

# ***ST 2236 - SALES TAX : EQUIPMENT USED TO PRODUCE ARTIFICIAL SNOW***

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TAXATION RULING NO. ST 2236

SALES TAX : EQUIPMENT USED TO PRODUCE ARTIFICIAL SNOW

F.O.I. EMBARGO: May be released

REF

H.O. REF: 85/4704-1

DATE OF EFFECT: IMMEDIATE

B.O. REF:

DATE ORIG. MEMO ISSUED: 31 December 1985

F.O.I. INDEX DETAIL

REFERENCE NO:	SUBJECT REFS:	LEGISLAT. REFS:
I 1078092	SNOW MAKING EQUIPMENT AIDS TO MANUFACTURE	SALES TAX (EXEMPTIONS AND CLASSIFICATIONS) ACT; ITEM 113C, FIRST SCHEDULE. SALES TAX ASSESSMENT ACT (No. 1); SECTION 3.

PREAMBLE

Item 113C, First Schedule, exempts goods applied by a registered person to his own use as aids to manufacture. The question has arisen whether equipment used by a registered person in processes leading to the production of artificial snow are exempt under item 113C and this, in turn, involves the question whether the processes are manufacturing processes.

2. The equipment is specifically designed to produce artificial snow and ultimately spray that snow over various locations on ski slopes. The process begins when near frozen water is pumped up a mountain to a holding tank where a snow inducing catalyst is added to it by mixing. The water is then said to be nucleated. The catalyst induces ice crystal formation while the nucleated water is still in the holding tank.

3. Hot compressed air is produced by a compressor and subsequently cooled by water cooling radiators. Pipes are used to distribute the nucleated water and the cooled compressed air to outlets located at strategic positions on ski slopes.

4. A snow gun is attached to both nucleated water and compressed air pipe outlets. Both the nucleated water and compressed air are forced into the snow gun to form aerated nucleated water which is ejected into the air. The snow inducing catalyst converts the aerated water into snow when it comes into contact with cold air and it falls as snow. The outside temperature for the process to occur must be at least minus 1 or 2 degrees centigrade.

RULING

5. In the circumstances of this operation it is not considered that snow which may result from the ejection into the air of aerated nucleated water and compressed air is manufactured goods. In concept, it is no different to the seeding of clouds to promote rain. Manufacture of goods is not involved in either case. It is the characterization of the equipment used to produce the catalysts for ejection into the air or into the clouds which is decisive for sales tax purposes.

6. The processes involved in the production of nucleated

water, compressed air and aerated nucleated water are not considered to be manufacture for sales tax purposes. No chemical changes take place when the catalyst is mixed with the near frozen water or when air is compressed. What is produced in both cases retains its identity of water and air. Adding the catalyst to the water and then aerating it with compressed air merely induces the water to freeze at a higher temperature, thus quickening a natural process.

7. Equipment used in snow making processes does not come within the scope of the aids to manufacture provisions and does not qualify for sales tax exemption under item 113C. Liability of the equipment to sales tax will depend upon the classification of its component parts.

COMMISSIONER OF TAXATION  
5 May 1986