

ST 2327 - SALES TAX : COMPUTER EQUIPMENT FOR USE BY HOSPITALS AND MEDICAL PRACTITIONERS

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TAXATION RULING NO. ST 2327

SALES TAX : COMPUTER EQUIPMENT FOR USE BY HOSPITALS AND
MEDICAL PRACTITIONERS

F.O.I. EMBARGO: May be released

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REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1210579	COMPUTER EQUIPMENT FOR USE BY HOSPITALS AND MEDICAL PRACTITIONERS	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEMS 41, 43, AND 81, FIRST SCHEDULE.

PREAMBLE Subject to a number of specific exclusions item 41 in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exempts from sales tax surgical instruments and appliances, n.e.i. (and parts therefor) and surgical materials, n.e.i., being instruments, appliances or materials which are of a kind -

- (i) sold exclusively or principally by manufacturers or distributors of such instruments, appliances and materials; and
- (ii) used exclusively or principally in hospitals or by medical practitioners, optometrists or persons registered as physiotherapists, under a law of a State or Territory of the Commonwealth.

2. Sub-item 43(1) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exempts from sales tax surgical X-ray apparatus and accessories (and parts therefor), but not including accessories of a kind ordinarily used for other purposes.

3. Consideration has recently been given to whether computer equipment used in conjunction with surgical instruments, appliances and apparatus is exempt from sales tax under item 41 or sub-item 43(1).

FACTS 4. Computers used with equipment of the kind referred to in item 41 and sub-item 43(1), First Schedule, generally fall into three basic types -

- (a) medical equipment with inbuilt computers or microprocessors;
- (b) computers used as adjuncts or components of medical equipment; and
- (c) management oriented computers.

5. Equipment in category (a) is generally designed specifically for the medical profession. Examples of such

apparatus incorporating computers include scanning systems, cardiology systems and gamma processors. The computer in each case constitutes part of the medical equipment.

6. Computers in category (b) are ordinary computers connected electrically to medical equipment. They are of the kind that are capable of use for a wide variety of commercial applications. For example, a general purpose computer may be connected electrically to bone mineral analysis equipment or to surgical or X-ray equipment to record the result of the scans from which a medical diagnosis is made. In both cases the equipment and the computer may be sold together but the computer retains its identity as a general purpose computer. It is not identifiable as a computer for use specifically for medical diagnosis.

7. Computers in category (c) generally operate independently of medical equipment and are used for purposes other than medical diagnosis. Some computers may be electrically connected to medical equipment to check the efficiency of the equipment and provide other management information about the equipment. An example of such a system is one known as RADCAM (Radiology Computer Aided Management). In addition to being used to monitor the performance of diagnostic X-ray machines, RADCAM can be used for inventory control, film indexing, equipment maintenance, reject film analysis. In addition it can also be used for quality control by measuring radiation levels in X-ray areas.

RULING

8. Computers designed specifically for medical diagnosis or as X-ray equipment and incorporated into medical equipment as outlined in category (a) are exempt under item 41 or sub-item 43(1), as the case may be.

9. Computers in category (b) do not qualify for exemption. In such cases there is nothing that identifies the computer as being a part or accessory for medical equipment. Further, its identity is such that if it could be said to be an accessory for the purposes of sub-item 43(1) it would be caught by the excluding words of the sub-item, being an article that ordinarily is used for other purposes than surgical X-rays.

10. Computers used in category (c) applications are little different to computers used for normal office functions. They are not used for medical diagnosis but for management and other quality control purposes and are not exempt under item 41 or sub-item 43(1).

11. Computers purchased for use in the circumstances outlined in paragraphs 4(b) and (c), 9 and 10 are taxable at the rate of 20% unless an overriding exemption in the law applies. For example public hospitals and non-profit hospitals are entitled under item 81, First Schedule, to claim exemption on goods purchased for their use and not for sale. Where a public or non-profit hospital purchases a computer for use with medical equipment it would be able to acquire the computer tax-free under item 81.

COMMISSIONER OF TAXATION
19 March 1987

