Australian Customs Notice 1999 47

**REDUCTION OF SALES TAX RATE FOR SOME GOODS TAXED AT 32%**

Under the new tax system, from 1 July 2000 sales tax will be replaced by the goods and services tax (GST). Goods that have been taxed at 32% under sales tax legislation will be taxed at 10% under GST legislation.

As this difference between the rate of sales tax and GST may lead retailers and customers to delay purchases, the sales tax rate will be reduced to 22% from 29 July 1999 for all goods previously taxed at 32%, except certain fur skin goods, jewellery and precious stones.

The Australian Taxation Office has released *Sales Tax Bulletin Number 39 - Message about the New Tax System* which deals with this reduction in sales tax in more detail.

# Which goods are affected?

Goods presently covered by Items 4 to 14 in Schedule 5 to the *Sales Tax (Exemptions and Classifications) Act 1992* will have their rate of tax reduced to 22% from 29 July 1999.

The goods covered include certain: studs, sleeve links and tie pins;

precious metal goods and plated ware;

watches, clocks and watch bands; binoculars and opera glasses; cameras, including video cameras; photographic enlargers;

film and slide projectors, viewers and screens;

tape recorders, video recorders, radios, televisions and stereo players; picture tubes for television receivers;

slot machines for gambling and amusement operated by coins or tokens; and parts for many of these goods.

Reference should be made to the exact wording in the Items. **When will the rate be reduced?**

The 32% rate on affected goods will be reduced to 22% on 29 July 1999. **Effect of the reduction in rate.**

No systems changes to COMPILE are needed. The rate reduction simply requires you to enter 22% rather than 32% for the sales tax rate on affected goods for goods entered on or after 29 July 1999.

# Advance entries.

Special care will need to be taken with advance entries before 29 July 1999. In this regard, reference should be made to subsection 71A(7) of the *Customs Act 1901*. An effect of this provision is that advance entry goods could be subject to a 22% sales tax rate rather than a 32% sales tax rate even though the import entry is communicated to Customs before 29 July 1999.

# Withdrawn entries.

Special care will also need to be taken when entries are withdrawn and a later entry made in respect of particular goods. In particular, reference should be made to section 23 of the *Sales Tax Assessment Act 1992*. An effect of this provision is that withdrawn entry goods could be subject to a 32% sales tax rate even though an entry is made after 29 July 1999.

# Entitlements to credit.

Importers may be able to claim a credit for the difference between the sales tax calculated at the 32% rate on the goods and the sales tax calculated at the 22% rate on the goods if:

they were charged sales tax at the higher rate when the goods were imported; they haven't used the goods either in their business or privately; and

they are holding the goods for sale and not for hire or lease on 29 July 1999.

Credits can only be claimed from the Australian Taxation Office. Please refer to Sales Tax Bulletin Number 39 for further details about claiming credits.

Queries should be directed to Tom Marshall on 02 6275 6863.

J H Jeffery National Director Commercial Division For the Chief Executive Officer 16 July 1999