

## ***STB 6 - The printing industry***

# Sales Tax Bulletin

---

Number 6

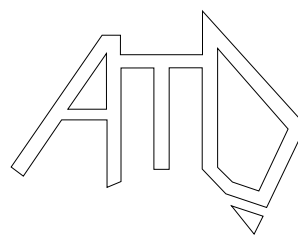
## The printing industry

---

Valid from 1 November 1996

---

Australian  
Taxation  
Office



*Withholding and Indirect Taxes*

### About this bulletin

This bulletin explains how the sales tax law affects people in the printing industry. It is a public ruling for the purposes of section 77 of the *Sales Tax Assessment Act 1992* and may be relied upon by any person to whom it applies. It replaces any previous private or public rulings, if they are inconsistent with the bulletin, and is current as at 1 November 1996.

If, after reading this bulletin, you need more information on how the sales tax law affects your business, contact the Tax Office on **13 28 66** for the cost of a local call.

### How does sales tax affect me?

If you're in business as a printer, you're liable for sales tax on any taxable goods you manufacture which you sell or apply to your own use, unless an exemption applies. Under the sales tax law, a manufacturing printer can choose to be registered for sales tax purposes and receive a sales tax registration number.

Although you can choose whether or not to be registered, your choice will affect your entitlement to obtain some goods free of sales tax. If you do register, you will be entitled to obtain free of sales tax, certain goods used in your manufacturing activities by quoting your sales tax registration number to your supplier.

### Who can register for sales tax?

Printers may choose to register where they:

- manufacture printed matter;
- sell printed matter by wholesale, e.g., a sale made to people who will resell the printed matter such as retailers, print brokers and other printers;
- sell printed matter through indirect marketing arrangements, e.g., a sale of printed matter not of your own manufacture by retail, such as through commission agents; or
- sell goods to people who will use them as raw materials in the manufacture of other goods.

### How do I register for sales tax?

To register for sales tax purposes, just complete an *Application for Registration - Sales Tax* form. These forms are available from your local Tax Office. If you don't have a tax file number, you will also need to refer to the *Proof of Identity Documents Information Sheet* (also available from your local Tax Office) and provide the appropriate form of identification. You'll need to send us this identification with the completed application form. Once we register you, we'll send you a letter with your sales tax registration number on it.

Once registered, you can quote your sales tax registration number in the following form to buy certain business inputs free of sales tax:

I hereby quote Sales Tax Registration Number \_\_\_\_\_

Name of person authorised to quote \_\_\_\_\_

Signature of person authorised to quote \_\_\_\_\_

Date \_\_\_\_\_

**Note:** This quotation must form part of the documentation for each tax-free purchase you make. If your supplier doesn't receive it, then he/she must charge you sales tax on the sale.

Alternatively, you can now give your suppliers a single quotation of your sales tax registration number to cover all your tax free purchases in a period where that period does not exceed one year (called a periodic quotation), in the following form:

I hereby quote Sales Tax Registration Number \_\_\_\_\_ in respect of all goods obtained by me during the period \_\_\_\_\_ to \_\_\_\_\_ inclusive, except goods in respect of which I notify you to the contrary at or before the time of the relevant assessable dealing with those goods.

Name of person authorised to quote \_\_\_\_\_

Signature of person authorised to quote \_\_\_\_\_

Date \_\_\_\_\_

**Note: The maximum period that can be covered by a periodic quotation is one year.**

## What happens if I don't register?

If you choose not to register, you won't be able to buy your business inputs or trading stock free of sales tax. You may be able to claim a credit for sales tax paid on such goods, but you will have to wait until you have produced goods from those raw materials, or have used those business inputs and have sold the goods or applied them to your own use before you can claim a credit.

**Note:** The minimum amount normally refunded is \$200, but you can add smaller amounts together to reach \$200.

## Is there any small business exemption?

The sales tax small business exemption is available to those people who:

- were liable for \$10,000 or less sales tax during the last 12 months; and
- expect to be liable for \$10,000 or less sales tax during the next 12 months.

If you choose to use the small business exemption, you must pay sales tax to your suppliers when buying your business inputs or trading stock. You then do not have to charge sales tax to your customers when you sell goods, nor do you have to pay sales tax when you apply goods to your own use.

If, at any stage, you exceed the \$10,000 limit, you will have to calculate and collect sales tax on the current transaction. For more information, contact your local Tax Office on **13 28 66** for a free copy of Bulletin No. 18: *Sales Tax - Small Business Exemption*.

## What goods can I buy free of sales tax?

If you're registered, you can buy certain business inputs free of sales tax by quoting your sales tax registration number. Business inputs includes goods such as:

- raw materials;
- machinery, apparatus, tools, etc. used mainly in a manufacturing activity; and/or
- machinery, apparatus, tools etc. used mainly in an activity which directly supports the manufacturing activity.

**Mainly** means that more than 50% of the use of the goods must be in an eligible manufacturing activity.

Some examples of business inputs used in the printing industry are:

- paper, ink and any other goods which in some way become part of the finished product;
- printing presses;
- fork lifts for moving manufactured printed matter within the printing premises;
- packaging and labelling equipment, except if the goods are packed and labelled for delivery purposes;
- guillotines, stapling, binding and folding equipment; and
- production consumables.

## What about computer equipment?

Computer equipment such as visual display units, laser printers, keyboards, scanners, modems etc. can be bought free of sales tax if they are used more than 50% in:

- the finalisation of artwork for printing, including the final layout of text by a typesetter;
- the production of forms by a commercial printer;
- the recording of newspaper advertisements;
- sub-editing newspaper articles; and
- the production of technical manuals and other manufacturing documentation.

**Note:** Exemption from sales tax is not available for goods for use mainly (more than 50%) by authors in finalising the format or typesetting of their own original work, or for goods used mainly for word processing.

## What about artwork?

The original design of artwork which involves the preparation of roughs and other preliminary artwork does not involve the manufacture of goods. It is considered to be the creation of ideas only. However, the creation of final artwork, i.e. artwork used as the subject of a printing block, plate or other printing medium, is manufacture.

## What about electronic artwork?

Artwork produced in electronic form is not manufacture since goods, as defined in the sales tax legislation, have not been produced. However, where a printer creates artwork in electronic form, the value of this artwork must be included in the taxable value of the printed matter.

## What about exemption declarations for artwork?

Artwork (other than artwork produced in electronic form), which is the subject of a separate sale by the manufacturer of the printed matter to which it relates, can be sold free of sales tax without the need to obtain exemption declarations from the purchasers of the artwork.

## **Which printed matter is exempt from sales tax?**

Generally, books, pamphlets, leaflets, periodicals, magazines, manuscripts, newspapers and printed music are exempt from sales tax unless they are specifically excluded from exemption (see below).

## **Which printed matter is taxable?**

Printed matter that is taxable at the Schedule 4 rate, currently 22%, includes:

- advertising matter;
- programs, or souvenirs, of entertainment, amusements, exhibitions, competitions or sporting events;
- books of account, receipts, cheques, deposit slips, bank withdrawal forms, tickets, docketts, labels, order forms or blotting paper;
- books of sheets for writing notes, letters, exercises or accounts, or for record purposes;
- books of sheets for sketching, drawing, colouring or painting;
- albums;
- books of samples, menus or calendars;
- diaries;
- other stationery in book form;
- catalogues or price lists;
- reports of trading or other concerns carried on for the profit of individuals, including
  - memoranda and articles of association
  - balance sheets or statement of accounts
  - prospectuses.

Books of maps are taxable at the Schedule 2 rate, currently 12%.

## **What about newspaper inserts?**

Inserts for newspapers, magazines etc. are generally taken to be separate goods for sales tax purposes. However, they are regarded as part of the publication if they are glued, sewn or stapled to the newspaper or magazine. Where inserts are separate goods they may be taxable or exempt, depending upon the kind of inserts they are. For example, an advertising insert would be taxable.

## **What about goods made from recycled paper?**

Due to changes to the sales tax legislation, certain recycled paper products are now taxable at the Schedule 4 rate, currently 22%. This change took effect from 1 November 1995. The recycled paper products that are now taxable include:

- writing, drawing or printing paper;
- pads of writing or drawing paper;
- paper of a kind ordinarily used in accounting ledgers or accounting journals; and
- envelopes.

## When is sales tax payable?

Unless you are able to use the small business exemption, you will be liable to pay sales tax if you produce taxable printed matter and:

- sell it by wholesale;
- sell it by retail; or
- apply it to your own use.

You'll also be liable to pay sales tax (subject to the small business exemption) if you buy in taxable goods not of your own manufacture and:

- sell them by wholesale;
- sell them through indirect marketing arrangements; or
- sell or apply to your own use goods that you've bought free of sales tax.

## When don't I charge sales tax?

You don't charge sales tax when:

- the printed matter you produce or sell is exempt from sales tax;
- the purchaser quotes a sales tax registration number;
- the purchaser gives you an exemption declaration in a form and manner approved by the Commissioner of Taxation;
- the small business exemption applies to you;
- the goods are second hand; or
- the goods are sold by retail and you have already paid tax when you bought the goods.

The procedures for quoting sales tax registration numbers and exemption declarations are outlined in Bulletin No. 13: *Sales Tax - Buying goods free of sales tax*, which is available free of charge from your local Tax Office.

An exemption declaration will be used by unregistered organisations such as schools, universities, public benevolent institutions and government bodies.

People who give you an exemption declaration will be liable for any sales tax which may subsequently become payable on the goods. However, you should not accept an exemption declaration if you have reasonable grounds for believing that the person is not entitled to claim exemption. If you do, you'll be liable for any subsequent sales tax that becomes due on the goods.

Where people have paid sales tax on printed matter which is later ruled by the Tax Office to be exempt, they must approach the printer for a refund of the tax. The printer, after having given a credit for the tax to the customer, can then apply to the Tax Office for a credit.

## How do I calculate sales tax payable on my transactions?

When taxable printed matter which you manufacture is sold or applied to your own use and no exemption applies, you calculate sales tax by multiplying an amount known as the **taxable value** by the rate of tax applicable to the goods. The usual taxable values are discussed hereunder.

### Taxable value - printers who sell by wholesale

A wholesale sale is a sale to a person who is purchasing goods to resell them, such as a retailer. The taxable value of a wholesale sale is *the price for which the goods were sold*. As a general rule, this will include all amounts you charge the purchaser, up to the point when the purchaser owns the goods.

**Example:** You sell printed matter to a retailer for \$200 before tax. This is a wholesale sale, as the retailer will resell the goods. The taxable value of the goods will be \$200, as this is *the price for which the goods were sold*.

## **Taxable value - printers who sell by retail**

A retail sale is a sale to an end user. When you sell by retail, the taxable value is the price for which you could reasonably have been expected to sell the goods by wholesale under an arm's length transaction. This is known as the *notional wholesale selling price*.

The taxable value is readily determined when you sell the same type of goods by wholesale in significant quantities in comparable circumstances as your retailed goods. The following paragraphs give some methods of arriving at this value.

### **What if I sell by both wholesale and retail?**

To arrive at the taxable value of the goods you have sold by retail, you can use one of the following 2 methods, depending upon the circumstances:

1. The actual wholesale price of similar goods sold in significant quantities to arm's length retailers in comparable circumstances.

**Example:** You sell printed matter by retail for \$290 (excluding tax). If you also sell similar goods to arm's length retailers for \$200 before tax in comparable circumstances, the taxable value of the goods you sell by retail will be \$200 (ie the wholesale price), as this is the price for which you could reasonably have been expected to sell the goods by wholesale.

2. If you sell by wholesale at a range of selling prices, you can use the weighted average of your wholesale prices to arrive at the taxable value. For more details about this, contact the Tax Office on **13 28 66** for the cost of a local call.

### **What if I only sell by retail and I don't sell similar goods by wholesale?**

The Tax Office would expect that you would normally sell by wholesale at a price reflecting the sum of manufacturing cost, any research and development costs, wholesale selling expenses and a fair wholesale profit.

A simplified formula (known as a Safe Harbour) for finding this figure is available for manufacturers of printed matter who sell goods by retail but do not sell significant quantities of similar goods by wholesale in comparable circumstances. It is calculated easily by taking the manufacturing cost plus one third of the difference between that amount and the retail selling price (excluding tax) of the goods. A Safe Harbour is a statement of how to calculate taxable value that the Tax Office accepts as completely discharging a taxpayer's liability.

Manufacturing cost means the sum of:

- the cost of materials used to manufacture the particular goods;
- the cost of labour used directly in the manufacturing operations; and
- production, manufacturing or factory overheads.

**Example:** You sell printed matter by retail for \$80 (before tax). If the manufacturing cost of the goods is \$50, the taxable value is \$60, calculated as follows:

$$50 + 1/3 \text{ of } (80 - 50) = 50 + 10 = 60.$$

For simplicity, once a taxable value has been calculated in this way, it can then be expressed as a percentage off the retail selling price. In this particular example, it is retail selling price (before tax) less 25% (ie \$80 - 25% = \$60).

Some manufacturing printers may only have a retail price that includes sales tax and may therefore have difficulty in using the previous calculation. If you know only the tax inclusive retail selling price and the manufacturing cost of the goods, the taxable value can be calculated as:

$$\frac{(2C + RSP)}{(3 + R)}$$

where:

C = the manufacturing cost of the goods

RSP = tax inclusive retail selling price

R = the rate of tax of the particular goods divided by 100.

In the above example the tax inclusive retail selling price of goods taxed at 22% would be \$93.20 (\$80 plus \$13.20 being 22% of notional wholesale price of \$60). Applying the formula produces the same taxable value of \$60 as follows:

$$\begin{aligned} & (2 \times 50 + 93.20) \text{ divided by } (3 + 0.22) \\ & = 193.20 \text{ divided by } 3.22 \\ & = \$60. \end{aligned}$$

Alternatively, in the case of manufacturing printers selling by retail (and where significant quantities of similar goods are not sold by wholesale in comparable circumstances), the Tax Office has also approved a taxable value of retail selling price (excluding sales tax) less 7.5%. The following example shows how to calculate sales tax using this method.

Retail selling price (excluding tax)	\$100.00
Less 7.5%	7.50
Taxable value	\$92.50
Sales tax @ 22%	\$20.35
Amount charged to customer	\$120.35

- Note:**
- (1) You can adopt **either** formulae for calculating taxable value based on manufacturing cost above to **all** your transactions for a class of goods, e.g., job printing **or** you can adopt the alternative taxable value based on retail selling price (excluding sales tax) less 7.5% for job printing. However, you cannot use both methods for your job printing, depending on the circumstances of the particular transaction.
  - (2) You can only use the retail selling price less 7.5% taxable value provided this amount is not less than the manufacturing cost of the goods plus a fair wholesale profit.

### Taxable value - applying printed matter to your own use

If you've manufactured the printed matter and applied it to your own use, the taxable value is the notional wholesale selling price of the goods. Where you sell similar goods by wholesale or retail, you can calculate the taxable value using one of the methods described above.

In the case of 'in house' printers, it may be difficult to determine the arm's length price for which the goods could reasonably be expected to be sold by wholesale. For this reason, the taxable value may be calculated on the basis of :

- (i) cost of materials
- plus (ii) direct labour



plus (iii) 150% of direct labour  
plus 10% of the sum of (i), (ii) and (iii)

If you buy in printed matter free of sales tax by quoting your sales tax registration number and then apply it to your own use in circumstances where an exemption doesn't apply, the taxable value is the purchase price of the goods.

## **What about folding, sorting, enveloping, etc. of printed matter?**

You must include in your taxable value calculations any amounts relating to the perforation, folding, gluing, personalising, inserting, sorting or enveloping of printed matter in order to bring it into the final form and condition as required by the contract and intention of the parties.

Similarly, where any of these functions are contracted out by you to other printers or organisations, the costs thereof should be included in your taxable value calculation.

## **How do I pay sales tax to the Tax Office?**

If you're liable for sales tax, you must calculate the tax payable and send a return in the approved form with full payment to your local Tax Office. You will receive a booklet of return forms each year if you are registered. If you are not registered, return forms are available from your local Tax Office.

## **Can I pay my sales tax quarterly?**

If you had an annual sales tax liability of less than \$56,441 during the financial year 1995/96 and you have no sales tax payments outstanding, you can lodge returns and pay sales tax on a quarterly basis. The relevant quarters are the three months ending 31 October, 31 January, 30 April and 31 July.

If your sales tax liability during 1995/96 was more than \$56,441 you must lodge returns and pay sales tax each month.

## **When is the return and payment due?**

The return with full payment is due 21 days after the end of the month or quarter in which the transaction(s) took place. Payment may be made at any branch of the Tax Office.

## **Can I pay through Australia Post?**

You can make your payments at any branch or agency of Australia Post. However, you must use the pre-printed returns from your *Sales Tax Return Book and Guide* and pay the total of the amount due. Payment will only be accepted where the amount paid matches exactly the amount of liability shown on the sales tax return. Otherwise, the amount must be paid to the Tax Office.

## **Do you need more information?**

If you have any questions or need more information about how the sales tax laws apply to you, please contact your local Tax Office:

- **by phone** - on our national sales tax enquiry number **13 28 66**. You can ring this number from anywhere in Australia for the cost of a local call; or
- **in person** - by visiting the enquiry counter at your nearest Tax Office. Tax Office addresses are listed in TaxPack, as well as in the White Pages telephone directory.<sup>1</sup>

---

<sup>1</sup> Produced by the Withholding & Indirect Taxes Program of the Australian Taxation Office  
NAT. 1766.11.96