


ST 2198 - SALES TAX : SOLAR PANELS

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TAXATION RULING NO. ST 2198

SALES TAX : SOLAR PANELS

F.O.I. EMBARGO: May be released

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SOLAR PANELS

SALES TAX (EXEMPTIONS
AND CLASSIFICATIONS)
ACT; SECTION 6AB; ITEM
153, FIRST SCHEDULE;
ITEM 12, THIRD
SCHEDULE. SALES TAX
ASSESSMENT ACT (NO.1);
SECTION 3.

PREAMBLE

The following provisions govern the sales tax treatment of solar panels sold separately or in company with or incorporated into other goods.

2. Sub-item 153(1) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exempts from sales tax goods of a kind used exclusively, or primarily and principally, for collecting, absorbing or concentrating solar rays for the purpose of using them as a source of heat.

3. Section 6AB of the Sales Tax (Exemptions and Classifications) Act, which came into effect on 20 September 1985, provides that sales tax is not payable upon so much of the sale value of goods in which are incorporated goods covered by sub-item 153(1), First Schedule as is equal to the amount which would have been the sale value if the transaction had been in relation to the goods covered by sub-item 153(1) only. Effectively section 6AB provides exemption for solar panels where they are incorporated with other goods.

4. Sub-section 3(5) of the Sales Tax Assessment Act (No.1) provides that where a sale and purchase, for one inclusive price, is made of goods which have different sales tax classifications, the goods shall be valued separately and taxed at the rate appropriate to them. Where one of the goods is exempt, no tax is payable on that good.

5. Sub-item 12(1) in the Third Schedule to the Sales Tax (Exemptions and Classifications) Act taxes at the rate of 10%, effective from 20 September 1985, water heating and hot water storage equipment, being goods of a kind installed as fixtures in domestic premises, but not including goods covered by sub-item 153(1), First Schedule, i.e. solar panels.

RULING

6. Solar panels or collectors are exempt from sales tax under sub-item 153(1), First Schedule.

7. Where a hot water system incorporates a solar collector as part of a single unit, section 6AB of the Sales Tax (Exemptions and Classifications) Act authorises the exemption for that part of the sale value of the complete unit which applies to the solar panel covered by sub-item 153(1), i.e., the solar panel portion of the hot water system remains exempt. The remainder of the hot water system which basically is the hot water storage unit is taxable. Where the system is of a kind installed in domestic premises the tax rate applicable to the taxable portion is 10%. Where the system is a commercial or industrial one, the tax rate applicable to the taxable portion is 20%.

8. If the solar collector is not incorporated into the hot water system as part of a single unit, but the hot water storage equipment and the collector are sold together for one inclusive price, sub-section 3(5) of Sales Tax Assessment Act (No.1) operates to ensure that tax is collected only on the taxable goods (the hot water storage unit) and not on the solar collector.

COMMISSIONER OF TAXATION
7 January 1986

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