


# ***ST 2170 - SALES TAX : RECONDITIONED MOTOR VEHICLE ENGINES***

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TAXATION RULING NO. ST 2170

SALES TAX : RECONDITIONED MOTOR VEHICLE ENGINES

F.O.I. EMBARGO: May be released

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1124027	DEFINITION OF "GOODS" AND "MANUFACTURE"	SALES TAX ASSESSMENT ACT (NO. 1); SECTIONS 3 AND 11

OTHER RULINGS ON TOPIC PARAGRAPHS 938 TO 941, AUSTRALIAN SALES  
TAX 1984

PREAMBLE Questions have arisen whether paragraphs 938 to 941 in Australian Sales Tax 1984 apply to reconditioned short, intermediate and long engines as well as motor vehicle parts and whether the paragraphs apply to engine reconditioners who do not operate exchange schemes but simply recondition engines either on specific order or as stock for sale.

2. Short engines are engines without head, sump and oil pump. Intermediate engines are short engines with sump and oil pump. Long engines are complete engines including head, sump and oil pump.

3. Paragraphs 938 to 941 state that, in general, manufacture occurs when motor vehicle parts, e.g. shock absorbers, are reconditioned for use as exchange stocks. The reconditioned articles are accepted, however, as "second-hand goods" for the purposes of sub-section 3(1) in Sales Tax Assessment Act (No. 1) unless the value of new components (including any imported components which may have been used overseas but not in Australia) clearly predominates. Where articles are manufactured but the manufactured articles are not "goods" as defined for sales tax purposes any new parts or materials, or imported second-hand parts or materials, that have been incorporated in the manufactured articles will, in accordance with sub-section 3(8) in Sales Tax Assessment Act (No. 1), be regarded as applied to the reconditioner's own use. Tax is payable on the goods so applied.

4. Where the value of new components (including any imported components which may have been used overseas but not in Australia) clearly predominates, manufacture of "goods" occurs and sales tax is payable on the wholesale selling price of the exchange unit.

FACTS 5. Engine reconditioners may or may not operate exchange schemes. They may recondition either engines which have previously gone into use or consumption in Australia (locally used engines) or engines which have not gone into use or consumption in Australia (imported used engines).

RULING

6. Reconditioned motor vehicle engines of all types, ie, short, intermediate or long, come within the words "reconditioned motor vehicle exchange units" contained in paragraphs 938 to 941 of Australian Sales Tax 1984. The reconditioning of motor vehicle engines is considered to be more than a repair process; it is manufacture for sales tax purposes.

7. Motor vehicle engine reconditioners who recondition imported used engines which have not gone into use in Australia, whether the engines are short, intermediate or long engines, are manufacturers of "goods" for sales tax purposes. With such reconditioning the value of new and imported components clearly predominates. They are required by sub-section 11(1) in Sales Tax Assessment Act (No. 1) to become registered for sales tax purposes and to account for sales tax on a sale value equivalent to the wholesale selling price of the reconditioned engines.

8. Motor vehicle engine reconditioners who only recondition locally used engines are also manufacturers but the reconditioned engines are not "goods" as defined unless the value of new components clearly predominates. Where the reconditioned engines are not "goods" reconditioners are not required to register for sales tax. Their sales tax liability is met by payment of sales tax on any new parts or materials, or imported second-hand parts or materials, that have been used in the reconditioning processes. Where the reconditioned engines are "goods" sales tax is payable on a sale value equivalent to the wholesale selling price of the reconditioned engines. In this situation the reconditioner would be entitled to acquire parts for use in reconditioning the engines free of sales tax, whether the parts are purchased locally or imported.

9. This ruling should be read in conjunction with paragraphs 938 to 941 of Australian Sales Tax 1984.

COMMISSIONER OF TAXATION  
28 August 1985

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