


ST 2208 - SALES TAX : DREDGING EQUIPMENT

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TAXATION RULING NO. ST 2208

SALES TAX : DREDGING EQUIPMENT

F.O.I. EMBARGO: May be released

REF

*** NOTE: THIS RULING HAS BEEN MODIFIED BY ST 2299

H.O. REF: 85/8088-0

DATE OF EFFECT: Immediate

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1205759	DREDGING EQUIPMENT VESSELS PIPING AND TUBING	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEMS 18, 82A AND 119, FIRST SCHEDULE; ITEM 7, THIRD SCHEDULE.

PREAMBLE

This Office has recently considered the classification, for sales tax purposes, of goods used by dredging contractors in dredging soil etc. from the seabed and from navigation channels, i.e., dredges, a "multi-pontoon" barge, barge, floating line, shore pipes and floating platform.

2. The dredges and "multi-pontoon" are self-propelled vessels. The barge is not self-propelled. It incorporates a fuel outlet and "A" frame crane equipment. It is used to supply fuel to the dredges, to assist in lifting and moving the floating pipe and connecting it to the shore, and in lifting the anchors of the dredges.

3. The floating line consists of steel piping (outside diameter 950mm, inside diameter 900mm) with a foam plastic floatation covering and is used to convey slurry from the dredge to the shore. The shore pipes comprise steel piping (outside diameter 936mm, inside diameter 900mm) and are used to convey slurry from the floating line to the required location.

4. The floating platforms are 4 metres by 4 metres in size and their sole purpose is to anchor the floating line in position.

5. Consideration of the question involved the following provisions in the Sales Tax (Exemptions and Classifications) Act:-

- (a) Sub-item 18(1) in the First Schedule which exempts from sales tax certain piping or tubing for use for irrigation, water supply, drainage or sewerage purposes.
- (b) Sub-item 82A(1), First Schedule, which exempts from sales tax piping or tubing of a kind used exclusively, or primarily and principally, in the construction or repair of, and wrought into, or attached to, so as to form part of, buildings,

fixtures, structures or other works, subject to certain exclusions.

- (c) Sub-item 119(1), First Schedule, which exempts from sales tax ships and other vessels, but not including those to be used exclusively or principally for purposes of pleasure, sport, recreation, private transport or accommodation, either by the owner thereof or by any other person or persons, whether or not that use is to be in accordance with a charter or other hiring agreement or otherwise for reward.
- (d) Sub-item 7(1) in the Third Schedule which taxes at the rate of 10% machinery, implements, apparatus and materials (other than road vehicles of the kind ordinarily used for the transport of persons or the transport or delivery of goods, towing trucks or salvage vehicles) for use exclusively or primarily and principally, for business or industrial purposes, in, inter alia, constructing, maintaining or repairing (or excavating or levelling in connection with constructing, maintaining or repairing) buildings or other structures, or roads, dams, pipe lines, drains, trenches, tunnels or other works, but not including goods which become part of the structures or works repaired or constructed, or lubricants.

RULING

6. The dredges, self-propelled "multi-pontoon" and barge are all vessels and qualify for exemption under sub-item 119(1), First Schedule.

7. Movement of slurry as part of dredging operations is not a water supply or drainage function for the purposes of sub-item 18(1), First Schedule. Accordingly, the floating line and shore pipes are not exempted by sub-item 18(1).

8. The piping used on shore is piping of a kind used exclusively, or primarily and principally, in the construction of fixtures and is exempt under sub-item 82A(1), First Schedule. The floating line is distinguishable from steel pipe of a kind covered by sub-item 82A(1). It forms a separate class of goods which is not of a kind wrought into or attached as part of fixtures and accordingly does not qualify for exemption under sub-item 82A(1).

9. Dredging operations are accepted as operations of "constructing, maintaining or repairing ... drains, trenches, tunnels or other works" within the scope of sub-item 7(1), Third Schedule. The floating line used in dredging operations is taxable at the rate of 10% under sub-item 7(1).

10. The floating platforms are moved only when a change in the position of the floating line is required, and are not used and are not suitable for the transport of passengers or goods. They are not vessels in the ordinary meaning of that term and are not covered by sub-item 119(1), First Schedule. When used in connection with the floating line, the floating platforms are taxable at the 10% rate under item 7(1), Third Schedule.

COMMISSIONER OF TAXATION
6 January 1986

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