

ST 2217 - SALES TAX : COMPUTERS USED IN THE MINING INDUSTRY

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TAXATION RULING NO. ST 2217

SALES TAX : COMPUTERS USED IN THE MINING INDUSTRY

F.O.I. EMBARGO: MAY BE RELEASED

REF

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COMPUTERS USED IN
THE MINING INDUSTRY

SALES TAX (EXEMPTIONS
AND CLASSIFICATIONS)
ACT; ITEM 14, FIRST
SCHEDULE.

OTHER RULINGS ON TOPIC : ST 2105

PREAMBLE

Item 14 in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exempts from sales tax "machinery, implements and apparatus (other than road vehicles of the kinds ordinarily used for the transport of persons or the transport or delivery of goods, or parts for those road vehicles), for use in the mining industry in carrying out mining operations or in the treatment of the products of those operations".

2. Questions have arisen about the classification of computer systems for use in the mining industry. Item 14 to a significant extent overlaps the provisions relating to aids to manufacture because mining operations involve manufacture as it is defined for sales tax purposes. Some computers used by mining companies may qualify for exemption as an aid to manufacture and also under item 14. The application of the aids to manufacture provisions to computers was dealt with in Taxation Ruling ST 2105. This ruling covers the application of item 14 to computers used in some situations to which the aids to manufacture provisions may not apply.

3. In considering the question of exemption under item 14 for computer systems five main areas have been identified:-

- (a) mine planning computers located at the mine site;
- (b) mine planning computers located away from the mine site;
- (c) computers used for exploration activities;
- (d) computers used to determine whether exploration is worthwhile; and
- (e) computers used by bureaus in carrying out services for the mining industry.

RULING

(a) Mine Planning Computers Located at the Mine Site

4. Mine planning comes within the phrase "mining operations" in item 14. Exemption from sales tax applies to computers used to plan or project any part of the mining operations after a decision to mine has been taken. Exemption will apply to computers used to select actual mining sites on the mining lease or property, to plan and monitor the recovery of the mined product, to maintain and schedule the use of the mine machinery through to the treatment of the mined product. Exemption will not apply to computers used to calculate payrolls, maintain debtors ledgers, stock inventories etc - these activities do not form part of mining operations.

(b) Mine Planning Computers Located Away From the Mine Site

5. Provided computers located away from the mine site are used exclusively to perform the same function as mine planning computers located at the mine site exemption will apply. It is expected that the computers would be electrically linked to terminals or other equipment at the mine site and would process the same type of data as computers located at the mine site. The processed data would be relayed back to the mine site to be utilized. If computers located away from the mine site are used for purposes additional to mine planning it will be a question of fact in each case whether or not exemption under item 14 applies.

(c) Computers Used For Exploration Activities

6. Computers used directly in exploration activities qualify for sales tax exemption under item 14. For example, where the results of tests carried out by a vessel conducting off-shore seismic surveys or the test drilling of different soil and rock strata are processed by computer, exemption applies. As with mine planning it is not a prerequisite to exemption that the computer be located on site. Exemption applies to computers used by exploration companies as well as mining companies. Exemption will apply only to computers used to store, analyse and process exploration data.

(d) Computers Used to Determine Whether Exploration is Worthwhile

7. In some situations a computer may be used to determine whether exploration should be undertaken. It is an integral part of the systematic search for areas containing minerals etc that efforts should be made in the first place to narrow down the possible areas. In one system information obtained by satellite is fed into a computer for processing. The information is displayed pictorially on a visual display screen for viewing by a geologist. By closely examining the information displayed the geologist can select areas likely to hold minerals. In this way the areas to be explored can be narrowed. It is accepted that computers used to select exploration sites are part of the exploration process and are for use in exploration activities. Computers used in this way qualify for exemption under item 14.

(e) Computers Used By Bureaus in Carrying Out Services for the Mining Industry

8. A mining company may engage a service bureau to process mining or exploration data for it. Computer service bureaus are not part of the mining industry but offer a range of services to a number of different clients. They are engaged in computer processing. Computers used by service bureaus do not qualify for exemption under item 14. Some activities of computer bureaus may involve manufacture and computers used by them may come within the provisions relating to aids to manufacture. Reference should be made to Taxation Ruling ST 2105 which deals with the application of the aids to manufacture provisions to computers.

Peripheral Equipment

9. The classification of peripheral equipment for use with computers that qualify for exemption under item 14 will generally follow the classification of the computer itself. Where the computer is exempt under item 14 peripheral equipment used to carry out the functions which give rise to exemption will also be exempt. Exemption would not apply to peripheral equipment used principally to process data such as inventory records, financial records, payroll records etc.

COMMISSIONER OF TAXATION
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