

Description of the Current Australian Indirect Tax System

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1. Introduction

The complexity of the current Australian tax system is revealed in the many pages of legislation defining Australian taxes. The amount of legislation combined with constant reforms to various taxes presents members of the public with a daunting task of knowing how much tax it is that they are legally obliged to pay. Thus, the average person has limited knowledge of the current tax system which makes it difficult for him/her to make informed decisions on consumption choices, labour supply choices and so forth. It also means that businesses may not be able to make informed labour demand and investment decisions.

Indirect taxes are taxes assessed on producers in respect of the production, sale, purchase or use of goods and services which are charged to the expense of production (ABS, 1995, p. 29). In this paper, a description of the existing indirect tax structure is provided. Part of this involves placing each tax in the context of its importance to government revenue raising. The other and more substantial part of the task involves describing the base and rate structures of each tax. There are currently many indirect taxes operating in Australia, each with its own legislation and administering department which may be at the Federal, State or Local level. Leaving aside the broader issues of overall equity and efficiency, the current indirect tax system is not simple or clear. If one were designing a tax system from a clean slate comprising several indirect taxes, one would expect to find each tax clearly applying to discrete categories of goods or services. One would also expect to have access to a single piece of legislation that outlined the base and rate schedule of all the indirect taxes, to avoid the risk of confusion over the applicability of different taxes to particular goods or services. Finally, it would seem desirable to keep exceptions and exemptions to a minimum to avoid erosion of the tax base and waste of resources on compliance and administration. None of these common-sense principles has been followed in the design of the Australian indirect tax system.

This paper describes the current indirect tax system, both to inform and to illustrate its complexities. Section 2 gives a general introduction to the types of indirect tax currently operating in Australia. Section 3 examines Wholesale Sales Tax in more detail; Section 4 looks at Stamp Duties; Section 5 at Payroll Tax; Section 6 at Excise Duties; and Section 7 at Franchise Fees. Other indirect taxes, such as land tax, import tariff duties and municipal rates,

are not considered in this paper. Finally, Section 8 provides concluding comments on the current nature of the Indirect Tax System.

2. An introduction to indirect taxes in Australia

In Australia in 1995-96, total tax revenue at all levels of government was \$151.27 billion.¹ Of this, over 76 per cent, \$115.5 billion, was collected by the Commonwealth and the remainder by State (20%) and Local (4%) governments. Indirect taxes amounted to \$66.9 billion, or about 44 per cent of all tax revenue. Table 1 presents an outline of the main indirect taxes in Australia and the amount of revenue collected at respective levels of government. It can be seen that Wholesale Sales Tax and Excise Duties provide the largest amount of government revenue.

Table 1: Australian indirect taxes, 1995-96

<i>Tax</i>	<i>Level of government</i>	<i>Amount raised in 1995-96</i>
Wholesale sales tax	Commonwealth	\$13.0 billion
Excise	Commonwealth	\$13.5 billion
Payroll taxes	State	\$7.1 billion
Taxes on capital and financial transactions:		
Stamp duty	State	\$4.2 billion
FID & BAD	State	\$1.9 billion
Municipal rates	Local	\$5.1 billion
Franchise fees	State	\$4.9 billion
Taxes on International Trade	Commonwealth	\$3.1 billion
Motor vehicle taxes	State	\$3.5 billion
Gambling taxes	State	\$3.3 billion
Other (includes taxes on land, insurance, etc.)	All levels	\$4.7 billion
Fees and fines	All levels	\$2.6 billion
<i>Total indirect tax revenue</i>		<i>\$66.9 billion</i>

Source: ABS (1996, Tables 1, 3, 5 and 6).

¹ ABS (1996, Tables 1 and 4).

3. Wholesale sales tax

The Commonwealth government levies sales tax on a number of goods, but no services, at the last point of sale after initial production. Usually, the wholesaler pays the tax, but manufacturers selling direct to the retailer, or retailers selling through an agent, also incur liability. Wholesale sales tax accounted for \$13 billion of revenue in 1995-96, out of total Commonwealth indirect tax revenues of \$33.9 billion and total Commonwealth revenues of \$115.5 billion.²

However, there are other taxes on goods. For example, beer and spirits are subject to sales tax and also to Commonwealth excise duty and State franchise fees. Petroleum and tobacco products are exempt from sales tax, but are subject to State franchise fees and Commonwealth excise.

The *Sales Tax (Exemptions and Classifications) Act* (the Act) lists goods according to whether and how much sales tax is levied on them. Table 2 provides descriptions of the types of good and their respective tax rates listed in the legislation. See appendix 1 for more detail and a full list of page references. The main principle behind the allocation of goods to different rate schedules is whether or not the goods are classified as essential rather than as luxuries.

Considerable space in the Act is used to define and distinguish between goods. Due to the marked variation of tax rates between similar goods, the issue often arises as to which rate band a particular good belongs. In addition, some exemptions in Schedule 1 apply to goods depending on the use to which they are put. For example, item 18 in Schedule 1 states that goods bought for use in 'manufacture-related activities' are exempt from wholesale sales tax.³ However, what constitutes 'manufacture-related activities' takes three pages of legislation to define, not including a separate section in a different part of the Act which runs for one and a half pages defining what is meant by goods being 'ancillary' (and therefore exempt) to the production of 'higher-level' exempt goods.⁴

² ABS (1996, Tables 1, 3 and 4).

³ Australian Sales Tax Legislation (1996), p.94,063.

⁴ Definition of 'ancillary' is in s.16, Part 3, Division 2 of the Act, pp.93,152-3.

Table 2: Wholesale sales tax rates and exemptions

<i>Schedule</i>	<i>Rate of tax</i>	<i>Types of goods</i>
Schedule 1 ^a	Exempt goods	Food, clothing, health products, books and newspapers, educational, artistic or scientific goods, goods used by governments and goods for use in business, industry or construction. Thus, a given good like a motor vehicle, may or may not be subject to sales tax depending on who purchase it and/or for what purpose it is purchased.
Schedule 2 ^b	12 per cent	Household furnishings, snack foods and beverages, low alcohol wine and cider (that is wine and cider with an ethyl alcohol content of less than 1.15 per cent)
Schedule 3 ^c	22 per cent	Passenger motor vehicles
Schedule 4 ^d	22 per cent	All goods not listed under any other schedule
Schedule 5 ^e	32 per cent	Goods which are or once were, described as luxuries. Some examples are watches, jewellery, cameras, radios and televisions.
Schedule 6 ^f	45 per cent	Luxury motor cars
Schedule 7 ^g	26 per cent	Wine and cider which contains more than 1.15 per cent by volume of ethyl alcohol

Sources: (a) Australian Sales Tax Legislation (1996), p.94,001.

(b) *ibid.*, p.94,903.

(c) *ibid.*, p.95,001.

(d), (e), (f) and (g) Australian Sales Tax Legislation (1996).

4. Stamp duties

Stamp Duty is a tax levied by the States on the value of various financial and capital transactions. Duty is charged on transfers of vehicles, the creation of mortgages, leases, insurance policies and trusts, but most revenue comes from transfers of real property (i.e. land), especially commercial property. In addition, Bank Account Debits (BAD) and Financial Institutions Duty (FID) are often grouped with Stamp Duty even though they are not formally stamp duties. When combined with stamp duty, Chisholm (1993, p.314) suggests that BAD and FID taxes “raise the effective rate of taxation on financial services considerably above the current average rate of indirect tax on all sectors of the economy.”

Table 3 shows the importance of stamp duty as a revenue-raiser, reporting total stamp duty revenue for Victoria in 1995-96 as \$1,860 million in the 1995-96 financial year, not including FID or BAD. Also shown is a break down of the various sources of stamp duty revenue for

Victoria in 1995-96. The table shows that the largest amount of revenue in 1995-96, \$895.6 million, was obtained from stamp duty on land transfers.

Department of Treasury and Finance (1996) reports that FID raised \$313.4 million in 1995-96 and BAD raised \$257.0 million for Victoria.

Table 3: Revenue from Stamp Duty, 1995-96, Victoria

<i>Source</i>	<i>\$ million</i>
Land Transfers	895.6
Vehicle Transfers	330.9
Insurance (life, non-life and TAC ^a)	320.9
Stamp Duty on Financial Transactions:	
Marketable securities	148.7
Estate, Inheritance and Gift Duty	0.1
Other Property Stamp Duty	163.8
<i>Total</i>	<i>1,860</i>

Source: Department of Treasury and Finance (1996, Table 4.2).

Note: a) The TAC (Transport Accident Commission) administers compulsory third party personal injury motor vehicle insurance in Victoria.

Each major form of stamp duty and their bases and rates across the States are summarised in the next section.⁵

(i) Transfers of property other than shares, rights and marketable securities⁶

All the States levy a dollar charge per \$100 or part thereof of consideration for which the property in question changes hands. The charge almost always rises as the value of the property transferred increases. Most States have about six bands of rates, with the first band of 1 per cent to 1.25 per cent generally ending at \$12,000 to \$20,000 and the last band of 3.75 per cent to 5.5 per cent taking effect from \$500,000 to one million dollars. Victoria is the exception to the first two generalisations, with only four bands of rates and the only non-progressive rate structure, Tasmania is the exception to the third generalisation, with the final rate band starting at \$250,000.

⁵ For a good summary, see NSW Treasury (1994). For full details, see Wallace (1979, chapter 50).

(ii) Transfers of shares, rights and marketable securities⁷

All States levy stamp duty of approximately \$0.30 per \$100 or part thereof of consideration for the security. For listed securities, the duty is levied on both the buyer and the seller, but for unlisted securities, a charge of \$0.60 per \$100 or part thereof is levied only on the seller, so that there is no bias towards either listed or unlisted trading.

(iii) Transfers of motor vehicles⁸

NSW, Queensland and WA have relatively simple duties, each charging between \$2 and \$3 per \$100 or part thereof consideration for the vehicle. Victoria, SA and Tasmania have paragraph-long scales, with the dollar charge per \$100 consideration rising as the value of the vehicle rises. Victoria has a separate rate for second-hand vehicles which is higher than that levied on new vehicles under \$35,000, and SA has a concessional rate for commercial vehicles and tractors that weigh more than 2.5 tonnes.

(iv) Life insurance⁹

All States except SA levy stamp duty on the value of the sum assured, with duty about \$0.10 per \$200 assured up to a threshold of \$2,000 in most cases, and then a charge of approximately \$0.20 per \$200 for larger amounts. SA levies duty on the basis of premiums paid, at \$1.50 per \$100 of net premiums paid the previous year as an annual licence fee. NSW, Qld and WA exempt annuities. NSW, WA and the Territories levy a separate duty of 5 per cent on the first year premiums of term or temporary life policies.

(v) General Insurance¹⁰

Each State levies different charges on the basis of premiums paid. Victoria bases the duty on the previous month's premium and SA bases it on the previous year's premium. The percentage charges vary from 5 per cent in WA to 11.5 per cent in NSW, although NSW does levy a lower (2.5 per cent) rate on motor vehicle, aviation, disability and occupational indemnity insurance. Victoria exempts workers' compensation and compulsory third party motor vehicle and commercial marine insurance. The other States also have various

⁶ NSW Treasury (1994, p.14), Wallace (1979, para 50.24, p.2514).

⁷ NSW Treasury (1994, p.17), Wallace (1979, para 50.24, p.2514).

⁸ NSW Treasury (1994, p.15), Wallace (1979, para 50.62, p.2544).

⁹ NSW Treasury (1994, p.16), Wallace (1979, para 50.42, p.2535).

¹⁰ Ibid., p.2535.

concessional rates for some types of insurance, with workers' compensation and third party motor vehicle insurance featuring strongly.

(vi) Leases¹¹

The duty on leases varies between \$0.35 to \$0.60 per \$100 of rent payable either per annum or over the term of the lease, depending on the State. NSW, Victoria and Queensland base the duty on rent payable over the term of the lease, howsoever long. WA bases the duty on a full year's rent where the term of the lease is less than one year. SA bases the duty on one year's rent, regardless of the actual length of the lease. Tasmania bases the duty on total rent payable if the term of the lease is less than one year and on a year's rent if the term is for more than one year or for an indefinite period. The duties for NSW, Qld and WA are \$0.35 per \$100, Victoria levies \$0.60 per \$100 and SA and Tasmania levy \$1 per \$100. Victoria and WA charge twice the duty (\$1.20 per \$100 and \$0.70 per \$100, respectively) if the lease is for an indefinite term.

All States exempt residential leases although this is limited to leases up to \$125 per week in WA. NSW exempts leases for aged and disabled persons in hostels and nursing homes and Qld exempts leases held by charitable, religious or educational bodies.

(vii) Mortgage and loan security¹²

All States levy stamp duty on mortgages, loans and debt instruments such as debentures. However, the rate schedules are significantly different for each State and each State has its own list of exemptions. For example, NSW has an exemption for certain charities, some first home purchases, debentures issued by financial corporations and a concessional rate for 'legitimate offshore banking'. Victoria has an exemption for loans taken out under the First Home Purchasers' Scheme. Some other States have exemptions or concessional rates for principal residences.

¹¹ NSW Treasury (1994, p.18), Wallace (1979, para 50.50, p.2539).

¹² NSW Treasury (1994, p.18), Wallace (1979, para 50.69, p.2547).

For an example of a rate structure, consider NSW:¹³

A) Loan security (other than mortgages): \$5 for the first \$16,000 repayable, plus \$4 for each additional \$1,000 or part thereof. For mortgages that are the subject of a caveat on which an *ad valorem* duty has been paid, the fee is \$10. There are some exemptions to these rates.¹⁴

B) Debenture undertakings \$4 for every \$1,000 or part thereof so subscribed. Again, there are some qualifications.¹⁵

C) Loan securities for unlimited advances.¹⁶

4.1 Financial institutions taxes

As explained above, FID and BAD are often grouped together with stamp duty. For the sake of convenience and continuity, they are also considered here.

4.1.1 Financial Institutions Duty (FID)

FID is levied by all States on bank account receipts. All States levy approximately 0.6 per cent of the receipt, except Qld which does not impose FID, and the maximum charge on any given receipt is \$1,200 for all States that impose FID.¹⁷ All imposing States also give varying concessionary rates to short-term money market dealers. NSW and Victoria charge 0.005 per cent per month on one-third of the average daily liability of the dealer during the month.

4.1.2 Bank Accounts Debits Tax (BAD)

BAD is levied by all States on withdrawals from bank accounts with cheque drawing facilities. The rate schedules impose fixed amounts for all withdrawals within certain sized bands, with higher charge bands for larger withdrawals, but with the percentage rate charge falling as the bands go up. For example, Table 4 shows the rate schedule for NSW.

Table 4: Bank Accounts Debit tax rate schedule for NSW

¹³ Wallace (1979, para 50.69, p.2547).

¹⁴ Wallace (1979, p.2547).

¹⁵ Wallace (1979, p.2548).

¹⁶ *Ibid.*, p.2548.

<i>Withdrawal Size (\$)</i>	<i>Charge (\$)</i>
1 to 100	0.30
100 to 500	0.70
500 to 5,000	1.50
5,000 to 10,000	3.00
10,000+	4.00

Source: NSW Treasury (1994, p.21) and Wallace (1979, para 50.32A, p.2531).

Victoria and SA have the same bands and charges. Queensland imposes just over half the charge for the same bands and WA and Tasmania have the lowest charges, again for the same bands. Tasmania also charges Debits Duty of \$0.15 per deposit for all bank and financial institution accounts, including deposits to credit card accounts.

5. Payroll tax

Each State of Australia now levies Payroll tax on the wages, salaries and benefits of employees. The tax takes the form of a percentage of the payroll of an employer, less a threshold deduction.¹⁸ This means that if an employer's payroll falls below this value, the employer is exempt from paying payroll tax and other employers only have to pay tax on payments in excess of, in Victoria, \$515,000 per year. The rate of payroll tax in Victoria pre 1 July 1997, was 7 per cent level with the rate in Tasmania with the other States slightly lower.¹⁹ Post 1 July 1997 the rate has been cut in Victoria to 6.25 per cent.²⁰ There is substantial variation between the States in respect of the level and nature of the thresholds that are available to small and medium sized businesses.

Although the tax is broadly the same across the States, it is complicated: the Victorian legislation runs to 125 pages, with long definitions in key areas where evasion has been or could be an issue. For this reason, this paper will refer primarily to the Victorian legislation and draw on other States' legislation where the NSW Treasury's paper alludes to significant

¹⁷ NSW Treasury (1994, p.15), Wallace (1979, para 50.58, p.2542).

¹⁸ See (v) below.

¹⁹ See (iv) below.

²⁰ Department of Treasury and Finance (1997).

divergences from the Victorian provisions.²¹ However, because the NSW Treasury document is only a summary of the various States' provisions, it should not be assumed that other States' provisions do not differ from Victoria's, just because no divergence is mentioned.

The Victorian Act is entitled, *The Payroll Tax Act (1971) Vic* (the 'Act') and all references to legislation in this Part are to that Act.

(i) Payments liable to taxation²²

Money wages, sick leave pay, holiday leave pay and long service leave pay are all counted as wages for the purpose of the Act. Other payments that are included are:

- Reimbursement allowances for expenses incurred by the employee if the employee had some control over payment.
- Bonuses or payments (including gifts) of any kind, even for 'good service' upon retirement, if the payments are made while or in respect of the worker's period of employment. See also below.
- Fringe benefits as defined and calculated under the FBT Assessment Act 1986 and not otherwise.²³
- Remuneration paid to an office-holder of the State of Victoria or in the service of the State of Victoria.²⁴
- Superannuation payments made by the employer are now liable to taxation.²⁵

Payments not liable to taxation

- Worker's compensation payments made by employers are not liable.
- Also not liable are allowances for travelling or accommodation paid or payable within the prescribed rate.²⁶
- Payments in lieu of accrued holidays or long service leave on termination of employment used not to be liable, however, now see below.

²¹ NSW Treasury (1994, pp.12-13).

²² s.3(1) 'wages', p.5.

²³ s.3(1) 'wages', para (2), p.6.

²⁴ s.3(1) 'wages', para (a), p.5.

²⁵ Department of Treasury and Finance (1997).

- Payments in the form of a ‘retirement allowance’ upon termination of employment are not liable so long as they are not a bonus or reward for ‘good service’ and the new provisions below do not apply.

From 1 January 1996, a payment made in consequence of retirement of an employee or termination of an employee’s position is defined as ‘wages’ if it is:

- a lump sum payment paid before or after that retirement or termination in respect of unused annual leave and/or other payments (e.g. bonuses or loading) relating to that leave,
- for unused long service leave; or
- for unused sick leave.²⁷

(ii) Those liable to taxation

In Victoria, payroll tax is imposed on ‘employers’.²⁸ This definition includes natural persons, corporations, incorporated and unincorporated associations, partnerships (deemed a legal entity for these purposes), the Crown in right of the State of Victoria, any public, local or municipal body or authority and certain contractors.²⁹ The Act describes which contractor relationships are deemed to be employer-employee relationships. This requires six pages of legislation.³⁰ The NSW provisions are almost identical and the SA and Tasmanian provisions are very similar. Queensland and WA simply make employment agents liable.³¹

Those explicitly not liable to payroll tax are:³²

- Commonwealth government authorities,
- State Governors,
- religious institutions,
- public benevolent institutions,

²⁶ s.3(1) ‘wages’, para (2A), p.6. See NSW Treasury (1994, p.12) for a summary of all the States’ and Territories’ travelling and accommodation allowances.

²⁷ s.3(1) ‘wages’, para (e), pp.6-7.

²⁸ s.6(1).

²⁹ s.3(1) ‘employer’, p.3.

³⁰ s.3C, pp.8-14.

³¹ NSW Treasury (1994, p.12).

³² See s.10(1), pp.43-46 for all except (i) Commonwealth Government authorities, which is exempted by the definition of ‘employer’ in s.3, p.3.

- charitable bodies NOT including schools, educational institutions or State instrumentalities,
- public hospitals,
- non-profit private hospitals,
- non-profit, non-government and non-technical schools or colleges that provide education predominantly at or below the secondary level of education,
- municipal councils or any union of councils except to the extent that the wages are in connection with the construction or provision of utilities or amenities,
- official staff of consular (but not diplomatic) representatives in Australia or other of Her Majesty's Dominions and official staff of Trade Commissioners of any of Her Majesty's Dominions representing them in Australia,
- specialised agencies as defined in the Act,
- Commonwealth War Graves Commission,
- the Australian-American Educational Foundation,
- defence forces of the Commonwealth or any of Her Majesty's Dominions, and
- trainees and apprentices.

(iii) The wages that liability attaches to

In Victoria, employers are liable on wages paid or payable by an employer for services performed or rendered during a month or part of a month, except where services performed wholly outside Victoria. If the services are performed or rendered overseas, the services must have been performed or rendered more than 6 months after wages were first paid to that person for those services in order to be exempt from tax. In other words, the employer must pay tax on work done by the employee whilst overseas unless the employee has been overseas on the same job for more than 6 months.³³

(iv) The rate of payroll tax

Since late 1990 until 1 July 1997, the rate of payroll tax in Victoria was 7 per cent. As of 1 July 1997 the rate has been cut to 6.25 per cent. Tasmania's rate has been 7 per cent since late 1991. NSW's payroll tax rate has recently been cut from 7 per cent to 6.85 per cent. The rate

³³ s.6(1)&(2), pp.19-20.

has been 5 per cent in Queensland since July 1993, 6 per cent in SA and a two-tier 5 and 7 per cent scheme in NT since late 1992. Since the start of 1994, WA has had a rising rate structure, with the rate rising from 0 per cent on payrolls up to \$675,000 to nearly 6 per cent for payrolls in excess of \$5.625 million.³⁴

(v) Deductions

In Victoria, the employer can deduct from the employer's taxable wages \$42,917 per calendar month (\$515,004 per year) that is covered by the return period, if the return period relates to wages paid or payable on or after 1/1/92. This serves to exempt employers with payrolls less than \$515,004 per year from paying tax.³⁵ NSW offers an exemption of \$600,000, SA offers \$456,000, Queensland and Tasmania operate on deduction systems where in Queensland the threshold reduces to zero for payrolls between \$800,000 and \$3.2 million and Tasmania for payrolls between \$565,000 and \$1.412 million.³⁶

(vi) Benefits for exporters

Until June 25, 1996, an export concession for payroll tax did exist. However, it has been repealed as at that date.

s.9C, p.42-3; repealed by s.21(b) of 1996, No.10

(vii) The significance and treatment of 'groups'

In most States, the deductions do not apply where 2 or more employers are 'related', *inter alia*, according to s.50 of the Corporations Law. The definition of such groups continues for 15 pages of the Victorian legislation. The purpose of such a detailed definition appears to be to combat evasion of payroll tax by employers legally splitting their businesses and claiming the \$42,917 per month deduction in respect of each split 'business'. The definition for groups is broadly similar across States, being 50 per cent or more common control.³⁷

³⁴ For the Victorian Act reference, see s.7(1)(e), p.21. For the other States and Territories, see NSW Treasury (1997) cited in Department of Treasury and Finance (1997, Table 5.2).

³⁵ s.9B, pp.38-41.

³⁶ NSW Treasury (1997) cited in Department of Treasury and Finance (1997, Table 5.2).

³⁷ The Victoria Act reference is s.9A, pp.22-37. See NSW Treasury (1997) for a summary of the other States' and Territories' definitions.

6. Excise duties

Excise duties are taxes imposed by the Commonwealth government on specific commodities. Excise is levied on crude oil and LPG, petroleum products and tobacco and some alcohol products. In 1995-96, these duties altogether raised \$13.5 billion out of Commonwealth indirect tax revenue of \$33.9 billion and out of total Commonwealth government revenue of \$115.5 billion.³⁸

Excise is not the only form of tax levied on the products listed above. The Commonwealth government also imposes resource rent tax on petroleum production and sales tax on beer and spirits while the various State governments also impose franchise fees on sellers of alcohol, tobacco and petroleum products. To the extent that fuel taxes can be viewed as a tax on private transport, State governments also impose a number of motor vehicle taxes, such as car registration and licence fees.

6.1 Crude oil and LPG levies

The amounts under this heading are collected from fields in the North West Shelf (of Western Australia) - production license areas not subject to petroleum resource rent tax. The revenue from crude oil and LPG excise in 1995-96 was \$13 million.³⁹ Chisolm (1993, p.312) suggests that,

In Australia, all resources below the ground and sea-bed are owned by the Crown. The levies can be seen as extracting an implicit rental charge from the crude oil and LPG producers in return for the right to mine the resource. Viewed in this way, they can be justified as a (highly imperfect) form of resource rent tax.

6.2 Petroleum products excise

Petroleum products excise (PPE) raised over \$10.2 billion in 1995-96.⁴⁰ PPE is imposed on motor spirit, diesel fuel, aviation gasoline, fuel oil, heating oil and kerosene and aviation

³⁸ ABS (1996, Tables 3, 4 and 5).

³⁹ ABS (1996, Table 5).

⁴⁰ Department of the Treasury (1996, Statement 4, Table 9, p.4.36).

turbine fuel and is levied at a fixed rate per litre of product. The rates applying from August 2, 1993 and from August 1, 1996 are shown in Table 5.

These rates are indexed to the CPI and rise automatically every February and August.⁴¹ If the change in the CPI is negative, the excise rate is not reduced but instead the decline is carried forward to be offset against the next positive CPI movement.

'In part, the tax can be considered a charge for road construction and maintenance and, more recently, as an imperfect means of redressing pollution externalities. The tax mainly falls on petroleum products used for transport. Primary producers are eligible for a full rebate for diesel fuel use, and the mining sector receives a partial rebate for diesel used in off-road mining operations. Inputs of petroleum products to other sectors are fully taxed.' (Chisolm, 1993, p.312).

Table 5: Petroleum products excise rates

	<i>Aug 2, '93</i>	<i>Aug 1, '96</i>
	<i>\$ per litre</i>	<i>\$ per litre</i>
Motor Spirit ^a	0.26573	
leaded		0.36725
unleaded		0.34559
Diesel ^b	0.26573	0.34559
Aviation Gasoline	0.22735	0.18681
Fuel Oil	0.05512	0.07171
Heating Oil	0.05512	0.07171
Kerosene	0.05512	0.07171

Sources: Department of the Treasury (1993, Statement 4, Table 12, p.4.33) and Department of the Treasury (1996, Statement 4, Table 10, p.4.38).

Notes: (a) Prior to the imposition of different rates on leaded and unleaded petrol. (b) Gross; see below for rebate details

Diesel fuel rebate

The rebate rate for primary producers was 26.2 cents per litre⁴² in August 1993 and the rebate rate for mining operators was 23.8 cents per litre⁴³ at the same time. The value of the Primary

⁴¹ See, for example, Department of the Treasury (1993, Statement 4, p.4.32).

Production rebate for 1995-96 was \$546.2 million⁴⁴ and the Mining Industry rebate was worth \$749.8 million.⁴⁵

6.3 Tobacco and alcohol excise

Excise is also levied on beer, potable spirits and tobacco products. Wine, wine products and other fermented alcohol are exempt from liability. Duty is imposed at a fixed rate per kilogram on tobacco products and on the alcoholic content of beer and potable spirits. Revenue from these duties was approximately \$2.6 billion in 1995-96, broken down into revenue from beer, \$829 million; potable spirits, \$197 million; and tobacco products, \$1,585 million.

Table 6 presents the rates applying in August 1993 and August 1996, respectively. These rates also adjust with CPI movements.

Table 6: Tobacco and alcohol excise rates

	<i>Aug '93</i>	<i>Aug '96</i>
	\$	\$
Beer ^a	14.44	15.83
<i>Potable Spirits (per litre of alcohol)</i>		
Brandy	28.72	31.46
General rate for other spirits	33.64	36.84
Spirits n.e.c. and other liqueurs n.e.c.	34.53	37.82
Tobacco products (per kg)	58.42	83.93

Source: Department of the Treasury (1993, Statement 4, Table 12, p.4.33) and Department of the Treasury (1996, Statement 4, Table 10, p.4.38).

Note: (a) Per litre of alcohol above 1.15 percent

⁴² Department of the Treasury (1993, Statement 3, p.3.172).

⁴³ Department of the Treasury (1993, Statement 3, p.3.174).

⁴⁴ Department of the Treasury (1996, Statement 3, Table 10.6, p.3.144).

⁴⁵ Department of the Treasury (1996, Statement 3, Table 11.1, p.3.150).

7. Business franchise fees

In August 1997 the High Court of Australia effectively decided business franchise fees were unconstitutional. On behalf of the States and Territories the Commonwealth has agreed to introduce temporary measures to protect State and Territory revenue following the decision. These so called “safety net” arrangements presented in Costello (1997) are:

- (i) the rate of Commonwealth customs and excise duty on petroleum products used in internal combustion engines (principally) leaded petrol, unleaded petrol and diesel will increase by 8.1 cents per litre,
- (ii) the rate of Commonwealth customs and excise duty on manufactured tobacco and tobacco products will increase by \$167 per kilogram, and
- (iii) the rate of Commonwealth wholesale sales tax on alcoholic beverages taxed at the rate of 22 or 26 per cent will increase by 15 percentage points.

The overall goal of the Government is for a revenue neutral effect on the Commonwealth, States, and industry. This goal has proved messy and difficult to meet. Hence, these measures are purely temporary and under review.

Business Franchise Fees prior to August 1997

Business franchise fees are paid for licences and permits by wholesalers and retailers of tobacco, petroleum and liquor products. The bulk of fees are paid by wholesale licence holders, with fees based on the purchases or sales of the products. In Victoria, the Better Roads Levy is collected with petroleum franchise fees and the Health Promotion Levy is collected with tobacco franchise fees.⁴⁶ Total tax revenue collected from business franchise fees is shown in Table 7. Not surprisingly, the greatest amount of revenue is collected from franchise taxes on tobacco products, \$2.6 billion, with revenue from petroleum products amounting to \$1.5 billion. Total revenue collected from business franchise fees amounted to \$4.9 billion in 1995-96.

Table 7: Total revenue collected from franchise taxes, 1995-96

	<i>\$ millions</i>
Gas	17
Tobacco	2,621
Petroleum	1,531
Liquor	735
<i>Total</i>	<i>4,903</i>

Source: ABS (1996, Table 12).

7.1 Petroleum licencing fees

Petroleum licencing fees vary depending on whether the licensee is a retailer or a wholesaler. The various fees regarding petroleum licences are presented below.

Retailer

For licensed retailers, there is a small annual fee varying from nil in Queensland to \$125 in SA. NSW charges \$10 and Victoria, \$50.⁴⁷ Most States treat unlicensed retailers like wholesalers (see below).

Wholesaler

Similar monthly fees to retailers apply plus *ad valorem* rates of 8 to 12 per cent on the value of motor spirit and 12 to 15 per cent on the value of diesel that is sold for road purposes (that which is not eligible for the off-road use rebate.). This adds 5-9 cents per litre to the price of petrol and 6-10 cents to the price of diesel. Queensland does not charge any franchise fee on petroleum products.

7.2 Tobacco licencing fees⁴⁸

⁴⁶ The legislation which govern these taxes in Victoria are the *Business Franchise (Tobacco) Act* 1974, the *Business Franchise (Petroleum Products) Act* 1979 and the *Liquor Control Act* 1987. For interstate comparisons, New South Wales Treasury (1994) will be used.

⁴⁷ NSW Treasury (1994, p.22).

⁴⁸ NSW Treasury (1994, p.23).

As was the case with petroleum licencing fees, tobacco licencing fees also vary according to whether the licensee is a wholesaler or a retailer. They also vary between licenced retailers and unlicenced retailers. The various fees are presented below.

Licenced retailers

Small annual fees of \$10-\$50 with Queensland not charging any fees.

Unlicenced retailers

Treated almost exactly like wholesalers (see below).

Wholesalers

Fixed charges of \$0 (Queensland) to \$50 per month (Victoria) (most about \$10 per month plus 75 per cent of value of wholesale sales (including its Commonwealth taxes). WA, SA and Tas charge 100 percent.

7.3 Liquor licensing fees⁴⁹

Again, liquor licencing fees differ between wholesalers and retailers.

Retailers

Most States charge 10 or 11 per cent of gross value of purchases by the licensee *in the previous year*. NSW charges 13 per cent.

Wholesalers

Wholesalers are only taxed on final sales as if they were retailers, but with significant minimum fees ranging from \$150 to \$1,000 per year.

7.3.1 Low alcohol

Victoria and SA offer zero licence fees for beer up to 3.8 per cent and alcohol (in Victoria) and zero licence fees for wine up to and including 6.5 per cent (Victoria) or 6.8 per cent (SA) alcohol. NSW, WA, NT and ACT offer a concessional 7 per cent fee for low alcohol beer (up

⁴⁹ NSW Treasury (1994, pp.23-24).

to and including 3.5 per cent NSW, 3.8 per cent WA, 3 per cent NT and undefined ACT). WA also offers the concessional rate for wine with up to and including 6.1 per cent alcohol. NSW offers no concession for wine and Queensland and Tasmania offer no concessions at all.

Vignerons' Licence Fee

A flat rate fee is imposed varying from \$60 pa in Queensland to \$500 pa in NSW.

8. Concluding comment

The Australian indirect tax system consists of a confusing mixture of taxes with varying tax bases and tax rate structures. However, some main themes are apparent. A low tax bias towards goods purchased by primary production, manufacturing, and governments is evident. Also apparent is the low tax bias on goods regarded as necessities. Such goods are typically food, clothing, medical goods and educational goods. On the opposing scale, goods deemed to be luxuries, are taxed quite heavily. Some examples of luxury goods are televisions, radios, cameras and electronic goods, spa baths, swimming pools, jewellery and expensive motor vehicles. Goods or practices seen to be harmful to persons or the environment are also taxed heavily with gambling, tobacco and alcohol products, and petroleum products being exposed to varying types and levels of taxation.

Coupled with the high levels of taxation faced by petroleum products, motor vehicle usage incurs other forms of taxation such as sales tax and stamp duty on purchases of motor vehicles. Thus, the recurring theme of heavily taxing goods which impose damage to the community by way of a negative externality is revisited. Stamp duty also acts as a user-pays system with charges on financial, capital and real property transactions. Medium to large sized enterprises are targeted with payroll tax with small businesses, non-profit and government organisations usually classed as exempt.

The conclusion of this paper is that Australia's indirect tax system is in need of reform. Not only are different goods and services subject to varying tax rate structures, but taxes and tax rates vary between States. The only solution is to simplify the current system keeping in mind issues of equity and efficiency.

Appendix

Page references for wholesale sales tax legislation and list of abbreviations

The source for the Act and amendments to the wholesale sales tax is *Australian Sales Tax Legislation 14th Edition, consolidated to 1 January, 1996*, published by CCH Australia.

All page references refer to the CCH publication. Please note also that pages are not necessarily numbered consecutively.

Table A1: Exempt items from wholesale sales tax legislation, Schedule 1⁵⁰

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
Chapter 1⁵¹		<i>Goods for use in business or industry</i>	94,033
<i>Sub-chapter 1.1</i>		<i>Mining and primary production</i>	94,033
	1	Mining activities	94,033
	2	Primary production activities	94,034
	3	Vehicles for use in agricultural industry	94,034
	4	Heavy motor vehicles	94,041
	5	Tanks for bulk milk tankers	94,041
	6	Fencing, dam-building equipment for use in agricultural activity	94,061
	7	Agricultural fencing, gates etc.	94,061
	8	Machinery, etc. for constructing drains or ditches in agricultural activity	94,061

continued

⁵⁰ NB All through Chapter 1, an exemption is made for ‘general-purpose road vehicles’ used, ‘...exclusively

(i) within premises controlled by the exemption user and used by the exemption user mainly in carrying out one or more activities covered by subitem (1); or

(ii) in going between adjacent premises covered by subparagraph (1); or

(iii) for a combination of both’

and is not for use, to any extent, in any part of premises described in subparagraph (1) that is used, or for use, mainly in connection with a township, accommodation complex or similar place.’

[Where subparagraph (1) refers to the exempted good or activity].

⁵¹ With respect to the meaning of ‘ancillary’ in Chapter 1, see Part 3, Division 2 on pp.93,152-3 where s.16 defines those activities that are ancillary to one or more higher-level activities. For example, s.16(d)(vi) includes as ancillary, ‘treating injuries in an eligible area, where the injuries occur in an eligible area to persons carrying out the higher-level activities.’

Table A1 (cont.): Exempt items from wholesales sales tax legislation, Schedule 1

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
	9	Wool packs	94,061
	10	Dairy equipment	94,061
	11	Equipment for distributing milk or cream	94,061
	12	Bulk grain handling equipment	94,062
	13	Equipment for handling or treating fruit	94,062
	14	Equipment for grading, sorting or cleansing vegetables	94,062
	15	Refrigerators etc. for use by egg marketing board	94,062
	16	Refrigerators etc. for use by fish marketing board or co-op	94,062
	17	Cranes or winches for hauling log timber	94,063
<i>Sub-chapter 1.2</i>		<i>Manufacturing and industrial, etc.</i>	<i>94,063</i>
	18	Manufacture related activities, includes <i>ancillary</i> activities (see Chapter notes below)	94,063
	19	Raw materials for manufacturing goods	94,092
	20	Industrial safety equipment	94,092
	21	Industrial time recording apparatus	94,093
	22	Pest killers	94,093
	23	Activities related to printing	94,093
	24	Printing plates etc.	94,094
	25	Cinematograph film for business use	94,094
	26	Cinematograph cameras for business use	94,121
<i>Sub-chapter 1.3</i>		<i>Containers, transport, storage etc.</i>	<i>94,121</i>
	27	Containers for assessable goods	94,121
	28	Storage, transport etc. Includes the handling, dispatching and transporting of qualifying goods of the exemption user except if mainly in connection with the retail sales of goods at those premises to the general public. Also includes <i>ancillary</i> activities.	94,122
	29	Transport by rail, pipeline etc. Includes the operating, maintaining or repairing of a railway, pipeline or conveyer that is used by an exempted user mainly for transporting qualifying goods. <i>Ancillary</i> activities are also exempt.	94,122
	30	Handling etc. ships cargo or international air cargo	94,123
	31	Omitted	
	32	Cylinders for marketing or delivering gases	94,124

continued

Table A1 (cont.): Exempt items from wholesale sales tax legislation, Schedule 1

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
<i>Sub-chapter 1.4</i>		<i>Research and development, design etc.</i> ⁵²	<i>94,124</i>
	33	Research and development by manufacturer etc.	94,124
	34	Research and development by approved R&D body	94,151
	35	Engineering, technical design etc.	94,154
<i>Sub-chapter 1.5</i>		<i>Miscellaneous</i>	<i>94,154</i>
	36	Subcontractors	94,154
	37	Earth moving contractors	94,154
	38	Mixed activities	94,181
Chapter 2		<i>Building materials</i>	<i>94,182</i>
	39	Materials for repair or construction of buildings etc. Exempts roofing materials, plaster, piping, leadlights, doors, windows, louvres, metal girders and rods BUT NOT, for example ducting material for ventilating, air conditioning and, presumably heating; scaffolding; racking and shelving; tiles or floor coverings; carpeting; or electrical fittings.	94,182
	40	Stone, gravel, crushed metal or bricks, furnace slag, screenings etc.	94,184
	41	Concrete, cement etc.	94,184
	42	Timber. Includes cut, trimmed, shaved timber, floorings, linings, plywood, veneers, joinery or turnery ordinarily used for the construction or repair of buildings.	94,184
	43	Electrical fittings, accessories or materials. Part (2) excludes from the exemption bells, fire or burglar alarms, light globes, thermostats, dimmers, sensors, engines, brackets, hoots, light fittings, etc. Part (3) exempts adapters, plugs and electrical safety devices.	94,211
	44	Paints, putties, wallpaper etc.	94,212
	45	Wire netting and barbed wire	94,212
	46	Concrete and fencing posts	94,212
	47	Bitumen etc.	94,212
	48	Welding rods, solder, etc.	94,212

continued

⁵² [33(4) and 34 (5)] This exemption does not include:

- (a) market research, market testing or market development, or sales promotion (including consumer surveys),
- (b) management studies or efficiency surveys, or
- (c) feasibility surveys.

Table A1 (cont.): Exempt items from wholesale sales tax legislation, Schedule 1

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
Chapter 3	49	Metal materials. Exempts ingots, bars, rods, plates, wire mesh, angles and sections, etc. It does not exempt liners for pools and spas, piping, tubing, ducts, scaffolding, racking and shelving. <i>Irrigation, water supply, etc.</i>	94,212 94,213
	50	Piping, tubing etc. for irrigation, water supply, etc. Exempts piping and tubing for irrigation, water supply, draining or sewerage whether in construction or repair of these facilities, but NOT rubber or synthetic rubber; also NOT channelling hose or guttering for water slides.	94,213
	51	Pumping equipment for water supply etc. NB this does exempt goods in 5(1)(I) in Schedule 2.	94,214
	52	Water boring equipment etc.	94,214
	53	Water tanks and stands	
Chapter 4	54	Preparations and equipment to reduce water evaporation <i>Fuel, power, etc.</i>	94,214 94,214
	55	Kerosene, petrol, etc. Includes crude oil, fuel tar, kerosene, methylated spirits, diesel oil, power alcohol and petrol.	94,214
	56	Hydraulic power and electric current	94,241
	57	Coal, charcoal, firewood, etc.	94,241
	57A	Goods for purifying or compressing natural gas	94,241
Chapter 5	58	Goods for generating or storing gas or electricity in residential premises <i>Transport</i>	94,241 94,241
	59	Ships. Ships are not exempt for private transport, but are exempt if mainly used for public commuter transport, or scheduled sightseeing tours and licenced to carry at least twelve adults; or leased out for at least four years to do either. Also exempt are machinery and equipment on ships except that of a domestic nature or for the purpose of entertainment, comfort or cleanliness.	94,241
	60	Shipping containers	94,242
	61	Aircraft	94,242
	62	Public railways	94,243
	63	Passenger buses	94,243
	64	Public Transport authorities	94,243

continued

Table A1 (cont.): Exempt items from wholesale sales tax legislation, Schedule 1

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
Chapter 6		Primary products	94,244
	65	Products derived from mining, cultivating land, fishing, tending animals or timber getting, but not if subject to treatment or processing that alters their form, nature or condition.	94,244
	66	Unprocessed precious stones	94,244
	67	Unprocessed metals	94,244
Chapter 7		Food and drink for human consumption	94,244
	68	Food for human consumption. Does not include cordials and beverages. Includes beverages for infants or invalids and thick shakes or similar goods manufactured in premises or vehicles in which the business of manufacturing thick shakes is carried on mainly for the purpose of retail sale directly from those premises or vehicles.	94,244
	69	Tea, coffee, cocoa. Exempts preparations marketed principally as tea, coffee, cocoa or chocolate preparations (broadly defined; e.g. includes chicory essence, herbal tea, etc.) but DOES NOT include if in ready to drink form, e.g. 'Milo' milk drink.	94,271
	70	Milk products. DOES NOT include flavoured milk* .	94,271
	71	Soy and rice milk	94,271
	72	Cooking oil etc.	94,271
	73	Meat extracts, e.g. Bovril, Bonox etc.	94,271
	74	Emergency rations for lifeboats	94,271
Chapter 8		Clothing and footwear for human wear	94,272
	75	Clothes. Exempts clothes and parts of clothes but not items listed Schedules 2 or 5. For example household drapery and soft furnishings (Sch2 Item 2, p.94,853), fur skins (Sch5 Item 2, p.95,054), jewellery (Sch5 Item 3, p.95,054), tie pins or cuff links (Sch5 Item 4, p.95,054), or watches (Sch5 Item 6, p.95,054).	94,272
	76	Fasteners for clothing and footwear. Same exclusions to the exemption apply as in Item 75.	94,272
	77	Footwear, materials for repairing footwear etc.	94,272

continued

* See Schedule 2, Item 12, p.94,901.

Table A1 (cont.): Exempt items from wholesale sales tax legislation, Schedule 1

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
Chapter 9		<i>Human health and hygiene</i>	94,273
	78	Drugs and medicines. Does NOT include soap, toothpaste or medicated shampoo but DOES include antiseptics.	94,273
	79	Rectified spirits for making medicines	94,273
	80	Medical and surgical goods	94,273
	81	Surgical instruments and appliances	94,273
	82	X-ray apparatus	94,274
	83	Gases for medical use	94,274
	84	Dental instruments and appliances	94,274
	85	Spectacles etc. Does NOT include sunglasses.	94,274
	86	Wigs etc. for medical purposes	94,274
	87	Bath seats for disabled or elderly persons	94,274
	88	Cotton wool, bandages, first-aid kits etc.	94,301
	89	Toothbrushes etc. Does NOT include toothpicks.	94,301
	90	Contraceptives	94,301
	91	Sunscreen preparations	94,301
	92	Sanitary pads, baby nappies etc.	94,301
	93	Goods for disabled persons	94,301
	94	Wheelchairs etc. for disabled persons	94,302
	95	Videotex systems for deaf persons	94,302
	96	Motor vehicles for disabled veterans	94,302
	97	Motor vehicles for eligible disabled persons	94,303
	98	Goods for modifying motor vehicle for disabled person	94,303
	99	Ambulances, life saving etc. equipment	94,304
Chapter 10		<i>Books, printed matter, paper etc.</i>	94,304
	100	Books, magazines etc.	94,304
	101	Newspapers	94,331
	102	Manuscripts	94,331
	103	Tourist pamphlets etc.	94,331
	104	Printed matter for use by agricultural society	94,331
	105	Imported trade catalogues	94,331
	106	Printed matter of insubstantial value	94,331
	107	Postage stamps	94,331
	108	Goods made from recycled paper - No longer exists	
Chapter 11		<i>Scientific and educational goods</i>	94,333
	109	Non-profit university or school	94,333
	110	School or university promotion bodies	94,333

continued

Table A1 (cont.): Exempt items from wholesale sales tax legislation, Schedule 1

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
	111	School or university sport promotion bodies	94,333
	112	Anthropological specimens	94,333
	113	Imported exchange publications etc.	94,333
	114	Imported printed matter	94,333
Chapter 12		<i>Works of art, collectors pieces, antiques etc.</i>	94,334
	115	Works of art	94,334
	116	Museum exhibits etc.	94,334
	117	Imported paintings, sculptures etc.	94,334
	118	Imported collectors pieces	94,334
	119	Imported antiques	94,334
Chapter 13		<i>Monuments, memorials, trophies etc.</i>	94,334
	120	Defence service honour boards	94,334
	121	Public monuments	94,334
	122	Imported trophies, medallions, prizes etc.	94,361
	123	Tombstones, memorial boards etc.	94,361
	124	Miniatures of awards etc.	94,361
Chapter 14		<i>Goods for use by governments, hospitals etc.</i>	94,361
<i>Sub-chapter 14.1</i>		<i>Australian governments and government representatives</i>	94,361
	125	Goods for use by Governor-General and State Governors	94,361
	126	Goods for use by Commonwealth and States etc.	94,361
	126A	Goods for use by State/Territory bodies	94,362
	127	Goods for use by local government bodies etc.	94,362
	128	Goods for use by State libraries, museums and art galleries	94,363
	129	Goods for use by grain storage authorities	94,363
	130	Goods for use by particular bodies. E.g. ATSIC (Aboriginal and Torres Strait Islander Commission), RBA (Reserve Bank of Australia), etc.	94,363
<i>Sub-chapter 14.2</i>		<i>Foreign governments and government representatives</i>	94,364
	131	Goods for use by foreign governments	94,364
	132	Goods for use by Trade Commissioners	94,364
	133	Goods for use by foreign tourist promotion agencies	94,364
	134-139	Goods for use by armed forces of the UK, USA, Canada, New Zealand, Singapore and PNG respectively.	94,391-94,392
<i>Sub-chapter 14.3</i>		<i>Miscellaneous bodies</i>	94,393
	140	Goods for use by public hospitals and benevolent institutions	94,393

continued

Table A1 (cont.): Exempt items from wholesale sales tax legislation, Schedule 1

<i>Chapter</i>	<i>Item</i>	<i>Type of Good</i>	<i>Page No.</i>
	141	Goods for use by charitable fund-raising bodies	94,393
	142	Goods for use by medical research bodies	94,393
	143	Goods for use by accident prevention bodies	94,393
	144	Goods for use by infant-welfare bodies	94,393
	144A	Goods for use by exempt child care bodies	94,393
	145	Imported goods donated or bequeathed to scientific, literary etc. bodies	94,394
	146	Goods for use by armed forces support bodies	94,394
	147	Goods for use by public zoos	94,394
Chapter 15		Miscellaneous	94,421
	148-195	Includes wedding rings; prams; cloths; yarns; leather; raffia; twine; goods for religious use; coffins; wreaths; plants, trees and seeds; fertilisers; tobacco, cigarettes, and cigars; poultry food; livestock food; food for non-domestic birds; food for guide dogs or animals in shelters; the RSPCA; imported horses; horseshoes and horseshoe nails; veterinary instruments; tallow; scoured wool; exempt UHF television transmitters (see section 3C); wireless transceivers for use with Flying Doctor Service; satellite receiving equipment; solar energy equipment; LPG conversion equipment; fire fighting and prevention equipment; water; ice; gases; acetylene and liquid oxygen; ammonia; toluol; explosives; currency; bullion; gold etc. imported for approved mint; goods produced in New Zealand, Fiji etc.; goods imported for repair or processing; goods imported or purchased by overseas travellers; imported goods of negligible value; inherited goods; ship's stores and aircraft's stores; airport shop goods; national flags; construction, repair etc. of property owned or leased by always-exempt persons or foreign governments; goods for donation or loan to an always-exempt person or government.	94,421

Table A2: Wholesale sales tax rates, Schedules 2-7

<i>Schedule</i>	<i>Item</i>	<i>Tax rate</i>	<i>Type of Good</i>	<i>Page No.</i>
2	1	12%	Goods of a kind ordinarily used for household purposes. This applies to furniture, but not: pictures with or without frames, sculptures, statues, inlays, mosaics, tapestries, plaques, food preparation or serving goods, refrigerators and freezers, heaters, fire places, air-conditioners, fans, washing machines, dryers, vacuum cleaners, carpet sweepers, dish washers, brooms, mops, dusters, buckets, basins, sewing and similar machines, floor coverings, mats, light fittings, candles and candle holders, blinds, awnings, vases, planters, incinerators, bins, clothes pegs, baskets, bedding. NOT applicable to items in Schedule 5 or sporting goods, pool-related goods, air-conditioning channels or ducts or safes.	94,903
	2	12%	Household drapery, soft furnishings. Applies to bedding, towels, furniture covers, handkerchiefs, mosquito nets and haberdashery.	94,951
	3	12%	Sponges etc. marketed for cleaning purposes	94,951
	4	12%	Matches, firelighters, etc.	94,951
	5	12%	Baths, sinks, toilets, etc. Does NOT apply to spa baths.	94,951
	6	12%	Water heaters, storage tanks, filter, etc.	94,952
	7	12%	Bathroom fittings and sanitary ware	94,952
	8	12%	Movable toilets, etc.	94,952
	9	12%	Toilet cleaners, deodorisers, etc.	94,953
	10	12%	Maps, atlases, globes, etc. Does NOT include advertising matter and does NOT apply to map books for educational purposes.	94,953
	11	12%	Confectionery, savoury snacks, biscuits, etc. Applies to goods which are excluded from Schedule 1, Item 68, because of paragraphs (b), (c), (d), (e), (f), (g) of s.14, Part 3, Division 3.	94,953
	12	12%	Flavoured milk, etc. Applies to regular, soy and rice milk where 'milk' is at least 90 per cent of the product.	94,953
	13	12%	Fruit and vegetable juices. Includes concentrates, cordials, juices, carbonated and non-carbonated.	94,953
	15	12%	Low alcohol wine, cider, etc. Includes wine or cider if less than 1.15 per cent volume of ethyl alcohol. Does NOT include beer and spirits.	94,954
3	1	22%	Passenger motor vehicles. Includes motor vehicles covered by heading 8703 in Schedule 3 to the Customs Tariff (or would be covered by that heading if they were imported), but NOT including 'luxury motor vehicles' as set out in Schedule 5 of this Act.	95,001
4	1	22%	Goods not covered by any item in Schedules 2, 3 and 5	95,002

continued

Table A2 (cont.): Wholesale sales tax rates, Schedules 2-7

<i>Schedule</i>	<i>Item</i>	<i>Tax rate</i>	<i>Type of Good</i>	<i>Page No.</i>
5	1	32%	Omitted	
	2	32%	Fur skins, etc. Includes fur as clothing, rugs or trimmings.	95,054
	3	32%	Jewellery, precious stones, etc. Does NOT include goods of a kind ordinarily used for clothing.	95,054
	4	32%	Tie pins, cuff links, etc.	95,054
	5	32%	Goods made of precious metals, etc. Does NOT include coins, ingots, granulated gold or metal plated cutlery.	95,054
	6	32%	Watches, etc.	95,054
	7	32%	Clocks, etc. Does NOT include goods of a kind ordinarily used for business or industrial purposes.	95,071
	8	32%	Binoculars	95,071
	9	32%	Cameras etc. Does NOT apply to photocopiers.	95,101
	10	32%	Photographic enlargers. Does NOT apply to photocopiers	95,101
	11	32%	Projection and viewing equipment NOT of a business or industrial type.	95,101
	12	32%	Tape recorders, video recorders, video cameras, radios, televisions etc. Does NOT include speech recording or reproducing equipment, e.g. dictaphones; radio receivers for public commercial telecom services; appliances for television broadcasting. DOES cover accessories but NOT batteries.	95,101
	13	32%	Picture tubes for televisions	95,102
	14	32%	Slot machines for gambling and amusement. Defined as coin or token operated.	95,102
6	1	45%	Luxury motor cars. Defined as motor cars, station wagons and 4WDs if the taxable value of the taxable dealing concerned is more than 67.1 per cent of the motor vehicle depreciation limit for the financial year in which the taxable dealing happens. This item does NOT cover motor vehicles that are specially fitted out for transporting disabled persons seated in wheel chairs unless the motor vehicle is described in subitem (1) of exemption Item 96 or 97 of Schedule 1 of this Act.	95,151
7	1	26%	Wine, cider, etc. Includes wine, cider, mead, perry, sake or other similar fermented beverages. Does NOT include beer or spirits.	

Table A3: List of Abbreviations

n.e.c.	not elsewhere classified
CPI	consumer price index
LPG	liquid petroleum gas
FBT	fringe benefits tax

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