

ST 2269 - SALES TAX : SHOOTING OF "WILD REELS" FOR TELEVISION STATIONS

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TAXATION RULING NO. ST 2269

SALES TAX : SHOOTING OF "WILD REELS" FOR TELEVISION
STATIONS

F.O.I. EMBARGO: May be released

REF

H.O. REF: 84/6000-1

DATE OF EFFECT:

B.O. REF: Syd 22/B/D 22/4 DATE ORIG. MEMO ISSUED:
Melb 6/SA/SC 24/60
Bris K 41/3
Adel STC/MD/STM 380

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1209762	MANUFACTURE : VIDEO RECORDING	SALES TAX ASSESSMENT ACT (NO.1); SECTION 3

PREAMBLE

It is a long standing principle of sales tax that the exposure of film in a camera does not constitute "manufacture". Some further processing of the film must be undertaken, e.g. the developing of the exposed film to fix a negative or positive image, before manufacture takes place. The exposing of video tape in a camera is different in that it results in a tape that can be screened without further processing. However, the act of exposing video tape in a camera would not ordinarily be regarded as manufacture.

2. Taxation Ruling No. ST 2094 deals with the liability of television stations who produce programmes by recording on video tape and processing the tape for televising by dubbing and editing it. Paragraph 3 of the Ruling states that recording on video tape whether it be the original recording or the dubbing of a copy has been accepted for some years as "manufacture" for sales tax purposes. This statement, however, does not mean that all video tapes recorded in the course of carrying on a business or otherwise are manufactured goods. Before "manufacture" takes place it is envisaged that the recorded tape must undergo some further processing, e.g. editing, the adding of sound, etc. to produce a final tape for viewing, unless the tape as recorded is a final product. This latter situation generally would be rare.

3. The question has arisen whether the shooting of "wild reels" for television stations by freelance video operators or "stringers", as they are sometimes called, is manufacture.

FACTS

4. Wild reels are supplied to television stations by freelance operators or stringers in broadly two situations. A stringer may have a contract to supply a local television station with wild reels of news material, interviews, sporting events, etc. The stringer owns his video equipment and tapes. The recorded tape is forwarded by the stringer to the television station where it is evaluated, and if considered newsworthy, dubbed by the station for later use. The tape is then either returned to the stringer for reuse, or a replacement tape from a stock of second-hand wild tapes is provided to the stringer. The stringer receives a fee for each recorded tape supplied.

5. In the second situation, particularly in country areas, a stringer may be approached by a television station to cover a particular story. The tape is not physically transferred to the television station but is telelinked by Telecom bearer line or transmitted by microwave link to the station where it is recorded. The stringer supplies his own camera equipment and tapes and receives a set fee for each story. After the material on the tape is transmitted to the television station the tape is reused by the stringer.

6. The shooting of wild reels as detailed in paragraphs 4 and 5 involves only the recording of images on video tape per medium of a video camera. The video tapes are not edited or otherwise processed by the camera operator.

RULING

7. In the situations outlined in paragraphs 4 and 5 above it is considered that the stringer is essentially providing a service to a television station for which he is paid a fee and is not supplying manufactured goods. Manufacture is not involved where a stringer or any other person shoots wild reels for a television station. The sales tax liability of the stringer is met by payment of sales tax at the time of purchase of video equipment and blank tapes.

8. Some persons supplying wild reels to television stations may be registered for sales tax purposes because of other recording activities, e.g. the dubbing of final video tapes for sale. In these circumstances any sales tax liability will be met by these persons paying tax at the time of purchase of tapes used in shooting wild reels. Where the tapes are drawn from a tax free stock, tax is payable on the purchase price of the tapes. The tax should be remitted with the monthly return covering the month in which tapes were drawn from stock.

9. The sales tax position of the video camera and associated recording equipment will depend on the extent to which it is used in shooting wild reels. If it is used principally in the shooting of wild reels tax will be payable on the equipment. If the equipment is used principally for manufacturing operations, i.e. dubbing copies of final video tapes for sale, it will qualify for exemption as an aid to manufacture.

COMMISSIONER OF TAXATION
18 July 1986

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