

ST 2322 - SALES TAX : AIRCRAFT AND AIRCRAFT SERVICING EQUIPMENT

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TAXATION RULING NO. ST 2322

SALES TAX : AIRCRAFT AND AIRCRAFT SERVICING EQUIPMENT

F.O.I. EMBARGO: May be released

REF N.O. REF: 85/854-4 DATE OF EFFECT:

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1210516	AIRCRAFT AND AIRCRAFT SERVICING EQUIPMENT	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEM 119A, FIRST SCHEDULE; ITEM 7, THIRD SCHEDULE.

PREAMBLE Taxation Ruling No. ST 2246 deals with the classification of aeroplanes under sub-item 119A(1) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act and sets out examples of situations where aeroplanes qualify for exemption under the sub-item. Two measures announced in the 1986/87 Budget affect the classification of aeroplanes and equipment used in servicing, repairing or reconditioning them.

2. Prior to 20 August 1986 sub-item 119A(1), First Schedule, provided exemption for aeroplanes including flying boats, seaplanes and helicopters used for business or industrial purposes including a business of the carriage of passengers or goods. Exemption was confined to aeroplanes, i.e., power-driven heavier-than-air aircraft with fixed wings. Hot air balloons which are lighter-than-air aircraft are not aeroplanes and were not exempted by sub-item 119A(1), First Schedule, even when used for business or industrial purposes. Nor did exemption apply to gliders.

3. Sub-item 119A(1), First Schedule, was amended with effect from 20 August 1986 to provide a wider exemption. It now exempts aircraft used for business or industrial purposes.

4. The second measure deals with goods used in servicing aeroplanes. Prior to 20 August 1986, paragraph (1)(c) of item 7, Third Schedule, provided a conditional rate of 10% for machinery, implements, apparatus and materials for use exclusively, or primarily and principally, for business or industrial purposes in servicing, repairing or reconditioning aeroplanes (including flying boats, seaplanes and helicopters). Goods covered by the paragraph would otherwise have been taxable at the general rate.

5. Item 7, Third Schedule, was repealed with effect on and after 20 August 1986.

RULING 6. The amendment to sub-item 119A(1), First Schedule, means that all aircraft including flying boats, seaplanes, helicopters, hot air balloons, air ships, dirigibles and gliders will qualify for exemption from sales tax provided they satisfy

the business use tests of the sub-item. Examples of the situations in which aircraft will qualify for exemption under sub-item 119A(1), First Schedule, are outlined in paragraphs 7 to 10 of Taxation Ruling No. ST 2246. While hang gliders are considered to be aircraft for the purposes of the sub-item it is doubtful whether they would satisfy the business use test for exemption. They are taxable at the rate of 20%.

7. With the repeal of item 7, Third Schedule, machinery, implements, apparatus and materials used in servicing, repairing or reconditioning aircraft became taxable at 20%.

8. The above amendments do not affect the position of parts for aircraft. Parts for aircraft follow the classification of the aircraft being repaired. To be exempt under sub-item 119A(4), First Schedule, the parts must be for use in repairing an aircraft which at the time of purchase of the parts qualifies for exemption under sub-item 119A(1), First Schedule.

9. Taxation Ruling No. ST 2246 and the advice in paragraphs 115 to 117 of the publication "Australian Sales Tax" are modified accordingly.

COMMISSIONER OF TAXATION
19 February 1987