


ST 2346 - SALES TAX GOODS FOR USE IN CONSTRUCTION CONTRACTS WITH EXEMPT BODIES

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TAXATION RULING NO. ST 2346

SALES TAX GOODS FOR USE IN CONSTRUCTION CONTRACTS
WITH EXEMPT BODIES

F.O.I. EMBARGO: May be released

REF

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F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1211035	GOODS FOR USE BY CONSTRUCTION CONTRACTORS ON GOVERNMENT PROJECTS	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEM 74 FIRST SCHEDULE

PREAMBLE There are a number of number of items in the First Schedule to the Sales Tax (Exemptions and Classifications) Act that provide exemption for goods for use (whether as goods or in some other form) and not for sale by certain bodies (exempt bodies). From time to time the sales tax liability of goods used or supplied by contractors, including sub-contractors, in the course of carrying out construction and other work and labour contracts for exempt bodies, arises for consideration.

2. Exempt bodies include government departments and authorities, local municipal shires and councils, public and private non-profit schools and universities, public and non-profit hospitals and public benevolent institutions.

3. This Ruling is concerned with the liability to sales tax of equipment and materials used by contractors and sub-contractors in carrying out construction and other work and labour contracts for exempt bodies. The equipment and materials used fall into three broad classes -

- (a) equipment such as front end loaders, cranes, graders and vehicles and minor equipment such as tools which are either owned or leased by the contractor for the duration of the contract;
- (b) expendable equipment and material such as drill bits, circular saw blades, lubricants, gases which are consumed by the contractor or sub-contractor in the course of carrying out the contracts; and
- (c) taxable goods and materials which are incorporated into the buildings or other works; e.g., for buildings this would include air conditioning plant and ductwork, sanitary fittings and light fittings.

RULING

4. Plant, equipment and consumable goods (including leased goods) of the kind referred to in paragraphs 3(a) and (b) used by contractors or sub-contractors in the course of carrying out work for exempt bodies do not qualify for exemption from sales tax. They are goods for the use of the contractors not the

exempt body. They are liable for sales tax unless exempted under some other specific provision of the First Schedule to the Sales Tax (Exemptions and Classifications) Act.

5. Where taxable goods and materials are incorporated into the buildings and other structures or works being constructed property in the goods and materials passes to the exempt body. Provided that the buildings or other structures are for the use of the exempt body the incorporated goods and materials qualify for exemption. A contractor or sub-contractor is therefore entitled to claim exemption on the purchase of taxable goods and materials of the kind indicated in paragraph 3(c) above.

6. This Ruling should be read in conjunction with Ruling ST 2321. Contractors and sub-contractors may continue to claim exemption on equipment for use in carrying out government contracts where the equipment comes within the exemption provided by item 78B in the First Schedule to the Sales Tax (Exemptions and Classifications) Act as explained in Ruling ST 2321.

COMMISSIONER OF TAXATION
25 JUNE 1987