


ST 2195 (as amended 28/1/86) - SALES TAX : COMPUTER ASSISTED DESIGN SYSTEMS

 This cover sheet is provided for information only. It does not form part of *ST 2195 (as amended 28/1/86) - SALES TAX : COMPUTER ASSISTED DESIGN SYSTEMS*

This document has been Withdrawn.

There is a [Withdrawal notice](#) for this document.

TAXATION RULING NO. ST 2195 (as amended 28/1/86)

SALES TAX : COMPUTER ASSISTED DESIGN SYSTEMS

F.O.I. EMBARGO: May be released

REF

*** NOTE: THIS RULING HAS BEEN MODIFIED BY ST 2299

H.O. REF: 84/964-2

DATE OF EFFECT: Immediate

B.O. REF: 6/C7/SC4/1/113ABC
22/B/D 70/2 K 242

DATE ORIG. MEMO ISSUED: 8 Nov. 85

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1205651	COMPUTER ASSISTED DESIGN EQUIPMENT AIDS TO MANUFACTURE - CAD EQUIPMENT AUXILIARIES TO AIDS TO MANUFACTURE - CAD EQUIPMENT	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEMS 113ABC, FIRST SCHEDULE. ITEM 7(1)(c), THIRD SCHEDULE.

OTHER RULINGS ON TOPIC

FACTS

A firm of consulting engineers acquired a computer assisted design (CAD) computer system for use in their consulting practice. The firm is involved in the designing and planning of all aspects associated with building construction including floor plans, plumbing and electrical layouts and air conditioning and furniture layouts. The CAD equipment is used primarily and principally as a mechanical aid in carrying out the mechanical production of finished drawings associated with the various aspects. The CAD data bank has a large number of different building specifications input into it. To design a required plan the engineer calls up from the data bank relevant specifications which are depicted on a visual display screen. The engineer then combines the various specifications until he is satisfied that what appears on the visual display screen is what is required. The final image is then transferred to hard copy by means of a printer plotter. The hard copy is invariably used to produce further copies by means of a plan printer.

2. The question arose whether the CAD system qualified for conditional exemption as either "aids to manufacture" or "auxiliaries to aids to manufacture". In the alternative it was submitted that the CAD system qualified for the conditional rate of 10% under sub-item 7(1)(c), Third Schedule.

RULING

3. Professional persons such as consulting engineers, architects and surveyors are not manufacturers within the ordinary meaning of that word. Nor are they considered to come within the scope of that term as it is defined in the sales tax legislation. Professional persons in these categories are engaged in rendering skilled services and the production of blueprints, plans, drawings, etc., by them does not involve

manufacture of goods. Consequently, the conditional exemptions for aids to manufacture and auxiliaries to aids to manufacture do not ordinarily apply to professionals such as engineers, architects and surveyors. CAD equipment used by them in rendering their skilled services does not qualify for exemption from sales tax.

4. In some cases an architect or consulting engineer may conduct, as an adjunct to his professional activities, plan printing activities along the same lines as persons in the business of producing copies of plan prints for sale. Where equipment is used exclusively or primarily and principally in the production of copies of plan prints exemption from sales tax would apply to the equipment. Tax would be payable on the plan prints produced. Exemption, however, would not apply to the CAD equipment used to produce the original plan from which the copies are made.

5. Sub-item 7(1)(c) in the Third Schedule to the Sales Tax (Exemptions and Classifications) Act, so far as is relevant, taxes at the conditional rate of 10% machinery, implements and apparatus for use in constructing, maintaining or repairing buildings or other structures etc. The CAD system in question is used in the design and siting of buildings and the production of plans. These activities long precede the commencement of any construction.

6. While there may be cases where "construction etc" in the context in which the expressions appear in sub-item 7(1)(c) commence other than at a construction site, it will always be subsequent to a firm decision having been reached to start construction etc. The drawing of plans is a preliminary step. It may be that the plans are rejected, revised, or in some instances not used at all. Moreover, in other cases it is only after the plans have been drawn up and approved by municipal authorities that a decision is made whether or when construction etc will commence.

7. It is accepted that there are cases where goods other than those actually used in physical construction etc. are covered by sub-item 7(1)(c). This is not the case with CAD equipment. It does not qualify for the conditional rate of 10% applicable to goods covered by sub-item 7(1)(c).

8. CAD equipment used by architects, engineers and surveyors as outlined above is taxable at the general rate, currently 20%.

COMMISSIONER OF TAXATION
2 January 1986

<