

ST 2159 - SALES TAX : POWER FACTOR CONTROLLERS FOR ELECTRIC INDUCTION MOTORS (POWER SAVERS)

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TAXATION RULING NO. ST 2159

SALES TAX : POWER FACTOR CONTROLLERS FOR ELECTRIC
INDUCTION MOTORS (POWER SAVERS)

F.O.I. EMBARGO: May be released

REF H.O. REF: 84/1831-4 DATE OF EFFECT: IMMEDIATE

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F.O.I. INDEX DETAIL

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I 1199297 SALES TAX (EXEMPTIONS
AND CLASSIFICATIONS)
ACT; ITEM 90C, FIRST
SCHEDULE

PREAMBLE Sub-item 90C(1) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exempts from sales tax electrical fittings and accessories being goods of a kind used exclusively or primarily and principally as part of fixed electrical installations in consumers' premises. However, certain goods are specifically excluded from exemption under the sub-item. For example, paragraph 90C(1)(a) excludes electronic equipment and paragraph 90C(1)(d) excludes condensers, converters, starters and transformers.

FACTS 2. Power factor controllers for electric induction motors are electronic equipment designed to regulate the amount of power consumed by electrical appliances. They usually incorporate a starter for the purpose of reducing mechanical stress on the motor and to eliminate the drawing of excess electricity when starting the motor.

3. Once an electric induction motor is operating it runs at essentially a constant speed which is independent of both load on the motor and applied voltage. Power factor controllers vary the speed of such motors depending on the amount of load placed on the motor at any given time during operation.

4. For these reasons power factor controllers are generally marketed as "power savers" notwithstanding that they incorporate a starting feature.

5. "Power savers" may be wired into the fixed electrical installations in consumers' premises or they may be sold with a three pin plug and lead for plugging directly into a standard power outlet. The electrical equipment or appliance is then plugged into the power saver.

RULING 6. All power saving devices incorporating starting features, whether known as power factor controllers or as "power savers", are excluded from sales tax exemption either by paragraph 90C(1)(d) as starters or by paragraph 90C(1)(a) as electronic equipment.

7. Power saving devices are taxable at the general rate of sales tax, which is currently 20%. This is so whether the

devices are wired into the fixed electrical installations in consumers' premises or merely plugged into a power point. The devices are not taxed differently where they are wired into fixed electrical installations in consumers' premises.

COMMISSIONER OF TAXATION

7 August 1985

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