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Sales Tax (Exemptions and Classifications) Amendment Bill (No. 2) 1989.

Date Introduced: 4 October 1989
House: House of Representatives
Portfolio: Treasury

Digest of Bill

Purpose
To exempt from sales tax certain goods made from recycled paper and goods used by persons engaged in certain tasks on a manufacturer's behalf. The Bill will also increase the threshold amount of average annual sales and sales tax liability of a manufacturer above which manufactured goods are taxable.

Background
Wastepaper recycling has received considerable publicity as a means of reducing logging pressure on native forests. In 1987–88, the Australian paper and paperboard industry recycled approximately 759 000 tonnes of wastepaper. Most recycled paper is used in the manufacture of packaging and cartons. In 1987–88, Australia recycled approximately 30% of the 2.6 million tonnes of paper it consumed, and exported approximately 62 000 tonnes of wastepaper valued at $10.6 million. Australia's principal customers of waste paper are India, Taiwan and Indonesia.¹

On 20 July, the Prime Minister announced in his 'Statement on the Environment' that the Government would exempt from sales tax certain printing and writing paper, tissue and toilet paper and paper bags where they are made from wholly recycled paper.²

Under the current tax regime, all goods are subject to a general sales tax rate of 20%. However, the general rate is subject to specific provisions relating to particular goods. In addition to a total exemption of some goods, goods covered by Schedules Two to Five of the Sales Tax (Exemptions and Classifications) Act 1935 (the Principal Act) are liable to pay sales tax at rates of 10%, 20% or 30%. Currently, goods manufactured from recycled paper are subject to the general rate of 20%.

The other measures to be introduced by this Bill were announced in the 1989–90 Budget. It has been estimated that the proposed increase in the threshold amount of average annual sales and sales tax liability of a manufacturer above which manufactured goods are taxable will result in approximately 12 000 small manufacturers no longer having to register or lodge sales tax returns.³
In the explanatory memorandum to the Bill, it is estimated that the cost of the proposed amendments will be $11.5 million in 1989–90 and $16.5 million in 1990–91.

Main Provisions
Clause 2 provides that the amendments, except those to items 60, 100, 103, and proposed item 113F, will have effect from 16 August 1989. The amendment to item 60 will have effect from 5 October 1989, and amendments to items 100, 103 and proposed item 113F from 4 October 1989.

Clause 3 will amend the Principal Act as set out in the First Schedule to the Bill. The amendments are:

- certain goods wholly made from recycled paper, including writing, drawing or printing paper, pads or books of paper, toilet tissue, and paper bags marketed for household purposes or use in marketing retail goods, will be exempt from sales tax (item 60);

- an increase from $12 000 to $50 000 for the threshold amount of average annual sales of a manufacturer above which manufactured goods become subject to sales tax (item 100);

- an increase from $250 to $1000 for the threshold amount of sales tax liability of a manufacturer above which manufactured goods become subject to sales tax (item 103);

- goods used exclusively by a person in carrying out certain activities on behalf of one or more manufacturers, including packaging or labelling goods, or transporting goods within a factory, which are goods that the manufacturer could have obtained a sales tax exemption had they carried out those activities, will be exempt from sales tax (proposed item 113F).

Clause 4 will amend the Principal Act as set out in the Third Schedule to the Bill. The amendment will reduce from 95% to 90% the minimum milk content requirement that flavoured milk must meet in order to be taxed at 10% rather than 20%.

References
2. Ibid., p. 57.

For further information, if required, contact the Economics and Commerce Group.

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This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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