


ST 2363 - SALES TAX : WRAPPING MATERIALS AND BAGS

 This cover sheet is provided for information only. It does not form part of *ST 2363 - SALES TAX : WRAPPING MATERIALS AND BAGS*

This document has been Withdrawn.

There is a [Withdrawal notice](#) for this document.

TAXATION RULING NO. ST 2363

SALES TAX : WRAPPING MATERIALS AND BAGS

F.O.I. EMBARGO: May be released

REF N.O. REF: 85 9128-8, 86 5490-5 DATE OF EFFECT:

B.O. REF: DATE ORIG. MEMO ISSUED:

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1211271	WRAPPING MATERIALS AND BAGS	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEM 96, FIRST SCHEDULE; ITEM 13 THIRD SCHEDULE.

PREAMBLE As a result of the amendment to sub-item 96(1) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act and introduction of item 13 in the Third Schedule with effect on and after 19 September 1985, certain wrapping materials, bags and fastening materials are now taxable at 10% and are no longer exempt under sub-item 96(1). The classification of others has been reviewed and it has been decided that they are taxable at the general rate of 20%.

2. Sub-item 96(1) in the First Schedule exempts from sales tax - "Goods of a kind used to wrap up or secure goods for marketing or delivery, namely:-

(a) wrapping materials or bags consisting of paper, netting, flexible film or metallic foil or of any combination of those materials;

(b) single-faced corrugated fibre board; and

(c) twine, lashing, rubber bands and adhesive tape,

but not including goods covered by item 13 in the Third Schedule."

3. Item 13 in the Third Schedule taxes at 10% goods being -

(a) wrapping material or bags consisting wholly or principally of paper, netting, flexible film or metallic foil or any combination of those materials;

(b) twine, lashing, rubber bands and adhesive tape,

marketed exclusively or principally for household purposes.

4. The cumulative effect of the amendment is that where wrapping materials, etc, are marketed exclusively or principally for household purposes, they will be covered by item 13 and taxable at 10%. This applies whether or not the goods are of a kind used to wrap up or secure goods for marketing or delivery, because item 13 overrides sub-item 96(1) in such circumstances. The same broad classes of goods may therefore be exempt or

taxable at 10% or 20% depending on how they are marketed. For example, tissue paper sold in small lots to retailers for resale to the general public would be taxable at 10% but the same tissue paper sold in bulk to retailers for use by them as wrapping material will remain exempt under sub-item 96(1).

RULING

5. The principles described in paragraph 4 will apply to wrapping materials, bags, etc. that are sold in packs for use by the public and in packs for use by retailers. To qualify for exemption under sub-item 96(1) wrapping material, bags, etc. need to be marketed in a manner that does not signify that they are for use principally for household purposes. A retailer will be required to pay tax on the purchase of a household pack of wrapping material for use in wrapping up goods, because goods covered by item 13, Third Schedule, remain taxable at 10% whether used in the home or by retailers in wrapping goods for marketing or delivery.

6. Consideration has been given to the classification of garbage bags for both commercial and household uses, and also to car litter bags. The question which arises is whether garbage and litter bags are of a kind used to wrap up or secure goods for marketing or delivery. It has been decided that rubbish to be disposed of in such bags is not goods for sales tax purposes. It follows that garbage bags and car litter bags are not goods of a kind used to wrap up or secure goods for marketing or delivery. Exemption under sub-item 96(1) does not apply. However, where garbage bags are marketed for household use, they will be taxable at 10% under item 13 in the Third Schedule because there is no requirement that they be used for wrapping up goods. The relevant consideration is whether the garbage bags are marketed for household purposes and this will be a question of fact.

7. The classification of paper bags used in the accommodation industry e.g. in motel rooms to cover foodstuffs, glasses, cutlery, etc. before use by guests was also considered. It is accepted that the provision of meals to motel rooms is a household purpose and accordingly such paper bags will be covered by item 13, Third Schedule.

8. The following classifications of goods are not exhaustive and are intended to act as a guide only. It is not possible to cover all different kinds of wrapping material and bags and the packaging of these kinds of goods, e.g. in size or quantity, is continually changing while new products are constantly coming on to the market. Where a taxpayer markets these kinds of goods in different size packs and is uncertain about the classification of the goods a ruling should be sought from the nearest branch of the Australian Taxation Office.

GOODS CLASSIFIED UNDER ITEM 96(1) - EXEMPT FROM TAX:

- . photo finishing bags for use mainly in delivery of customers' films to processing laboratories and the delivery of the finished photographic products from the processing laboratory to the agent and hence to the customer.
- . glassine bags (e.g. 90mm x 65mm, 58mm x 80mm) used for marketing stamps.

- . rubber bands of uniform size, colour sold in packs of 1 kilogram or greater.
- . plastic cling wrap marketed in rolls of 300 metres or more.
- . foil lined chicken bags.
- . foil and poly film wrapping sold in bulk packs.
- . twistems sold in bulk packs.
- . aluminium foil which is not marketed for household purposes and is for use to wrap up or secure foods for marketing or delivery. Foil of this kind is generally from 0.012mm to 0.015mm thick and sold in rolls of 150 metres or more.
- . special plastic or paper bags for use in protecting dry cleaning in the course of delivery (the "Exempt" ruling on page 456B of the Sales Tax Exemptions and Classifications will not be disturbed).
- . coin bags and wrappings (the "Exempt" rulings on pages 456A and 456B of the Sales Tax Exemptions and Classifications will not be disturbed).

GOODS CLASSIFIED UNDER ITEM 13, THIRD SCHEDULE AND TAXABLE AT 10%:

The following goods are generally sold by newsagents, department stores, supermarkets, specialty card shops, etc:

- . plastic and paper lunch and sandwich bags marketed in packs of up to 25 bags or in "tear-off" roll form.
- . plastic sandwich bags sold for household use and as lunch bags by supermarkets and other retailers in packs of 30, 50, 100 or 150.
- . adhesive tapes, including cellulose tapes, packaging tapes, masking tapes sold singly or put up for sale in small packs (e.g. 15mm x 10m in 6 roll pack).
- . sarlon poly tie - 20 metres roll of wire re-inforced plastic tie with dispenser and cutter, sold by department stores and newsagents for household use.
- . assorted and standard rubber bands sold in packs of 25, 50 or 100 grams.
- . household garbage and kitchen tidy bags (e.g. of 9 litre capacity), marketed in small packs for household use.
- . tissue paper, rice paper, and cellophane paper sold in single sheets or packets of 5 or 6 sheets.
- . gift tying ribbons, curling ribbons, metallic twine and similar decorative tying materials sold in 1.5-2 metre

lengths or rolls of up to 20 metres.

- . gift wrapping bags sold singly or in packs of 2-10 bags.
- . gift wrapping marketed in rolls of up to 5 metres.
- . gift wrap including foil gift wrap, sold in single sheets or short rolls (i.e. 1.5, 1.8, 3 metre rolls).
- . plastic cling wrap marketed in rolls of up to 300 metres.
- . paper and plastic school book covers.
- . polythene film on the roll marketed for use in making covers for school books, etc.
- . "Con-tact" self-adhesive vinyl coated paper, where marketed as a book covering material (otherwise "Con-tact" is exempt as piece goods under item 120(5)).
- . paper bags used in motels/hotels to cover toast, glasses, cutlery, etc.
- . bags for use for sanitary napkin disposal.
- . polyester film in rolls, marketed as transparent cooking film and plastic lunchwrap.
- . cooking foil.
- . "Leaf and Lawn" bags marketed for garden use.
- . oven bags and freezer bags.

TAXABLE AT THE GENERAL RATE OF 20%:

- . car litter bags (the "Exempt" ruling on page 456B of the Sales Tax Exemptions and Classifications regarding "Litterbags" paper bags . . ." is withdrawn).
- . garbage bags and industrial kitchen tidy bags irrespective of capacity marketed for commercial and industrial use, e.g. in packs of 5000.
- . general purpose envelopes used as stationery.
- . gift tying ribbons, curling ribbons, metallic twine and similar decorative tying materials sold in lengths greater than 2 metres or rolls greater than 20 metres.

COMMISSIONER OF TAXATION
29 October 1987