


ST 2240 - SALES TAX : GOODS SOLD IN A DISASSEMBLED OR UNASSEMBLED STATE

 This cover sheet is provided for information only. It does not form part of *ST 2240 - SALES TAX : GOODS SOLD IN A DISASSEMBLED OR UNASSEMBLED STATE*

This document has been Withdrawn.

There is a [Withdrawal notice](#) for this document.

TAXATION RULING NO. ST 2240

SALES TAX : GOODS SOLD IN A DISASSEMBLED OR UNASSEMBLED STATE

F.O.I. EMBARGO: May be released

REF H.O. REF: 84/4682-2 DATE OF EFFECT: Immediate

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

| REFERENCE NO: | SUBJECT REFS: | LEGISLAT. REFS: |
|---------------|---|---|
| I 1078137 | GOODS SOLD IN A DISASSEMBLED OR UNASSEMBLED STATE | SALES TAX ASSESSMENT ACT (NO.1); SECTION 3 |

OTHER RULINGS ON TOPIC : ST 2127

RULING 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 upon the sale value of which sales tax is payable at a particular rate together with goods upon the sale value of which sales tax is payable at some other rate or is not payable, the respective amounts for which the goods are sold and purchased shall be deemed to be the amounts which, in the opinion of the Commissioner, would have been the sale prices of those goods if sold separately.

2. The purpose of the sub-section is to establish separate sale values for goods when two or more goods which are taxable at different rates are sold for one inclusive price. The section permits a sale value to be fixed for each item which would have been its sale value if sold separately.

3. The question which has arisen is the extent to which sub-section 3(5) operates where an item of goods, e.g. a chair, is sold in a disassembled or unassembled state, i.e. in kit form or in what is sometimes referred to as knocked down condition. In the past the sub-section has been held to apply in these circumstances. Reference may be made to paragraphs 177, 557 and 558 of Australian Sales Tax where the sub-section is stated to apply to boat kits and ready cut furniture kits.

4. In *Betterways Panels Ltd. v. Commissioners of Customs and Excise* (1964) 1 All E.R. 948 Barry J. had to decide whether certain furniture kits, consisting of laminated board panels and metal channels capable of being assembled into any one of ten articles of furniture at the purchaser's choice, were taxable as furniture under the United Kingdom purchase tax legislation. His Honour held that, if a person buys an article in parts, the essence of the transaction remains the same, i.e. it is the purchase of the complete article.

5. Notwithstanding that the decision of Barry J. was given in relation to different legislation it is considered that his approach ought to be followed in comparable situations in the sales tax law. This means that where an article is sold in a disassembled or unassembled state sales tax liability will be determined by the identity of the complete article and not the

parts. Sub-section 3(5) will not apply to the sale.

6. In approaching this question it is necessary to bear in mind the varying nature of goods sold in kit form or in knocked down condition. What has to be decided in each case is whether the relevant transaction is to be characterised properly as a sale of a single article.

7. Some goods marketed in kit form or in knocked down condition are sold with the object of their being assembled by the purchaser into a single article. Examples which come readily to mind are furniture kits, boat kits, clock kits, children's toys (e.g. kites, aeroplanes), dog kennels, wheelbarrows, etc.

8. There are other items described as kits which in fact contain a collection of individual items of goods. They are not sold for the purpose of being assembled into a single article. Examples are tool kits which may include hammer, chisel, screw driver, pliers, etc. and manicure kits containing nail file, scissors, etc. Bath sets made up of towel, soap, hand mirror, brush, comb, etc. are another example.

9. A further range of kits are those where the components are not assembled to form an item of goods but are built up to form a fixture. Pergola kits, garden shed kits and greenhouse kits fall into this category.

10. Goods of the nature described in paragraph 7 above, sold in a disassembled or unassembled state, where the essence of the transaction is the sale of a complete article, are to be classified for sales tax purposes according to the nature of the complete article and not on the basis of the individual components.

11. Kits or sets of the type described in paragraphs 8 and 9 are not sold as single goods and should continue to be classified for sales tax purposes according to their components.

12. Any previous rulings to the effect that goods of the nature described in paragraph 7 above may be classified according to the individual components are accordingly withdrawn. In particular the rulings contained in paragraphs 177, 557 and 558 of Australian Sales Tax are withdrawn.

13. If any person who produces goods in a kit form is uncertain about the classification of the goods the matter should be referred to the nearest branch of the Taxation Office for a ruling.

COMMISSIONER OF TAXATION
12 May 1986