


ST 2224 - SALES TAX : SALE VALUE OF PHOTOCOPYING

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TAXATION RULING NO. ST 2224

SALES TAX : SALE VALUE OF PHOTOCOPYING

F.O.I. EMBARGO: May be released

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I 1075973	PHOTOCOPYING SALE VALUE OF	SALES TAX ASSESSMENT ACT (NO.1); SECTION 18

PREAMBLE A review of the sale value applicable to photocopies produced for sale by retail has recently been completed by this office.

2. Paragraph 18(1)(b) in Sales Tax Assessment Act (No.1) sets out the sale value applicable to goods sold by retail as either:-

- (i) the amount for which the goods could reasonably be expected to have been sold by the manufacturer by wholesale if the goods are of a class which the manufacturer himself sells by wholesale; or
- (ii) in any other case, the amount for which the manufacturer could reasonably be expected to have purchased identical goods from another manufacturer if the other manufacturer had, in the ordinary course of his business, manufactured the identical goods for sale and had sold them to the firstmentioned manufacturer by wholesale.

FACTS 3. Photocopies are produced predominantly to individual customer's orders for sale to them by retail. By its very nature commercial photocopying does not lend itself to a wholesale market except in some isolated cases, for example, where orders are sub-contracted by a person whose machine has broken down or where orders are sub-contracted to a manufacturer who has a particular type of machine which can carry out specialised work.

4. The prices of photocopying vary throughout Australia depending on cost of production and competition. There is no evidence of any real or consistent wholesale or retail selling margins in the industry. Photocopies are also produced for sale by retail by coin operated do-it-yourself photocopying machines.

RULING 5. Because of the minimal market for wholesale sales of

photocopies and of the lack of established selling margins within the photocopying industry it is desirable that there should be consistency of approach in setting a sale value for photocopying. It has been decided that a sale value of retail selling price treated as tax inclusive is to be adopted for all retail sales of photocopies. Because photocopies are taxed at the general rate of 20% this will mean that, in cases where an all inclusive price is charged for photocopies, e.g. from coin operated machines, the sale value will be 5/6 of the price charged to the customer, the remaining 1/6 representing sales tax. In other cases tax may be charged as a separate item on the invoice. Where this occurs the tax is added to the price and the tax inclusive retail price is the sum of the price charged plus the tax. The sale value will also be 5/6 of the total price paid by the customer with the tax content being 1/6 of the total price.

6. Manufacturers of photocopies for sale by retail, who also make regular bona fide sales by wholesale of photocopies, may consider that they can establish a lower sale value for retail sales of similar goods under sub-paragraph 18(1)(b)(i), based on the wholesale prices charged by them.

7. Alternatively, manufacturers of photocopies for sale only by retail, who also make regular bona fide purchases of photocopies from other producers for resale, may consider that they can establish a lower sale value for similar goods produced and sold by them under sub-paragraph 18(1)(b)(ii), based on the wholesale prices charged to them.

8. To establish a lower sale value on the basis of the situations outlined in paragraphs 6 and 7 the transactions need to be at arm's length. Accommodation type sales are not necessarily a guide to the setting of sale values because of the circumstances in which they are made.

9. Where a taxpayer considers that he can establish a lower sale value than the retail price treated as tax inclusive, an approach should be made to the taxpayer's local taxation office.

COMMISSIONER OF TAXATION
6 March 1986

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