


# ***ST 2065 - SALES TAX : SWATCHES***

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TAXATION RULING NO. ST 2065

SALES TAX : SWATCHES

F.O.I. EMBARGO: May be released

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SWATCHES

SALES TAX ASSESSMENT  
ACT (NO.1)  
SUB-SECTION 3(1)

FACTS

Swatches is the trade name which covers pattern bunches, sample books, colour cards, hangers and shades. The sample pieces in the swatches may be either exempt (e.g. piece goods being cloth or plastic and rubber sheeting, canvas, wall tiles and wallpaper) or taxable (e.g. carpet).

2. Swatches can be made up in a permanent form (i.e. those in which the sample pieces are permanently affixed and which are normally thrown away after use) or in non-permanent form (i.e. those in which the sample pieces are attached in such a manner that they can be readily changed).

3. The methods by which swatches are made up include:-

- (A) by glueing or stapling the material to a cardboard folder or backing board;
- (B) by fixing the material to a header board by means of brass screws;
- (C) by glueing and stapling the material to a cardboard folder or backing board;
- (D) by securing the samples with a chain, thread, etc. through holes drilled in the material;
- (E) by assembling the samples in book form using screws or a similar holding medium so that samples may be readily removed and replaced; and
- (F) by assembling the materials in a bound form so as to form a more permanent sample book.

4. Apart from being imported, swatches are produced by professional swatch makers for the manufacturers of the material out of which the swatches are made. They are also assembled by manufacturers and wholesalers either for sale to retailers or their own use or to be given away to the retailers. Where swatches are sold to retailers the prices for which they are sold are often less than cost reflecting the fact that retailers are unwilling to pay the whole cost for swatches which promote the manufacturer's or wholesaler's products.

RULING

5. There is little difference between the swatches produced by professional swatch makers as against those assembled by manufacturers and wholesalers. In many instances the swatches produced are almost identical in their manner of assembly and finish. As a result it has been decided that all swatches should be treated the same for sales tax purposes regardless of the status of the person who assembles them.

6. Swatches are regarded as being in the nature of samples of material, pieces, etc. rather than distinct articles of commerce. It follows that the cutting of sample material, attaching of identifying tags and assembling of sample material to holders and headboards does not involve the manufacture of commercially distinct goods for sales tax purposes.

7. Professional swatch makers, manufacturers and wholesalers will therefore satisfy their liability in respect of the making up of swatches by paying tax on any taxable materials, e.g. holders and headboards, and taxable samples used in assembling the swatches. Payment of tax will also be required on the purchase of equipment such as guillotines used in the course of assembling the swatches. The assembly operations do not involve the manufacture of goods and therefore exemption under the aids to manufacture provisions does not apply to equipment used in assembling swatches.

COMMISSIONER OF TAXATION

26 January 1984