



## Sales tax

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## Sales tax

Sales tax (also known as wholesale sales tax) was introduced in 1930. Over time, it developed from a single-rate tax with a limited number of exemptions to a multi-rate tax with a range of exemptions. Sales tax ceased to apply to assessable dealings made on and after 1 July 2000 when the goods and services tax (GST) was introduced as part of the new tax system. However, the sales tax law was not repealed so that the Commissioner retains the power to collect outstanding tax, to raise assessments and penalties for avoided tax and to allow credits for overpaid tax. For monthly remitters, the last remittance was due in July 2000 for dealings made in June 2000. For quarterly remitters, the last remittance was due in August 2000 for dealings made in April, May and June 2000.

Sales tax was imposed on goods imported into Australia and on goods manufactured and used or consumed in Australia. It was usually paid on the wholesale selling price of goods and was generally imposed on the sale from the last wholesaler to the retailer. It could also be payable when goods were leased, imported by retailers for sale, imported by a consumer for private use, given away for promotional purposes, used as samples or used in the repair of other goods.

Manufacturers, wholesalers and others (including importers and indirect marketers) who were required to pay sales tax usually added the tax to the price they charged their customers. Retailers normally bought goods at a price that included sales tax and, in most cases, had no sales tax liability when they sold the goods.

Most sales tax was paid to the ATO on a monthly basis. Certain taxpayers paid sales tax on a quarterly basis if their sales tax liability for the previous financial year was less than a statutory amount (in 1999–2000 this amount was \$58 261 for the previous financial year). The amount of tax due was calculated by the taxpayer and payment accompanied the tax remittance advice.

A large number of goods were exempt from the tax. These included most foodstuffs, medicines and surgical goods, some building materials, clothing, books, magazines, periodicals and newspapers.

Some organisations, such as government departments, schools and public hospitals, were able to claim an exemption from sales tax on goods that they purchased for their own use. In some instances, exemptions could also apply to businesses that used goods mainly in carrying out primary production, manufacturing, mining, transport and storage activities. Goods to be exported from Australia were also exempt from sales tax provided they were not used before being exported.

The general rate of sales tax for the 1999–2000 financial year was 22%, with most goods taxed at this rate; however, there were exceptions. For example, household furniture and bed linen were taxed at 12%; goods such as jewellery and furs were taxed at 32%; and a component of the value of luxury motor vehicles was taxed at 45%.

In August 1997 the rate of tax on beer and spirits was raised from 22% to 37%, and the rate of tax on wine was raised from 26% to 41%. This change occurred in response to a High Court decision that business franchise fees levied by the states were invalid. Revenue raised from the additional 15% sales tax was distributed directly to the states and territories.

From 29 July 1999, the sales tax rate on goods such as televisions, clocks, watches, video recorders and video cameras was reduced from 32% to 22%. This change occurred in preparation for the introduction of the GST.

This chapter contains sales tax data for the 1999–2000 financial year.

## Sales tax collected

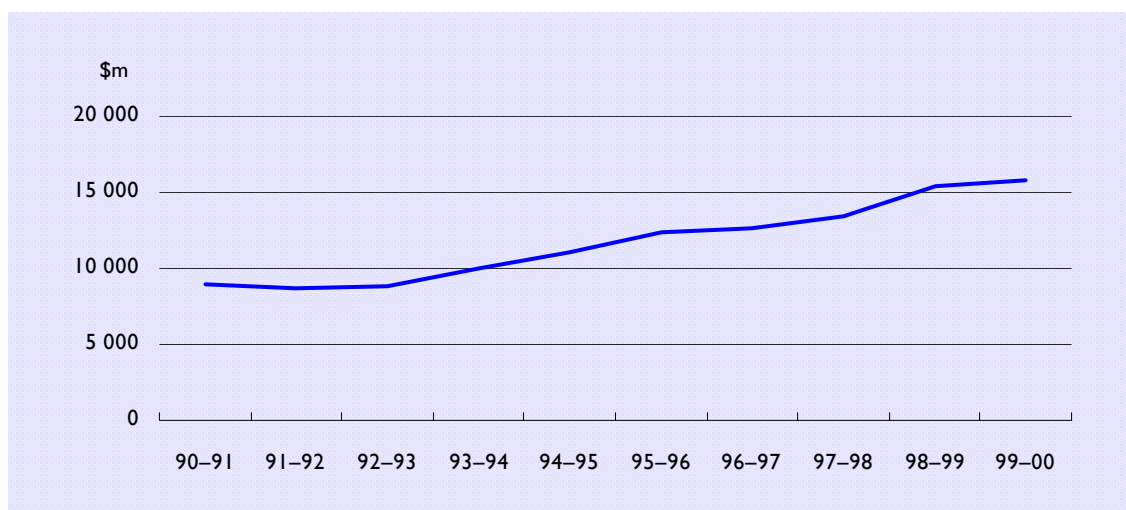
In 1999–2000, \$16.6 billion was collected in net sales tax. The ATO collected \$15.7 billion in net sales tax (including \$1 billion for the alcohol surcharge) and \$0.8 billion was collected through the Australian Customs Service.

The amount of sales tax collected decreased prior to 1992–93. The recession in the early 1990s contributed to the decrease. The growth since 1993–94 was due to an increase in real consumption, as well as higher prices. It was also due to increases in the sales tax rates—1% in August 1993 and a further 1% in July 1995—and the introduction of the alcohol surcharge.





**Figure 15.1: Total net sales tax collected by the ATO<sup>1</sup>**



1. Data excludes Customs collections, but includes the alcohol surcharge for 1997-98, 1998-99 and 1999-2000.

In 1999-2000, the largest collection of sales tax was in New South Wales (\$6.6 billion) followed by Victoria (\$5.1 billion). New South Wales and Victoria together collected nearly 80% of total sales tax. These high collections are not only due to the high proportions of the Australian population in those states, but also the concentration of manufacturers and wholesalers operating there.

Between 1995-96 and 1999-2000, Tasmania had the largest state increase in sales tax, increasing by 28% from \$96 million to \$122 million. This was followed by a 24% increase in New South Wales and a 22% increase in Victoria. Customs collections increased by nearly 42% during the same period.

The number of sales tax remitters has increased over time. In 1999-2000, there were 78 936 remitters, an increase of 5% since 1995-96.

In 1999-2000 around 39% of sales tax remitters remitted less than \$10 000. However, the remittances of these people only accounted for less than 1% of net sales tax collections (excluding the alcohol surcharge). Only 2% of payers remitted more than \$1 million but their remittances accounted for 83% of sales tax collections (excluding the alcohol surcharge).

## Trade groups

Businesses that registered for sales tax were allocated into trade groups by the ATO. These

**Table 15.1: Net sales tax by state<sup>1</sup>**

	1995-96		1999-2000		Growth
	\$m	%	\$m	%	%
NSW	5 366	43.4	6 626	45.1	23.5
Vic.	4 193	33.9	5 104	34.7	21.7
Qld	1 250	10.1	1 370	9.3	9.6
SA <sup>2</sup>	702	5.7	762	5.2	8.5
WA	707	5.7	668	4.5	-5.5
Tas.	96	0.8	122	0.8	27.1
ACT	53	0.4	40	0.3	-24.5
Subtotal	12 368	100.0	14 692	100.0	
Customs <sup>3</sup>	587	4.5	831	5.0	41.6
Alcohol surcharge <sup>4</sup>	n.a.	n.a.	1 036	6.3	n.a.
<b>Total</b>	<b>12 955</b>		<b>16 559</b>		<b>27.8</b>

1. The state in which the sales tax was reported may be different to where the actual sale occurred.

2. NT figures are included with SA.

3. Refers to the sales tax collected by the Australian Customs Services on imported goods.

4. The alcohol surcharge amount includes \$1.3 million collected by Customs. The 15% alcohol surcharge is passed to states and territories to replace revenue lost from a High Court decision.

## Taxation Statistics 1998–99

Table 15.2: Net sales tax collections<sup>1</sup>

Amount remitted	Remitters	Proportion	Net Collections	Proportion
	no.	%	\$m	%
Net refunds <sup>2</sup>	17 949	23.1	-495	-3.4
Less than \$10 000	30 361	39.1	86	0.6
\$10 000–\$49 999	15 420	19.8	369	2.5
\$50 000–\$99 999	4 725	6.1	336	2.3
\$100 000–\$499 999	6 231	8.0	1 363	9.3
\$500 000–\$999 999	1 215	1.6	858	5.8
\$1 000 000 & more	1 791	2.3	12 175	82.9
Subtotal	77 692	100.0	14 692	100.0
Alcohol surcharge <sup>3</sup>	1 244		1 036	
<b>Total</b>	<b>78 936</b>		<b>15 728</b>	

1. Excludes Customs collection.

2. Net refund cases generally occur when a person manufactures goods that are exempt from sales tax and can obtain a refund of sales tax on their business inputs.

3. The 15% alcohol surcharge is passed to states and territories to replace revenue lost from a High Court decision.

trade groups reflected the goods that comprised the main taxable sales for each business. Over time, the main goods sold by a business could change while the trade group could go unaltered. While the ATO approached businesses to update this information, there had been only a moderate degree of reliability attached to the broad groupings for analysis purposes.

In 1999–2000, the trade group that paid the most sales tax was the motor cars, commercial vehicles (including motor bodies) and semi-trailers group. This group paid \$3.4 billion in sales tax, accounting for 23% of sales tax collections

(excluding the alcohol surcharge). This was an increase from \$2.5 billion in 1995–96. This was followed by the beer, wine and spirits group, which paid \$1.7 billion (excluding the alcohol surcharge), up from \$1.3 billion in 1995–96. At the same time, this group maintained a stable 10–11% share of total sales tax. An additional \$1 billion was raised on sales of beer, wine and spirits through the alcohol surcharge.

While the two trade groups noted above paid the highest amounts of sales tax, they each accounted for only 2% of the total number remitters. The domestic and office furniture, equipment and

Table 15.3: Highest sales tax remitters by trade groups

Trade group	1995–96		1999–2000	
	\$m	%	\$m	%
Motor cars, commercial vehicles (including motor bodies), semi-trailers etc.	2 547	20.6	3 388	23.1
Beer, wine & spirits	1 274	10.3	1 669	11.4
Domestic & office furniture, equipment & machines	897	7.3	1 269	8.6
Machines & machinery	1 008	8.2	940	6.4
Household appliances, parts & accessories	932	7.5	849	5.8
Printing, printed stationery, bookbinding & signwriting	490	4.0	509	3.5
Motor vehicle parts & accessories	453	3.7	452	3.1
Aerated waters & cordials	343	2.8	396	2.7
Building materials & hand tools	319	2.6	413	2.8
Tyres, tubes, retread & recap rubber; wet cell batteries, oils & greases	359	2.9	409	2.8
Soaps, detergents, disinfectants, toilet & beauty preparations	324	2.6	377	2.6
Other	3 422	27.7	4 021	27.4
Subtotal	12 368	100.0	14 692	100.0
Alcohol surcharge	n.a.		1 036	
<b>Total<sup>1</sup></b>	<b>12 368</b>		<b>15 728</b>	

1. ATO collections only.





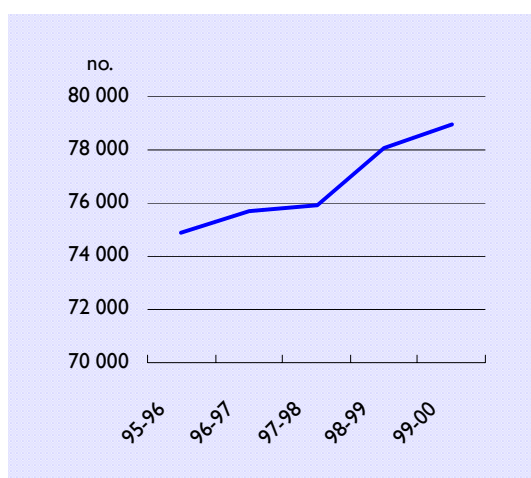
Table 15.4: Sales tax registrations

Entity	1998–99		1999–2000		Growth
	no.	%	no.	%	%
Companies	13 009	34.3	9 455	37.9	-27.3
Partnerships	10 385	27.4	6 462	25.9	-37.8
Individuals	10 300	27.2	6 401	25.6	-37.9
Trusts	4 133	10.9	2 603	10.4	-37.0
Funds	12	0.0	9	0.0	-25.0
Government	51	0.1	35	0.1	-31.4
<b>Total</b>	<b>37 890</b>	<b>100.0</b>	<b>24 965</b>	<b>100.0</b>	

1. 0% indicates a proportion of less than 0.05%.

machines group had the largest number of remitters, accounting for 12% of the total number.

Figure 15.2: Number of sales tax remitters



was required for businesses to be eligible for these sales tax exemptions.

Unless a particular sales tax exemption applied to them, unregistered businesses paid sales tax on any business inputs or trading stock at the time of purchase. Although they could get a credit at a later stage for the tax paid, they could still be liable for sales tax on goods they had sold or had applied for their own use.

In 1999–2000, there were 24 965 new sales tax registrations, down from 37 890 in 1998–99. New registrations may result from business restructures, or creation of new businesses or new branches of existing businesses.

The majority of sales tax registrations in 1999–2000 were by companies (38%), followed by partnerships and individuals (both 26%). Between 1998–99 and 1999–2000, registrations by all entities decreased significantly.

In 1999–2000, the greatest proportion of registrations was in Queensland, followed by Victoria/Tasmania and New South Wales/Australian Capital Territory.



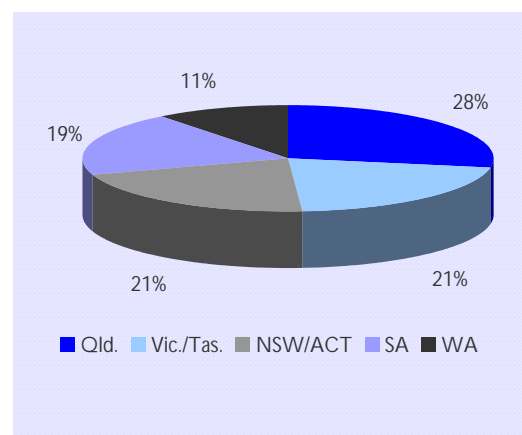
## Sales tax registrations

Businesses registered for sales tax if, in the course of the business, they:

- manufactured goods;
- sold goods to resellers such as retail outlets;
- sold goods through indirect marketing arrangements;
- sold raw materials to manufacturers;
- sold goods to eligible Australian and foreign travellers; or
- carried out various activities, for example mining, primary production, storage or transport.

Registered businesses could buy certain business inputs and trading stock free of sales tax by quoting their sales tax registration number to the supplier of the goods. Registration with the ATO for sales tax purposes was not compulsory, but it

Figure 15.3: Sales tax registrations by state



## Taxation Statistics 1998–99

In terms of business types, manufacturers accounted for the largest number of registrations (34%), followed by primary producers (28%) and retailers (20%).

### Exemptions

Some organisations, such as government departments, schools and public hospitals, were able to claim an exemption from sales tax on goods they purchased for their own use. Exemptions from sales tax were also available to manufacturers who could claim an exemption on raw materials or the equipment they used in the manufacturing process. Some goods were themselves exempt from sales tax, such as primary produce, unprocessed metals, piping for water supply, aircraft, food for human consumption, clothing, drugs and medicines, books and works of art.

Businesses quoted their registration number to avoid paying sales tax at the time of purchasing materials. However, they were liable for the sales tax payable on goods sold to people not entitled to tax-free goods.

In 1999–2000, of the more than 600 000 'live' sales tax registrations, the majority (77%) were for clients with exempt status. Primary producers made up almost 20% of the exempt group. A further 8% were manufacturers of exempt goods.

Government registrations for sales tax exemptions made up a negligible proportion of the total (less than 0.1%).

### Tax reform and sales tax

On 1 July 2000, the government, as part of the new tax system, abolished the wholesale sales tax for assessable dealings made on and after that date, and replaced it with the GST. In order to avoid inappropriate double taxation, businesses may claim a special GST credit for the sales tax paid on their stock of new goods held for sale or exchange at the start of 1 July 2000.

Most goods shown in Table 15.5 and a detailed table for this chapter (Table 4) that were taxed at different sales tax rates are now taxed at a single 10% rate. Certain goods and services, however, are exempt from GST. These include:

- most food items;
- most health services;
- most educational supplies;
- most childcare services;
- certain non-commercial activities of charities;
- religious services;
- supply of an enterprise as a going concern;
- water, sewerage and drainage (for example all reticulated water provided by a local council for residential and commercial purposes);
- some international transport;
- some supplies of precious metals;
- supplies through inward duty-free shops;
- grants of freehold and similar interests by governments;
- subdivided farmland—the farming business must have been carried on for at least five years and the supply must be made to an associate for no consideration, or the recipient of the supply must intend to operate a farming business on the farmland;
- cars for use by eligible disabled people; and
- exports—provided that they are physically exported from Australia before or within 60 days of which ever of the following is earlier: the day the supplier receives any of the consideration for the supply or the day the supplier provides an invoice.

Some goods are subject to other taxes in addition to GST. For example, the sales tax on wine and certain other alcoholic beverages has been replaced with a GST, a wine equalisation tax and an increase in excise and customs duty on beer, spirits, liqueurs and other beverages containing alcohol. Also, a luxury car tax has been implemented on cars when their value exceeds the luxury car tax threshold. These taxes are designed to maintain price relativities following the removal of sales tax and the introduction of GST.

Any entity carrying on an enterprise—commercial, business, charitable, religious, government, non-profit (excluding hobbies) activities—and whose annual turnover is at or above the registration turnover threshold of \$50 000, or \$100 000 (if the entity is a non-profit organisation) is required to register for GST for at least 12 months. Entities supplying taxi travel services in carrying on their enterprise are also







required to register for GST regardless of their annual turnover.

By registering for GST, most entities are entitled to claim input tax credits for the GST included in the price of items and imports they purchase and use in their enterprise. If an entity is not registered, it cannot claim input tax credits, thus resulting in higher business costs for these entities.

Entities registering for GST use the same application form used to apply for an Australian Business Number. An entity required to register for GST purposes must have an Australian Business Number.

By 30 June 2000, around 2.1 million businesses and other eligible entities had registered for the goods and services tax.

## Detailed tables

The following detailed tables on sales tax can be found on the CD-ROM attached to this publication.

Table 1: Collections by grade of remittance

Table 2: Paid in returns by business type, 1994–95 to 1999–2000

Table 3: Net collections by state

Table 4: Sales tax rates applying to selected goods

**Table 15.5: Sales tax rates effective 29 July 1999**

Schedule	Rate
<b>Schedule 1</b> Goods that were exempt from tax include: food, clothing, building materials, drugs and medicines, goods for use in agriculture, mining and irrigation, goods for use by governments etc	Rate: exempt
<b>Schedule 2</b> Includes goods ordinarily used for household purposes	Rate: 12%
<b>Schedule 3</b> Passenger motor vehicles	Rate: under schedule 4
<b>Schedule 4</b> All goods not covered by another schedule, includes computers, toys, telephones, passenger motor vehicles, beer, spirits, watches, clocks, televisions and antennae, video recorders, video cameras, radios	Rate: 22% <sup>1</sup>
<b>Schedule 5</b> Includes fur skins and jewellery	Rate: 32%
<b>Schedule 6</b> Luxury motor cars (charged on excess over threshold)	Rate: 45%
<b>Schedule 7</b> Alcoholic wine/cider	Rate: 26% <sup>1</sup>
<b>Schedule 8</b> Low alcohol wine/cider	Rate: under schedule 2

1. There is an additional 15% surcharge on certain alcoholic beverages. The actual rates are 37% for beer and spirits and 41% for wine.



