


ST 2457 - SALES TAX : TRACTORS, RIDER MOWERS, LOG SKIDDERS

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TAXATION RULING NO. ST 2457

SALES TAX : TRACTORS, RIDER MOWERS, LOG SKIDDERS

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REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1011612	TRACTORS RIDER MOWERS LOG SKIDDERS	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; SUB-ITEM 1(48), ITEMS 3 AND 10B, FIRST SCHEDULE

PREAMBLE The purpose of this Ruling is to outline the sales tax exemptions available for:

- i) Tractors and rider mowers for use in agricultural industry; and
- ii) Log skidders for use in the timber-getting industry.

2. Sub-item 1(48) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act exempts agricultural machinery, implements and apparatus (and parts therefor) for use in the agricultural industry, viz., "tractors (and covers therefor)".

3. Paragraph 3(1)(b) in the First Schedule exempts equipment, preparations and materials for use in agricultural industry for the checking or eradication of diseases or pests, namely, equipment, preparations and materials for use in the checking or destruction of weeds; scrub or noxious plants; or plant or seed diseases.

4. Sub-item 10B(1) in the First Schedule exempts tractors and covers for tractors for use in the timber-getting industry in the hauling of log timber.

FACTS 5. The term "tractor" is not defined in the sales tax legislation. According to the Macquarie Dictionary a "tractor" is a motor vehicle, usually fitted with deeply treaded tyres, used to draw farm implements such as the plough, seed-drill, etc., and loads and also as a source of power for agricultural machinery, etc. The New Encyclopaedia Britannica, 15th ed., vol. 11, p.884, describes a "tractor" as a high-power, low-speed traction vehicle and power unit mechanically similar to an automobile or truck but designed for use off the road.

6. Tractors are used widely in the agricultural industry for a variety of different purposes but primarily to draw or pull and operate agricultural machinery. Most tractors are marketed with a range of mounted equipment although they are also used to pull trailed implements. The mounted equipment is generally raised and lowered hydraulically, the necessary pump and control gear

being built into the tractor. Provision is often made for the hydraulic system to perform other functions such as controlling the depth of working of an implement or transferring weight from the implement to the driving wheels to improve adhesion; it can also be used, by a flexible hose, to control trailed equipment. Tractors are able to transmit power to a trailed implement or to stationary machinery by a splined shaft called the power take-off or by a belt driven from a pulley.

7. Rider mowers are less widely used in the agricultural industry. They are generally of a smaller size and capacity than tractors and do not have a primary capacity to draw or pull and operate agricultural implements or machinery. Rider mowers are at times used by agriculturalists to control weeds in or around crops or fruit trees, to mow irrigation or drainage channels or to mow contour banks to control weed growth.

8. Rider mowers, garden tractors and tractors fitted with mowing equipment (including tractors specifically designed for mowing) are also used by hobby farmers, golf clubs, bowling clubs and householders with large lawn areas.

9. A log skidder is a specialised item of equipment used in the timber-getting industry to haul log timber. Log timber is winched by cable running through the logging arch so that the forward end of the log is suspended clear of the ground at the rear end of the skidder.

RULING

10. In its context in sub-item 1(48), First Schedule, the term "tractor" bears its ordinary meaning of a low-speed traction motor vehicle used to draw farm implements and loads and also as a source of power for agricultural machinery or equipment. The factor which is most important in differentiating between a tractor and rider mowers and other lawn mowers is the strength and robustness of its construction. A tractor suitable to commercial agricultural application requires construction that is physically strong enough to cope with a diverse range of operating conditions and has an engine, transmission and drive chain capable of operating at rated engine power output or heavy load conditions for sustained periods. Lawn mowers, of whatever power or size, generally are not so constructed.

11. Motor vehicles that satisfy the ordinary meaning of the word "tractor", with the characteristics commercially and usually associated with agricultural tractors, including strong robust construction, suitability to operate under heavy load conditions (a hydraulic system, three point linkage and/or integrated power take-off may be present) qualify for exemption under sub-item 1(48) when they are sold for use in the agricultural industry. Tractors which meet these requirements are eligible for exemption even when they are sold with mounted mowing equipment.

12. Rider mowers are distinguishable. They are generally of a smaller size and capacity than agricultural tractors. They are not used to draw farm implements or loads and are not used as a source of power for agricultural machinery or equipment. They are not accepted as being "tractors" eligible for exemption under sub-item 1(48), First Schedule, when they are for use in the agricultural industry.

13. Rider mowers are a different item of machinery, implement or

equipment to field mowers which are also eligible for sales tax exemption (sub-item 1(17), First Schedule). Moreover, rider mowers, in the Commissioner's opinion, are not goods of a kind used exclusively, or primarily and principally, in the agricultural industry, and thus, are not eligible for exemption from sales tax under sub-item 13(1), First Schedule.

14. In the case of "garden tractors" it is possible that some of these will satisfy the ordinary meaning of the word "tractor" as discussed above and be eligible for exemption under sub-item 1(48), First Schedule, when they are for use in the agricultural industry. The types of "garden tractors" which might satisfy these requirements would be those designed for trailing loads in confined spaces such as poultry and pig sheds and/or to operate a range of implements, e.g., trailers, front blades, tillers, etc.

15. There are some limited circumstances in which rider mowers and "garden tractors" might be eligible for exemption under paragraph 3(1)(b), First Schedule. Where they are "for use" in the agricultural industry to control weeds in or around crops or fruit trees, to mow irrigation or drainage channels, to check the growth of weeds or to mow contour banks to control weed growth they would be eligible for exemption under paragraph 3(1)(b).

16. The expression "for use" in the sales tax law has been judicially considered. These words used in a context such as paragraph 3(1)(b), First Schedule, indicate the purpose to which it is intended the goods shall be put. The goods must be for use "to a significant degree" (F.C. of T. v Hammersley Iron Pty Ltd (1981) 37 A.L.R. 595 at p.605); the proposed use must be substantial (D.F.C. of T. v Stewart & Anor 84 ATC 4146; (1984) 15 ATR 387).

17. For rider mowers and "garden tractors" to qualify for exemption under paragraph 3(1)(b) First Schedule, on the basis that they are for use in the agricultural industry, the purpose to which it is intended that they are to be put (i.e., to check or destroy weeds, scrub or noxious plants) must be substantial in extent and time.

18. In order to claim exemption on a rider mower or a garden tractor under paragraph 3(1)(b), an agriculturalist is required at the time of purchase of these goods to provide the supplier with a certificate in the following form :-

"Sales Tax (Exemptions and Classifications) Act

To the Commissioner of Taxation and
the Commonwealth of Australia

I hereby certify that I am in business as a (insert here details of the nature of business) in the (insert details of agricultural activities e.g., growing of grain, fruit, nuts, etc.; breeding of sheep, cattle, etc.) ... and that I commenced these activities on (insert date) The (insert make and model of mower) purchased from (insert name of supplier) on (insert date) will be used by me for mowing (insert details of plants to be mowed) in order to

(insert reason for mowing) and is for use in the checking or destruction of weeds, scrub or noxious plants. Exemption is accordingly claimed under item 3(1)(b) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act.

Please (Name of Purchaser
Print (Address
Date
Signature"

19. Rider mowers and "garden tractors" used by an agriculturalist for general mowing around a farm house do not qualify for exemption.

20. Log skidders are accepted as tractors for the purposes of item 10B, First Schedule, and will qualify for exemption under the item when purchased for use in the timber getting industry in the hauling of log timber.

21. An exemption certificate is also required to be furnished to a supplier at the time of purchase of a tractor for use in the agricultural industry or of a log skidder for use in the timber-getting industry in the hauling of log timber. The appropriate wording to be used in such situations is as follows:

Tractor For Use in the Agricultural Industry

"Sales Tax (Exemptions and Classifications) Act

To the Commissioner of Taxation and
the Commonwealth of Australia

I hereby certify that the tractor (and cover therefor) purchased from[insert here the name of the supplier] on [insert here the purchase date] is for use in agricultural industry and exemption is accordingly claimed under sub-item 1(48) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act.

Please (Name of Purchaser
Print (Address
Date
Signature"

Log Skidder for Use in the Timber-Getting Industry

"Sales Tax (Exemptions and Classifications) Act

To the Commissioner of Taxation and
the Commonwealth of Australia

I hereby certify that the log skidder purchased from [insert here the name of the supplier] is for use in the timber-getting industry in the hauling of log timber and exemption is accordingly claimed under sub-item 10B(1) in the First Schedule to the Sales Tax (Exemptions and Classifications) Act.

Please (Name of Purchaser
Print (Address
.....
Date
Signature "

22. Sales tax ruling No ST 2442 provides further details of sales tax exemption certificates. It should be borne in mind that the law provides strict penalties for false and misleading information provided in sales tax exemption certificates.

COMMISSIONER OF TAXATION
19 October 1989