


STD 96/11 - Taxable value of bundled lots of imported repaired computer parts

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This Document is a 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.

Sales Tax Determination

Title: **Taxable value of bundled lots of imported repaired computer parts**

Background

Computer hardware manufacturers and distributors in Australia often send bundled lots of defective computer parts overseas to an associated company for repair.

Those that can be restored are placed in an overseas pool for repair and distribution as required. Repaired parts, identical in all material respects to those received from Australia, are then taken from the pool and sent to Australia, together with an invoice for the cost of the repairs to the defective parts received. The Australian company is invoiced for the full replacement cost of parts that are not repairable.

The parts exported are not always returned, as they may be used to replace parts sent from group operations in other countries. Some parts may never be returned because computer parts that cannot be repaired are replaced by new ones.

There are provisions in the sales tax law that allow a special taxable value for goods exported for repair and then re-imported. Many taxpayers have enquired whether those provisions apply to the circumstances described above.

Issues

1. Where bundled lots of computer parts, repaired overseas by an associated company, are imported into Australia, do sections 9 and 42 of the *Sales Tax Assessment Act 1992* (the Act) apply?
 2. How is the sales tax calculated on bundled lots of imported repaired computer parts?
 3. What taxable value applies to the new parts which replace those computer parts that cannot be repaired?
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Decision

1. Bundled lots of repaired computer parts imported into Australia in the same quantities and specifications as the bundled lots previously exported are covered by section 9 of the Act and will be taxed under the provisions of section 42 of the Act.
2. Sales tax is calculated on these bundled lots on the value of the repair plus any customs duty payable on the importation.
3. Where defective parts cannot be repaired, the taxable value of new replacement parts will be the sum of the full replacement cost of the new parts, plus any customs duty payable, increased by 20%.

This determination will not apply to parts or items of equipment that are not exported in bundled lots and can be tracked through an accounting or stock control system. If the same parts are returned, sales tax is payable only on the repair value plus any applicable duty. However, where the imported repaired parts are not those that were previously exported, they will be taxed as newly imported goods.

Where sales tax has been paid on bundled lots of computer parts in the circumstances outlined in this determination on a value higher than stated, it will have been overpaid within the meaning of the credit provisions in the sales tax law. An entitlement to a credit will be subject to a claimant satisfying the requirements of the relevant credit provision.

Date of effect

This determination is effective immediately.

Reasons

We have based our decision on the following legislative provisions:

Sections 9 and 42 of the Sales Tax Assessment Act 1992.

The scheme of the sales tax legislation is to tax goods manufactured in or imported into Australia but not goods that have been applied to a person's own use in Australia ('Australian-used goods'). In the case of goods that have been used in Australia, exported for repair and re-imported, section 9 of the Act provides that such goods are **not** to be treated as Australian-used goods for the purposes of the sales tax legislation. In these circumstances section 42 of the Act gives the taxable value to be used to calculate the sales tax payable on the goods at the time of importation.

Sections 9 and 42 were enacted to ensure that goods exported for repair are treated in a similar manner to those repaired in Australia. If it were not for these provisions, Australian-used goods exported for repair could be re-imported free of sales tax as they are not assessable goods. This would not be consistent with the treatment of goods repaired in Australia which must bear tax on any new parts.

Computer parts from countries other than Australia that are put into the pool for repair would normally be treated as newly imported goods to Australia. The taxable value would be the sum of the customs value of the goods plus any customs duty applicable, increased by 20%.

Therefore, in order to distinguish between Australian parts and parts from other countries, taxpayers would need to implement a system to identify and individually track the computer parts. While this may be possible for some taxpayers the cost of implementing and administering such a system would be considerable.

Following representations from the industry, the ATO has agreed to eliminate the need for taxpayers to monitor the movement of these small, low cost computer parts with the resulting additional administrative costs associated with that activity. Provided the bundled lots being imported are in the same quantities and specifications as the lots exported, section 9 of the Act will apply.

On occasions, defective parts sent overseas for repair by an associated company will not be repairable. In these circumstances the new parts being imported into Australia for the first time will be treated the same as any goods being imported into Australia for the first time.

**Communication
of the Decision**

This determination has been made available for publication by the sales tax publishing houses.

Commissioner of Taxation

18 December 1996

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Related Determinations:

Related Rulings:

Subject Ref: defective computer parts; parts exported for repair; repaired parts re-imported;
replacement parts; taxable value

Legislative Ref: STAA 9; STAA 42

Case Ref:

ATO Ref: NAT 96/11743-4

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