


ST 2335 - SALES TAX : ASSEMBLY OF BICYCLES

 This cover sheet is provided for information only. It does not form part of *ST 2335 - SALES TAX : ASSEMBLY OF BICYCLES*

This document has been Withdrawn.

There is a Withdrawal notice for this document.

TAXATION RULING NO. ST 2335

SALES TAX : ASSEMBLY OF BICYCLES

F.O.I. EMBARGO: May be released

REF

N.O. REF: 87/812-0

DATE OF EFFECT:

B.O. REF: Sydney: 22/C/D6/49

Melb. : 6/C/SC24/69

DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:

SUBJECT REFS:

LEGISLAT. REFS:

I 1210920

ASSEMBLY OF
BICYCLES

SALES TAX ASSESSMENT
ACT (No.1); SECTION 3

PREAMBLE

The purpose of this Ruling is to explain the sales tax liability of retailers in the assembly of bicycles. If the assembly of bicycles constitutes manufacture for the purposes of the sales tax law there is a requirement upon retailers to become registered persons and account for sales tax on the sale value of bicycles.

2. Bicycles are purchased by retailers from manufacturers and wholesalers in a number of ways. Some require only the attachment of pedals and straightening of the handlebars to complete assembly. Manufacturers and wholesalers also sell partially assembled bicycles i.e. complete apart from the front wheels, pedals, saddles and handlebars. Bicycle kits are also sold by importers and wholesalers to retailers, each kit consisting of a cycle in completely knocked down (CKD) condition. Some retailers produce bicycles to the order of a customer from a stock of individual parts which have been purchased from manufacturers or wholesalers.

3. The work involved in the assembly of bicycles can vary. Examples of the activities involved in the assembly of bicycles include:-

- (a) bicycles which are fully assembled when purchased except that the pedals and handlebars are turned for packaging purposes. The pedals and handlebars are normally adjusted by the retailer although the customer may make the adjustments on occasions. The adjustment takes a couple of minutes;
- (b) bicycles which are partially assembled when purchased i.e. they are complete apart from the front wheels, pedals, saddles and handlebars. Assembly is normally carried out by the retailer and takes about five minutes. For ease of transport some partially assembled bicycles are sold to customers who complete the assembly;
- (c) bicycle kits which are sold to retailers in a CKD condition, each kit containing the components or parts for one bicycle. The bicycle is assembled by the shop staff and takes about one hour;

- (d) retailers which produce bicycles using a stock of individual parts which have been purchased for the purpose. The bicycles are usually made to the specific requirements of the customer and sold under the brand name of the retailer.

RULING

4. The definition of the term manufacture in sub-section 3(1) of Sales Tax Assessment Act (No. 1) embraces not only the ordinary understanding of the term but also includes the combination of parts or ingredients, whereby an article or substance is formed that is commercially distinct from those parts or ingredients, except such combination that is customarily undertaken by users of the articles formed from the combination of the ingredients. The effect of the exception is that, if assembly is customarily undertaken by the user, it will not be manufacture.

5. The adjustment and/or assembly operations carried out in paragraphs 3(a) to (c) are not manufacture within the normal meaning of the term or within the expanded definition in sub-section 3(1) of Sales Tax Assessment Act (No. 1). They do not bring into existence an article or substance which is commercially distinct from the component parts. Even if it could be said that the operations referred to in paragraphs 3(a) and (b) bring into existence a commercially distinct article the article results from a combination that is customarily undertaken by the final user. The operations in paragraph 3(c) are more complex and would not customarily be undertaken by the final user but the assembler starts out with a bicycle, although in kit form, and the final product is still a bicycle. No commercially distinct article is formed.

6. The operations carried out in paragraph 3(d) constitute manufacture for sales tax purposes. In this case a commercially distinct article, a bicycle, is produced from a conglomeration of parts held in a common stock. Retailers engaged in these operations are required to register as manufacturers for sales tax purposes and account for sales tax on the wholesale sale value of the bicycles unless they are covered by the provisions relating to manufactures of small businesses.

7. Retailers engaged in assembly operations outlined in paragraphs 3(a) to (c) are not required to be registered for sales tax on account of those activities. Retailers will satisfy their sales tax liability by payment of tax to suppliers of partially assembled bicycles or kits at time of purchase.

COMMISSIONER OF TAXATION
28 May 1987