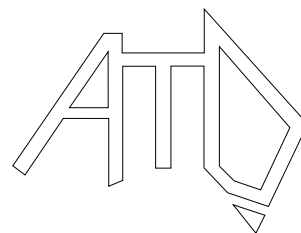


***STB 38 - Dealers in personal computer goods and related equipment***

# Sales Tax Bulletin

Australian  
Taxation  
Office



## Number 38

### Dealers in personal computer goods and related equipment

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Valid from 12 April 1999

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#### About this bulletin

This bulletin explains how dealers in personal computer goods and related equipment are affected by the changes to the sales tax law effective from 1 September 1998. The changes are included in the law as Part 7A of the *Sales Tax Assessment Act 1992* (STAA).

The changes are intended to combat sales tax evasion in relation to personal computers and certain related equipment (referred to as Part 7A goods). The changes are significant for the personal computer industry and involve more stringent requirements for buying and selling Part 7A goods free of sales tax.

Dealers who are registered for sales tax now need to be 'accredited' to buy Part 7A goods free of sales tax. Most other dealers will no longer be able to buy Part 7A goods free of sales tax.

This bulletin is a public ruling for the purposes of section 77 of the STAA 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 12 April 1999.

#### Who are dealers?

For the purposes of Part 7A, dealers are:

- wholesalers; and
- manufacturers who produce Part 7A goods for sale.

Manufacturers who purchase Part 7A goods to use as components of other non Part 7A goods are not dealers, they are end users. See Sales Tax Bulletin Number 36 *End users of Personal Computer Goods and Related Equipment*, available from the Tax Office.

Others who are not dealers for the purposes of Part 7A, but are accredited as dealers and should use this bulletin, are:

- lessors;
- retailers who are registered for sales tax; and
- retailers who have section 84 or subsection 91F(4) approval.

Other retailers should see Sales Tax Bulletin Number 37 *Retailers of Personal Computer Goods and Related Equipment*.

## What are Part 7A goods?

Part 7A goods are goods that, if imported, would be covered by the following descriptions and corresponding customs tariff classifications:

Item	Description of goods	Tariff classification
1	Personal computers	8471.41.00
2	Personal computers in the form of systems	8471.49.00
3	Processing units for personal computers	8471.50.00
4	Laptops, notebooks, palmtops	8471.30.00
5	Monitors	8471.60.00
6	Keyboards	8471.60.00
7	Printers (dot matrix)	8471.60.00
8	Printers (ink jet)	8471.60.00
9	Printers (laser)	8471.60.00
10	CD drives	8471.70.00
11	Hard drives	8471.70.00
12	Floppy drives	8471.70.00
13	Motherboards	8473.30.00
14	Memory	8473.30.00
15	Controller cards	8473.30.00
16	Modems	8517.50.00

This list has been updated to take into account changes that have occurred since Part 7A was passed by Parliament. There may be further changes. If in doubt please contact the Sales Tax Computer Helpline on **1800 634 905**.

## Dealers, lessors and retailers who may buy Part 7A goods free of sales tax

### 1. Dealers and retailers who are registered for sales tax

If you are registered for sales tax, and you have grounds for quoting your sales tax registration number, you may buy or import Part 7A goods free of sales tax if you are accredited. See 'Accreditation' on page 5.

### 2. Lessors

If you lease Part 7A goods in sales tax exempt circumstances you may buy or import Part 7A goods free of sales tax if you are accredited. See 'Accreditation' on page 5.

### 3. Retailers with section 84 approval

If you sell almost exclusively in exempt circumstances and you have approval from the Tax Office under section 84 of the STAA to buy or import goods free of sales tax, you may buy or import Part 7A goods free of sales tax if you are accredited. See 'Accreditation' on page 5.

### 4. Retailers with subsection 91F(4) approval

If you sell a very high proportion of Part 7A goods in exempt circumstances, you may apply to the Tax Office for approval under subsection 91F(4) of the STAA to seek accreditation. Approval will only be granted in exceptional circumstances. For details on how to apply for subsection 91F(4) approval, please phone the Sales Tax Computer Helpline on **1800 634 905**.

If subsection 91F(4) approval is given, you may apply for accreditation. See 'Accreditation' on page 5. If accreditation is subsequently obtained, you will be able to buy or import Part 7A goods free of sales tax where those goods will be sold to a person who has quoted for them.

## Importing Part 7A goods

To import Part 7A goods free of sales tax you must be accredited.

When you apply for accreditation you must provide your import owner code. An import owner code consists of seven digits followed by one letter. It is issued to people who import goods, either by the Australian Customs Service (Customs) or by your customs broker.

Customs have advised the Tax Office that importers should only have one import owner code. If you have more than one import owner code you should check with Customs about which one to use.

Only **one** import owner code will be linked to your accreditation number on the Customs COMPILE system. If you do not provide that **one** import owner code to Customs or to your customs broker, you will be required to pay sales tax on imported Part 7A goods.

## Small Business Exemption

The small business exemption does not apply to dealings with Part 7A goods. If you have been using the small business exemption in relation to Part 7A goods, you can no longer do so.

## How do customers buy goods from you free of sales tax?

### Customers not registered for sales tax

Persons who are not registered for sales tax but who are entitled to claim sales tax exemption under an Item in Schedule 1 to the *Sales Tax (Exemptions and Classifications) Act 1992*, must give you a completed Exemption Declaration form ED2A to buy Part 7A goods free of sales tax. Form ED2A is available from the Tax Office. It may be incorporated into order forms.

Examples of those entitled to claim sales tax exemption under an Item in Schedule 1 are 'always exempt persons' buying goods for their own use, (such as government departments and schools) and other end users who are entitled to claim sales tax exemption because the goods they are buying will be used in a particular way (such as a subcontractor using the goods to carry out part of the manufacturing process for a manufacturer).

## Customers who are registered for sales tax

Unless they satisfy the Low Purchase Value Test (LPVT) described below, people who are registered for sales tax must be accredited to buy Part 7A goods free of sales tax.

### The low purchase value test

If a person is registered for sales tax and does not intend to sell the goods, they will satisfy the LPVT if they meet the following tests:

- the sales tax free value of their purchases of Part 7A goods from all sources for the last 12 months, including the current purchase, is less than \$6,000 (1<sup>st</sup> Test); and
- they have a reasonable expectation that the sales tax free value of their purchases of Part 7A goods from all sources for the next 12 months will be less than \$6,000 (2<sup>nd</sup> Test).

### Example

A person is registered for sales tax and does not intend to sell the goods.

On 1 November 1998 they buy some Part 7A goods. Their Part 7A purchases between September 1998 and October 1999 are:

	21 September 1998	\$3,000
	1 November 1998	\$2,000
	15 October 1999	\$3,500 (expected)
1 <sup>st</sup> Test:	Purchases in last 12 months	\$3,000
	Current purchase	<u>\$2,000</u>
		<u>\$5,000</u>
2 <sup>nd</sup> Test:	Expected purchases	\$3,500

They satisfy both tests as the current and past purchases are less than \$6,000 and the expected purchases are less than \$6,000.

Therefore they satisfy the LPVT.

If however, their purchase on 21 September 1998 was \$4,500 then:

1 <sup>st</sup> Test:	Purchases in last 12 months	\$4,500
	Current purchase	<u>\$2,000</u>
		<u>\$6,500</u>
2 <sup>nd</sup> Test:	Expected purchases	\$3,500

They do not satisfy the first test as their past and current purchases are more than \$6,000.

Therefore they do not satisfy the LPVT.

### Customers who satisfy the low purchase value test

Customers who satisfy the LPVT test, must give you a signed statement to that effect to buy Part 7A goods free of sales tax. They must use form M52 (available from the Tax Office or from our Internet site, **ATOassist**). This form includes a quotation of their sales tax registration number, which they still need to give you.

## **Customers who do not satisfy the low purchase value test**

Customers who buy Part 7A goods with a sales tax free value of more than \$6,000 in any 12 month period do not satisfy the LPVT. They can only buy Part 7A goods free of sales tax if they are accredited.

## **Customers who lease Part 7A goods**

### **Lessees**

Customers who lease Part 7A goods for their own use in exempt circumstances can do so by providing the lessor with a quotation of their sales tax registration number or an exemption declaration. They do not need to be accredited.

### **Lessors**

Customers, for example a finance company, who buy Part 7A goods to lease in exempt circumstances, must be accredited to buy those goods free of sales tax.

## **Exporting Part 7A goods**

If you sell Part 7A goods to a customer who will export them, they must give you a quotation of their sales tax registration number (in which case they must also be accredited), a *Statement of Purchaser's Intention to Export Goods* or a *Quotation of Exemption Declaration* as appropriate, to buy those goods free of sales tax. These two forms are available from the Tax Office.

You must retain sufficient detail to satisfy the Tax Office that the goods have actually been exported. If you do not, you may be liable for the sales tax. You must have records which show details such as dates, flight numbers, customs broker details, freight forwarder names, customs declarations, detailed descriptions of the goods including serial numbers, original purchase details of the goods and copies of the sales invoices for those goods.

## **Accreditation**

### **What is accreditation?**

Accreditation is the process used to approve people who wish to buy Part 7A goods free of sales tax. Once you are accredited, you receive an accreditation number.

### **How do I become accredited?**

To apply for accreditation, you will need to complete an *Application for a Sales Tax Accreditation Number* for dealers. This form is available electronically at our Internet site, **ATOassist**

**[www.ato.gov.au/general/business/salestax/computer/salestax.htm](http://www.ato.gov.au/general/business/salestax/computer/salestax.htm)**

When you access **ATOassist**, you should read all the information contained in 'The Forms' before completing the electronic application form.

Alternatively, contact the Sales Tax Computer Helpline on **1800 634 905** to obtain a form. The Helpline can also assist you with navigating **ATOassist**.

Before a request for accreditation can be approved, you must satisfy the following nine requirements:

- you must have conducted the business activities at or from established business premises;
- you must have a tax file number which has been quoted to a financial institution in relation to each account maintained for business purposes;

- you must conduct all financial transactions relating to the business through separate accounts from any private or domestic account;
- you must have a good compliance history;
- you must have adequate record keeping procedures;
- you must be an Australian citizen or the holder of a permanent visa, or if the applicant is a company, have a director who is an Australian citizen or the holder of a permanent visa;
- you must not have been convicted in the three years prior to the application of any relevant offence;
- you must not have been refused accreditation or had your accreditation revoked in the previous three years; and
- no person relevant to the application must have failed to satisfy the other eight requirements in the previous three years.

If you are accredited and no longer satisfy any of the requirements for accreditation, you must advise the Tax Office in writing within seven days and your accreditation will be reviewed.

### **How do I check if someone is accredited?**

You can do this by using the Interactive Voice Response system described on page 7, by using our Internet site, *ATOassist*, or by contacting the Sales Tax Computer Helpline on **1800 634 905**.

### **Can accreditation be revoked?**

Yes, if a person no longer satisfies the requirements for accreditation, their accreditation can be revoked. If this occurs they cannot continue to buy Part 7A goods free of sales tax.

## **Authorisation**

From 1 September 1998, if a person is accredited, a quote to buy Part 7A goods free of sales tax will only be effective if the quote is authorised by the Tax Office.

When you sell to a person who quotes (and gives you their accreditation number), you are responsible for obtaining the authorisation (see 'How to get Authorisations' below).

When you obtain an authorisation, it applies only to transactions between you and that person. It is your responsibility to satisfy yourself as to the identity of that person.

When you obtain an authorisation, you should record the authorisation number provided. Without such evidence you may be liable for the sales tax.

### **Types of authorisation**

Authorisations are of two types, transaction authorisations and standing authorisations.

A transaction authorisation covers all quotations for Part 7A goods made by the quoter for seven days, unless otherwise advised by the Tax Office.

A standing authorisation covers all quotes for Part 7A goods for an indefinite period, or as advised by the Tax Office. If you have a standing authorisation in place with a customer and that person's accreditation number is revoked, you will be advised that the standing authorisation is no longer valid.

### **How to get authorisations**

You can obtain standing authorisations by using the processes described below, or by using a paper form available from the Sales Tax Computer Helpline on **1800 634 905**.

## 1. E-mail and secure electronic authorisations

Transaction and standing authorisations can be obtained by using the electronic forms available on our Internet site, **ATOassist**, under 'Electronic Registration'. These forms can be transmitted electronically to the Tax Office. You can obtain authorisation for up to 30 customers at a time.

The Tax Office will respond electronically. If approval is given, the customer's preferred trading name (as recorded by the Tax Office) and the authorisation number will be provided.

## 2. The Interactive Voice Response (IVR) system

The IVR system enables you to obtain authorisations by phoning **13 32 86**. You can:

- obtain an authorisation; and/or
- check that an accreditation number is valid and be given the name associated with that accreditation number.

The IVR system has prompts at each stage. You will be asked for your accreditation number or phone number. You should use your accreditation number. You will also need your customer's accreditation number and, for a transaction authorisation, you will need the tax free selling price of the goods.

If your request is authorised, the IVR system will provide you with an authorisation number.

## 3. Internet authorisation

You can obtain transaction authorisations by going to 'Internet Authorisation' at our Internet site, **ATOassist**. There are lists of the names and accreditation numbers of accredited people, and people whose accreditation has been revoked. You can perform a search or download the lists.

If a person's name and accreditation number appears on the accreditation list, quotes by that person are authorised until the 'Effective Until Date' displayed on the screen.

The accreditation list is updated on a weekly basis, usually on Tuesday night, and a new authorisation number applies each week. You will need to check the accreditation list and obtain new authorisations when the authorisation number has expired.

## 4. Sales Tax Computer Helpline

If the other facilities are unavailable, you may contact the Sales Tax Computer Helpline on **1800 634 905** to obtain an authorisation for a particular transaction.

## What if you pay sales tax when you buy Part 7A goods?

If you buy Part 7A goods at prices that include sales tax and then wish to claim a credit of that tax, you must be covered by a credit ground in the sales tax legislation. In addition, you must not be affected by the new credit rules in the legislation, which are discussed on page 8.

You will have to apply to the Tax Office for a credit (in the form of a **refund**) of the sales tax if:

- you are not registered for sales tax purposes but were entitled to buy the goods free of sales tax; or
- you are registered and do not have to pay sales tax to the Tax Office; or
- the sales tax you have to pay in your sales tax returns is not sufficient for you to offset the credit.

To apply for a refund you will need to complete the appropriate application form, available from your local Tax Office.



## New credit rules

If, on or after 24 October 1997, you buy Part 7A goods at a price that includes sales tax and then claim a credit for that tax, your claim can be denied if the Commissioner of Taxation believes that:

- sales tax has not been, and is unlikely to be, paid on the goods; and
- the person liable to pay the tax does not intend to do so; and
- at the time when you bought the goods, you either were aware, or could reasonably be expected to be aware, that no tax had been, or would be, paid on the goods.

To ensure these rules are not applied to you, you should only deal with reputable suppliers who follow normal business practices. In assessing whether you are buying Part 7A goods from a reputable supplier, some of the factors you should consider are:

- does the sales tax inclusive price appear genuine?
- does the supplier insist on a non-traceable method of payment, in particular cash or third party cheque?
- does the supplier operate from established business premises?
- does the supplier have telephone and fax numbers, or merely a mobile phone?
- does the supplier provide proper documentation?

These factors are a guide only. If you have any doubts about the supplier, you should exercise care. If you are concerned about a supplier, you can contact the Tax Office for advice.

## Supplementary monthly return statements (SMR)

The SMR is a statement of your assessable dealings with Part 7A goods and includes both purchases and sales of Part 7A goods.

You must lodge a SMR if you have a liability to pay any sales tax on Part 7A goods to the Tax Office (even if you are not accredited).

The SMR must be lodged with the Tax Office by the 21st day of the month following the month in which any taxable dealings with Part 7A goods occurred. The SMR form is available electronically on our Internet site. Alternatively, contact the Sales Tax Computer Helpline on **1800 634 905** to obtain a form.

Any sales tax payable on Part 7A transactions must be paid by the 21st day of the month following the month in which the transactions occurred.

The SMR does not affect your normal sales tax return. The requirement to lodge a SMR is in addition to your normal sales tax return. You are required to lodge your SMR monthly, even if you lodge your normal sales tax return quarterly.

For more information about the SMR, including an explanation of how to complete the statement, see Information Sheet Number 9 *Supplementary monthly return statements - Part 7A goods*.

## Withholding of sales tax on dealings with Part 7A Goods

If you are an accredited person, and you buy Part 7A goods for resale from an unaccredited person, you must withhold payment of any sales tax included in the purchase price. You must send that sales tax to the Tax Office.

If you withhold any sales tax, you must lodge a *Withholding advice form* with the Tax Office (and give a copy to the supplier) by the 21st day of the month following the month in which the dealings with Part 7A goods occurred. To obtain the form, contact the Sales Tax Computer Helpline on **1800 634 905**.

The requirement to lodge a *Withholding advice form* is in addition to your normal sales tax return. Any sales tax withheld on Part 7A transactions should be included with your normal sales tax return.

## Do you need more information?

If you need more information about Part 7A of the sales tax legislation please contact:

- our Internet site, **ATOassist**  
**[www.ato.gov.au/general/business/salestax/computer/salestax.htm](http://www.ato.gov.au/general/business/salestax/computer/salestax.htm)** or
- the Sales Tax Computer Helpline on **1800 634 905**.

For general sales tax enquiries, please contact the Tax Office:

- by **phone** on our national enquiry number **13 28 66** – you can ring this number from anywhere in Australia for the cost of a local call;
- **in person** by visiting the enquiry counter at certain Tax Offices – Tax Office addresses are listed in TaxPack, and in your White Pages telephone directory;
- by **A Fax from Tax**, our 24 hour fax information service – simply call **13 28 60** (local call cost) on your phone or fax and follow the voice prompts; or
- at our Internet site, **ATOassist** **[www.ato.gov.au](http://www.ato.gov.au)**

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<sup>i</sup> Produced by the Small Business Line of the Australian Taxation Office.