


ST 2077 - SALES TAX : LUBRICANTS

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TAXATION RULING NO. ST 2077

SALES TAX : LUBRICANTS

F.O.I. EMBARGO: May be released

REF H.O. REF: ST 11/174 P4 DATE OF EFFECT: Immediate

B.O. REF: 22/B/D 6/84 DATE ORIG. MEMO ISSUED: 15.05.84
6/SA/SC 24/145
K 6/18

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1078607	LUBRICANTS OILS GREASES	DEFINITION OF "LUBRICANTS" IN SUB-ITEM 1(1) OF FIRST SCHEDULE TO THE SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT SALES TAX REGULATIONS REGULATION 4

PREAMBLE

Prior to the 1983/84 Budget oils, greases and other preparations for use for business or industrial purposes as lubricants of machinery, implements or apparatus were exempt from tax under item 127 in the First Schedule to the Sales Tax (Exemptions and Classifications) Act. Oils, greases or preparations for use as lubricants of road vehicles were, at that time already taxable at the 20% rate, as were oils, greases and other preparations for use as lubricants for private or domestic purposes.

2. Changes to the sales tax legislation enacted to give effect to announcements made in the 1983/84 Budget Speech require that all oils, greases and other preparations that fall within the meaning of the word "lubricants", as it is now defined in the law, become taxable at 20% subject to certain limited overriding conditional exemptions, e.g. lubricants for use by Government departments, municipal councils, public hospitals, etc.

3. For sales tax purposes, the word "lubricants" is defined as follows -

"lubricants" means oils, greases and other preparations -

- (a) of a kind sold exclusively or principally as;
- (b) put up for sale as; or
- (c) for use as,

lubricants of machinery (including vehicles), implements or apparatus."

4. The amendments to the sales tax law, which include the omission of item 127 in the First Schedule, have the effect that oils, greases and other preparations which come within the scope of the definition of "lubricants" in sub-clause 1(1) in the

First Schedule to the Act or in regulation 4(1) in the Sales Tax Regulations will be taxable at the 20% rate in the hands of virtually all users, apart from Government departments, local government councils, public hospitals, etc. that qualify for exemption from sales tax in respect of goods for their use and not for sale. In particular, manufacturers may no longer obtain "lubricants" as defined free of sales tax by quoting their certificates of registration or under conditional exemption certificates on the basis that lubricants are aids to manufacture. Similarly, users of lubricants in other industries, e.g. agricultural industry, and mining industry, are no longer able to obtain lubricants free of sales tax by furnishing exemption certificates.

5. Since the enactment of the amending legislation consideration has been given by this office to whether a wide range of oils, greases and other preparations are "lubricants" as defined. The views and opinions of academic and industrial experts have been obtained and reference has been made to trade and technical publications. As a result, the following classifications have been adopted.

RULING

Industrial oils that are lubricants as defined

1. lubricating oils
2. lubricating oils that contain rust preventives
3. synthetic and semi synthetic greases
4. spindle oils
5. wire rope oils, greases and fluids
6. white oils and greases of a kind sold exclusively or principally as, put up for sale as, or for use as lubricants
7. automatic transmission fluids.

Industrial oils that are not lubricants as defined

1. cutting fluids and coolants, including water miscible cutting oils and water miscible cutting coolants
2. metal drawing oils and drawing compounds
3. metal rolling oils
4. grinding concentrates
5. flushing oils
6. mould oils and creams
7. transformer oils
8. storage oils
9. coating oils
10. slushing oils
11. rust preventive oils and greases other than lubricating oils that contain rust preventive additives
12. quenching oils
13. white oils and greases (other than those of a kind sold exclusively or principally as, put up for sale as, or for use as lubricants)
14. rubber process oils
15. heat transfer oils
16. anti-freeze/boil fluids
17. radiator corrosion inhibitors
18. lapping base
19. tempering products

20. hydraulic fluids including -
- (i) mineral oil including combinations of mineral oil and additives
 - (ii) fire resistant hydraulic fluids
 - (iii) synthetic hydraulic chemical compounds
 - (iv) brake fluid
 - (v) shock absorber oil

COMMISSIONER OF TAXATION
21 May 1984

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