


ST 2267 - SALES TAX : PICTURE FRAMING

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TAXATION RULING NO. ST 2267

SALES TAX : PICTURE FRAMING

F.O.I. EMBARGO: May be released

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| REFERENCE NO: | SUBJECT REFS: | LEGISLAT. REFS: |
|---------------|-----------------|---|
| I 1209715 | PICTURE FRAMING | SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEMS 68 AND 113, FIRST SCHEDULE; ITEM 39, SECOND SCHEDULE. |

OTHER RULINGS ON TOPIC PARAGRAPHS 124, 829, 1040 AND 1041, AUSTRALIAN SALES TAX, 1984

PREAMBLE

The purpose of this Ruling is to clarify sales tax liability in the following situations involving picture framing:-

- (a) the manufacture of picture frames;
- (b) the manufacture of framed prints, i.e. a picture or photograph in a frame;
- (c) the insertion by a manufacturer of a picture or photograph supplied by a customer into a frame manufactured by the framer for sale to the customer;
- (d) the insertion by a retailer of a picture or photograph acquired by a retailer into a picture frame also acquired by a retailer;
- (e) the use of picture frames to frame paintings and other works of art.

2. In addition the Ruling canvasses whether picture frames form an integral part of the framed picture or whether they are properly to be treated as containers.

3. The Ruling is set against the background of long held official views of the nature of picture framing. The production of picture frames is considered to be manufacture for sales tax purposes. Picture frames are taxable at the rate of 20%. The mere insertion of a print or photograph in a frame does not of itself constitute manufacture for sales tax purposes.

4. Item 113 in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exempts materials sold to an unregistered manufacturer to be used in, wrought into, or attached to, so as to form part of, exempt goods to be manufactured by him. Sub-item 68(2), First Schedule, exempts from sales tax works of art produced in Australia or produced abroad by Australian artists. An artist who produces exempt

works of art in the form of framed pictures for sale may obtain the frames free of sales tax under item 113, First Schedule, by furnishing an appropriately worded certificate of exemption to the supplier of the frames.

RULING

5. The sales tax liability in the various situations specified in (a) to (d) of the opening paragraph above is:-

- (a) where frames only are manufactured and sold -
 - (i) if sold by wholesale to retailers, tax is payable on the wholesale selling price of the frames; or
 - (ii) if sold by retail, tax is payable on the price for which the particular frame would ordinarily be sold by wholesale;
- (b) where framed prints are produced and sold, i.e. the manufacturer inserts his own prints or photographs in the frames he manufactures -
 - (i) if sold by wholesale to retailers, tax is payable on the selling price of the framed print or photograph; or
 - (ii) if sold by retail, tax is payable on the price for which a comparable framed print in the same kind of moulding would ordinarily be sold by wholesale;
- (c) where the frame manufacturer inserts a customer's print into a frame he produces, tax is payable on a sale value equal to the wholesale price of the frame including the backing sheet and fixing components but excluding the cost of inserting the print. This sale value also applies to prints supplied by retailers who require the framed print for sale;
- (d) where a retailer inserts a print or photograph into a frame his sales tax liability is satisfied by payment of tax at time of purchase of the print or photograph and the frame.

6. In the context of sub-item 68(2) the term "artist" is taken to mean a professional artist, i.e. a person who produces works of art for sale. This does not necessarily mean that a person must be a full-time artist. There must be, however, the pursuit of the particular art form on a commercial basis. Hobbyists or student artists are not considered to be artists for the purposes of the sub-item.

7. Where a picture framer frames an exempt work of art, e.g. an original oil painting by an Australian professional artist sales tax exemption under item 113 will apply only where the framing is carried out for the artist. Item 113 provides exemption only for materials (frames) sold to an unregistered manufacturer (artist) and does not provide exemption for frames purchased by persons other than artists. Where a work of art is framed by a person other than the artist either for their own use or for retail sale exemption for the frame does not apply. Sales tax liability in these circumstances will be determined in accordance with paragraph 5 depending upon the precise situation.

8. Finally, picture frames are not considered to be inner or outer coverings in which pictures or photographs are packed or secured, i.e. they are not containers within the meaning of that expression in the sales tax law. They form an integral part of the framed pictures or photographs and do not "contain" anything in the accepted sense. The sales tax classification of a picture frame where a framed article is produced follows the classification of the article. In most cases framed goods such as prints, documents, tapestries, mottoes are taxable at 20%. An exception occurs where a framed photograph is produced. Photographs are taxable at 30%, being covered by item 39, Second Schedule, and a framed photograph is also taxable at 30%.

COMMISSIONER OF TAXATION

9 July 1986

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