar changes to the Exemption and Classifications Bill explained in the notes on Amendment (1) of that Bill.

Amendment (2)

This amendment of proposed sub-regulation 4(1D) is consequential upon the amendments to be made to paragraph (f) of the definition of "aids to manufacture" by Amendment (1) of this Bill discussed above. The wording of the new sub-regulation will, following this amendment, reflect the proposed changes to paragraph (f) of that definition.