


ST 2350 - SALES TAX : REFRIGERATION UNITS FITTED TO ROAD VEHICLES

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TAXATION RULING NO. ST 2350

SALES TAX : REFRIGERATION UNITS FITTED TO ROAD VEHICLES

F.O.I. EMBARGO: May be released

REF

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REFRIGERATION UNITS
FITTED TO ROAD
VEHICLES

SALES TAX (EXEMPTIONS
AND CLASSIFICATIONS)
ACT; ITEMS 113A, B, C
FIRST SCHEDULE, SALES
TAX REGULATIONS:
REGULATION 4

PREAMBLE

Regulation 4(1)(e) of the Sales Tax Regulations and corresponding clause 1(1)(e) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exclude as aids to manufacture road vehicles of the kinds ordinarily used for the transport of persons or the transport or delivery of goods.

2. Regulation 4(1)(m) and corresponding clause 1(1)(m) also exclude parts for any good expressly excluded from this definition. Parts for road vehicles are, accordingly excluded from exemption as aids to manufacture.

3. There is a special definition in the sales tax law of parts in relation to road vehicles. It includes bodies for those road vehicles (including insulated bodies, tank-bodies and other bodies designed for the transport or delivery of goods of particular kinds) underbody hoists and other equipment or apparatus of a kind ordinarily fitted to road vehicles, being equipment or apparatus used in connection with the transport or delivery of goods by those road vehicles.

4. The definition of "parts" was inserted in the law to overcome the decision of the High Court in DCT v Fowler Rex (NSW) Pty Ltd (1967) 118 CLR 160 where Owen J. held that the word "parts" covered only those things which in ordinary parlance would be described as spare parts for the particular goods concerned. "Parts" did not cover specialised equipment attached to motor vehicles which ordinarily would not be regarded as a part for a motor vehicle. The effect of the definition is that parts in relation to motor vehicles now include specialised equipment fitted to vehicles where the equipment is of a kind ordinarily fitted to vehicles involved with the transport or delivery of goods.

5. The question has arisen whether refrigeration units fitted to road vehicles for use in the transportation of refrigerated goods are parts for those vehicles and excluded from exemption from sales tax.

FACTS

6. The refrigeration units in question are specifically designed for use on road transport vehicles. They usually

attach to the front of the trailer section of semi-trailers and are normally powered independently of the truck. The units are frequently designed to incorporate aero-dynamic features which facilitate the minimisation of wind resistance around the trailer body. Other features may include filters to stop the intake of foreign matter into the units whilst travelling along highways.

RULING

7. The definition of "parts" in relation to road vehicles was considered by the Supreme Court of New South Wales in *Pioneer Concrete (NSW) Pty Limited v FCT* 86 ATC 4435; 17 ATR 733. The issue in that case was whether a transit concrete mixer attached to a road vehicle was a part for that vehicle. The Court held that the transit mixer was a part for a road vehicle within the definition of "parts". The expression "in connection with" in the definition of "parts" was said to involve a substantial relation in the practical sense between the equipment and the transportation or delivery of goods. Further, the connection need not be the only connection so long as it was not incidental. Although the transit mixer was directly involved with the manufacture of concrete, it still carried out an important function in the transport and delivery of the concrete.

8. A similar position applies with the refrigeration units. While they maintain the refrigerated goods for delivery in a marketable state, the units are also for use in connection with the transport or delivery of goods. The refrigerated goods could not be delivered without the refrigeration units. The units are other equipment or apparatus of a kind ordinarily fitted to road vehicles used in connection with the transport or delivery of goods and come within the definition of "parts". As parts for road delivery vehicles they are excluded from exemption under the aids to manufacture provisions and are taxable at the rate of 20%.

COMMISSIONER OF TAXATION
9 July 1987