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by Senator Galbraith
30-10-53.*

DEPT. OF THE SENATE
No. 2866
Presented 20 OCT 1953
Clerk of the Senate

1951-52-53.

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

SEVENTH REPORT.

ADMINISTRATION OF SALES TAX.

By Authority:
L. F. JOHNSON, Commonwealth Government Printer, Canberra.
(Printed in Australia.)

F.4047.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

(Appointed 25th September, 1952.)

F. A. BLAND, ESQUIRE, M.P. (Chairman).

Senator C. B. BYRNE (Vice-Chairman).

Senator S. D. PALTRIDGE
Senator the HON. H. S. SEWARD

G. ANDERSON, ESQUIRE, M.P.
F. CHERAN, ESQUIRE, M.P.
F. J. DAVIS, ESQUIRE, M.P.
A. S. HULME, ESQUIRE, M.P.
H. A. LESLIE, ESQUIRE, M.P.
A. V. THOMPSON, ESQUIRE, M.P.

NEIL R. CAFFIN,
Secretary,
Parliament House,
Canberra, A.C.T.

THE DUTIES OF THE COMMITTEE.

Section 8 of the *Public Accounts Committee Act 1951* reads as follows:—

8. The duties of the Committee are—

- (a) to examine the accounts of the receipts and expenditure of the Commonwealth and each statement and report transmitted to the Houses of the Parliament by the Auditor-General in pursuance of sub-section (1) of section fifty-three of the *Audit Act 1901 1950*;
- (b) to report to both Houses of the Parliament, with such comment as it thinks fit, any items or matters in those accounts, statements and reports, or any circumstances connected with them, to which the Committee is of the opinion that the attention of the Parliament should be directed;
- (c) to report to both Houses of the Parliament any alteration which the Committee thinks desirable in the form of the public accounts or in the method of keeping them, or in the mode of receipt, control, issue or payment of public moneys; and
- (d) to inquire into any question in connexion with the public accounts which is referred to it by either House of the Parliament, and to report to that House upon that question, and include such other duties as are assigned to the Committee by Joint Standing Orders approved by both Houses of the Parliament.

JOINT COMMITTEE OF PUBLIC ACCOUNTS.

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ADMINISTRATION OF SALES TAX.

INTRODUCTION.

1. The Committee selected for examination the accounts covering the administration of sales tax by the Taxation Department to afford it an introduction to the methods of Revenue Departments. For that purpose it sat in Canberra on 21st August, 1953. The Committee, of course, is not concerned with taxation policy; in its examination of the accounts it has confined itself to such matters as (a) the level of administrative costs, (b) the administrative costs in relation to revenue collected, and (c) the effectiveness of the methods used in collecting taxation under the Acts administered by the Department.

2. The Committee noted that the Auditor-General had certified to the correctness of the accounts within the limits of his audit. It obtained statements from the Department on aspects of the administration^(a) and discussed them with witnesses.

^(a) ST/1—Statements submitted by the Commissioner of Taxation on Establishment and Staff employed, General History of Sales Tax Procedure for the Assessment, Collection and Accounting of Sales Tax and Sale Statistics. ST/2—Statement submitted by the Taxpayers' Association of New South Wales. ST/3—Comments by Commissioner of Taxation on Statement submitted by Taxpayers' Association of New South Wales. ST/4—Establishment and Staff Statistics from the Commissioner of Taxation. ST/5—Statement by Auditor-General dated 30th August, 1953.

HISTORY OF SALES TAX.

3. The Department presented a statement outlining the history of sales tax to the Committee, and that statement is filed as an exhibit in these proceedings. The following paragraphs include, in abbreviated form, the main stages in the history of the development of sales tax.

4. Sales tax was first introduced into the Commonwealth fiscal system in 1930.

5. As a general objective the tax is designed to fall upon the final wholesale sale of goods which are subject to the tax, i.e., at the point where the goods are sold either by the manufacturer or wholesaler to a retailer or user.

6. All manufacturers and wholesale merchants who are taxpayers as prescribed in the Sales Tax Assessment Act (No. 1) 1930-1953, are required to register with the Department and to make monthly returns. The tax on imported goods which are subject to sales tax and which are not subsequently sold "by wholesale" is collected by the Customs Department at the ports of entry.

7. The following table shows the volume of the collections and the rates of tax imposed during the years of operation of this tax:—

STATISTICAL HISTORY OF SALES TAX.(c)

Financial Year.	Sales Tax Collection.	Percentage of Sales Tax Collected to Total Taxation Collections.*	Rates of Tax.	Duration of Operation of Rates.
1930-31	3,473	10.0		1.8.1930 to 10.7.1931
1931-32	8,425	15.6	0	11.7.1931 to 25.10.1933
1932-33	3,369	16.7		
1933-34	8,696	15.4	5	26.10.1933 to 10.9.1936
1934-35	8,554	14.0		
1935-36	8,432	14.8		
1936-37	8,058	12.7	4	11.9.1936 to 21.9.1938
1937-38	8,074	11.6		
1938-39	8,308	12.6	5	22.9.1938 to 8.9.1939
1939-40	12,196	32.5	6	9.9.1939 to 2.5.1940
1940-41	19,793	15.8	8½	3.5.1940 to 21.11.1940
1941-42	26,530	14.9	5, 10 and 15	22.11.1940 to 29.10.1941
1942-43	28,846	11.3	5, 10 and 20	30.10.1941 to 20.4.1942
1943-44	27,699	13.2	19 and 25	1.5.1942 to 20.7.1943
1944-45	29,272	8.8	7½, 12½ and 25	21.7.1943 to 14.11.1946
1945-46	33,600	8.6	10 and 25	15.11.1946 to 8.9.1949
1946-47	36,205	9.7		
1947-48	34,729	8.4		
1948-49	39,029	8.3		
1949-50	42,425	8.4	8½ and 25	8.9.1949 to 12.10.1950
1950-51	57,173	8.0	8½, 10, 25 and 33½	13.10.1950 to 25.9.1951
1951-52	65,468	10.4	12½, 20, 25 and 33½, 50 and 60†	27.9.1951 to 6.8.1952
1952-53†	89,067†	10.3†	12½, 20, 33½ and 60†	7.8.1952 to †

* Includes collections from Customs and Excise duties. † See footnote (c) below.

8. From the inception of the tax until 1940 the system of single rate of tax operated and from then to the present day a multiple rate system has been in force. This multiple system sometimes consists of two different rates, sometimes three, at one time six and at present four rates.^(d) The multiple rates system is more difficult and expensive to administer. It also causes a greater degree of dissection of invoices and documents by vendors of goods. Its virtue is that it introduces a degree of progression into the tax because it enables a classification to be made of goods which may at any given time be considered less necessary for consumers than others.

9. Not all goods sold by manufacturers and wholesalers to retailers are subject to sales tax. Since the introduction of the tax certain exemptions have been granted and the extent of these has varied. Until early in the last war, the list of exempt goods was fairly extensive; many of these exemptions were withdrawn

^(d) These figures were prepared by the Department before the admission announced by the Treasurer in his Budget speech on 28 September, 1953. The number of rates of sales tax are to be reduced to two (12½ per cent. and 60 per cent.) from 1954-55 onwards. 1953 was the estimated total collections £52-4 (after allowing for the effect of the new proposals) are given as £47,900,000 or 10.6 per cent. of the estimated total taxation collections for the year.

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during the war years, but have since been steadily restored and new exemptions granted, making the field of goods subject to sales tax in recent years smaller than at any time since 1930.

ESTABLISHMENT AND STAFF.

10. The Committee was informed that there was a head office in Canberra where the administrative work

TABLE No. 1.—ESTIMATE OF STAFF EMPLOYED ON SALES TAX ADMINISTRATION.

	Head Office.	All States.	Total.
Officers employed in Sales Tax—			
Wholly	1	145	146
Partially	22 for about 40 per cent. of their time—say ten full time equivalents	452 for about 61 per cent. of their time—say 220 full time equivalents	598
			744

12. There were also a number of officers on varied duties, including sales tax—seven at head office and fifteen at State branches. The Committee noted that, in the case of this Department, also, the establishment strength was greater than the number of officers actually employed.

COST OF ADMINISTRATION OF SALES TAX.

13. The following tables give estimates of the cost of collection of sales tax for the years 1947-48 to 1951-52 and a comparison of the costs of collection of sales tax for 1951-52 with the costs of other taxes collected by the Taxation Office—

TABLE No. 2.—COST OF COLLECTION OF SALES TAX 1947-48-1951-52.

Year Ended 30th June—	A. Total Collections.	B. Cost of Collection.	C. % as Percentage of A.
1948	£ 34,729,270	£ 105,200	.50
1949	30,629,270	213,336	.50
1950	42,424,580	230,143	.50
1951	57,173,101	306,002	.54
1952	65,455,710	359,540	.36 (a)

(a) The sharp decline in the percentage in 1951-52 was the result of the increased volume of the collections.

TABLE No. 3.—COMPARISON OF COST OF COLLECTIONS OF SALES TAX 1951-52 WITH THE COSTS OF COLLECTION OF OTHER TAXES COLLECTED BY THE TAXATION OFFICE.

	A. Total Collections.	B. Cost of Collection.	C. % as Percentage of A.
Sales Tax	£ 95,438,710	£ 339,649	.36
Income Tax (a)	651,142,800	5,926,444	.91
Land Tax	6,198,708	242,889	3.94
Estate Duty	7,777,682	89,109	1.11
Wool Contribution	2,230,023	13,579	.61
Charge	37,160,090	160,162	.46
Pay-roll Tax	1,202,408	30,663	2.54
Gift Duty	6,160,546	97,373	1.69
Entertainment Tax	509,816	2,127	.30
Stenciling Industry Charge			
	707,892,360	6,974,816	.844

(a) Including Social Services Contribution and Wool Sales Deductions.

SALES TAX OUTSTANDING OR WRITTEN OFF.

14. The Taxation Department supplied the Committee with statistics of the amounts of sales tax outstanding and written off, and a comparison with other taxes.

were formulated, and that there were branch offices in each capital city where the actual work of tax collection was undertaken. There was not a separate establishment for the administration of sales tax at the branches, for sales tax was collected along with other taxes in the one office.

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The statistics showed that the amount of sales tax outstanding at 30th June, 1952, was £553,592 (0.59 per cent. of total payments 1951-52) and at 30th June, 1953, was estimated to be £948,650 (0.73 per cent. of total payments for 1952-53). The amount written off as irrecoverable in 1951-52 was £26,612. The statements are attached to this Report as Appendices Nos. 1 and 2.

15. The Commissioner pointed out that the outstanding tax would include (a) amounts for which extensions of time to pay had been given and (b) amounts due, but within the days of grace. By comparison with other taxes, the collection of sales tax assessed was in a sound position.

PUBLICATION OF STATISTICS IN THE REPORT OF THE COMMISSIONER OF TAXATION.

16. The Thirty-first Report of the Commissioner of Taxation to the Parliament for 1950-51 includes in the statistical appendices under each tax the figures of taxes outstanding. For example, the amount outstanding for income tax and social services contribution is shown on page 139, for sales tax on page 164, for pay-roll tax on page 172, and so on. The Report does not, however, show the amount of taxes written off, by way of relief or as irrecoverable, or the costs of collection of each tax.

17. The Committee is aware that the Thirtieth Report did include summary statements of statistics of the amounts of tax outstanding (pages 14 and 40, for example, page 143), irrecoverable tax (page 18) and costs of collection (page 20).

18. In comparison with such statistics, however, the tables presented to the Committee on these matters are both informative and in a more convenient form. On the Committee's suggestion, the Commissioner has agreed to consider including them in his future reports to the Parliament.

PROCEDURE FOR THE ASSESSMENT, COLLECTION AND ACCOUNTING FOR SALES TAX.

19. The Commissioner submitted a short summary of the procedure adopted by his Department for assessing, collecting and accounting for sales tax and, as the Committee believes it will be of general interest, the summary is attached to this Report as Appendix No. 3.

20. The Committee examined the checks and investigations made by the Taxation Department to ensure that the correct amounts of sales tax were assessed and collected. It was informed that each sales tax return was subjected to a machine check for mathematical accuracy, and subsequently to an examination by a departmental officer. The object of this internal

examination was to determine whether or not the correct rate of tax had been applied, and to detect any obvious irregularities.

21. This work proceeded continuously and the Commissioner of Taxation stated that in the ordinary course there should be no great time lag between the receipt of the tax return and the internal examination.

22. In addition to the internal examination, investigations are made by Taxation Department staffs in the taxpayer's office to determine whether the details furnished in the returns were correct. The Committee was informed that many taxpayers deliberately attempted to evade sales tax, but that the percentage was much lower than in the case of other taxes, with the exception of pay-roll and entertainment tax.

23. The Commissioner made it clear that a receipt for payment of sales tax was neither a clearance nor a defence to a new assessment. It was possible that an error made in a return, and not apparent on the face of it would not be detected by an internal check; it would, however, be revealed by the outside investigation. When discovered, the taxpayer's assessment was adjusted and additional tax collected, or any overpayment refunded.

24. The Commissioner stated that at present the outside investigation worked on a cycle of about four years. The cost of collecting sales tax in 1951-52 was £339,549, of which the cost of the outside investigations amounted to £177,000 or 52 per cent. of the total cost. The total amount recovered as a result of these investigations was about ten times the cost. (As a matter of interest, the cost of the internal check was estimated at about 8 per cent. of the cost of collections.) The cost of this investigation was, in his opinion, justified as much for the psychological effect it had on taxpayers to put in correct returns as for the additional revenue recovered.

25. Continuing with this line of inquiry, the Committee sought to ascertain whether a more extensive outside investigation would be justified by the additional taxation collected. The Commissioner agreed that—

“if you were to increase your investigation, you would also increase the revenue return, but the ratio would diminish because you would recover less and less, the more thorough you became”

He thought that it might be better to shorten the cycle of investigation so that taxpayers' records were reviewed more often. To do this, serious staff difficulties would have to be overcome, as trained staff was scarce. If staff were available, he would prefer to use it in more profitable fields for the recovery of other forms of taxation.

26. It is apparent that this is an issue which transcends the Committee's present investigation into sales tax administration and verges upon the realm of policy.

WHOLESALE-RETAIL SALES TAX.

27. When the practice of charging sales tax was being discussed with the Commissioner, he was informed that some wholesale-retail firms adopted the practice of charging sales tax on the retail price instead of at the wholesale price.

The possibility of this course being followed was discussed in 1930^(a) when the sales tax legislation was being enacted.

There is little that can be done to prevent it because the purchaser seldom knows that he is being overcharged. The Commissioner stated that “for 23 years

(he had) been trying to ensure that whatever sales tax they have charged will be collected”. The Committee thinks it worth stating for public information that there is nothing to compel the purchaser to pay sales tax on the retail sale price.

AUDIT OF SALES TAXATION.

28. In the Auditor-General's Report for the year 1947-48, the then Auditor-General had reported doubts he felt about the extent of the audit of tax assessments. The Committee, therefore, asked the present Auditor-General the position of the audit of sales tax and was told that this audit was being carried out by the audit staff on the basis of an understanding reached in 1933 between the then Auditor-General (Mr. Conarty) and the then Commissioner of Taxation (Mr. Ewing). This understanding has been confirmed by the present Commissioner of Taxation.

29. Under the arrangement, sales tax files are readily made available to audit staff for the purpose of carrying out certain checks prescribed by the audit programme.

VIEWS OF THE TAXPAYERS' ASSOCIATION OF NEW SOUTH WALES.

30. The Committee had placed before it views on the administration of sales tax by the Taxpayers' Association of New South Wales. A number of the points raised by the Association involved issues of government policy which the Committee regards as beyond its competence. The matters raised by the Taxpayers' Association are included in the following headings:—

(1) Delays in giving Rulings.

The Commissioner stated that in some cases submitted to him for rulings, delay would be unavoidable, because he may, for example, have to ascertain what is “trade practice” throughout Australia, or have to determine the primary or principal use of the goods.

(2) Disputed Rulings.

Sometimes a taxpayer seeks and obtains an oral ruling from the Taxation Office, and subsequently, disagreements arise over the application or interpretation of the oral ruling. The Commissioner stated that the legislation properly required a ruling to be in writing before it was binding upon him, and his standing instructions, therefore, required all oral rulings to be confirmed in writing immediately.

(3) Extension of Scope of Boards of Review.

The present right of objection and appeal to the Board of Review against any decision of the Commissioner of Taxation, is limited to questions of sale value. To contest a decision of the Commissioner that an item is taxable, the taxpayer must resort to the courts with the possibility of appeals, delay and heavy expense.

The Commissioner vigorously resisted the proposal to extend the rights of access to Boards of Review. He contended that if “chaotic conditions were to be avoided”, the tax should be certain when the sale in question took place. In any event, the courts were available to the taxpayer, and the Commissioner felt it was desirable that the difficulties associated with that procedure would ensure that only unusual cases were tested.

(a) *Vide Hansard* Vol. 120, 5th August, 1930, pp. 5271-72.

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(a) *Vide Hansard* Vol. 126, 5th August, 1930, pp. 5271-72.

APPENDIX No. 1.

(4) Decentralization of Administration of Sales and Pay-roll Taxes.

The Commissioner agreed that, in principle, decentralization of his administration was desirable and, indeed, if the collection of income tax in Australia by one authority became stabilized, some decentralization would be essential.

A departmental committee had investigated the matter in 1948, and had recommended that the administration of taxes other than income tax should remain with the capital city branches.

The number of sales and pay-roll taxpayers registered at present, are as follows:—

TABLE No. 4.—NUMBER OF SALES AND PAY-ROLL TAXPAYERS IN METROPOLITAN AND COUNTRY AREAS.

	Metropolitan Areas.	Country Areas.
Sales Tax ..	44,703 (70%)	11,924 (21%)
Pay-roll Tax ..	58,660 (92%)	39,034 (58%)

For most areas, the number of taxpayers and the volume of inquiries from them would not justify the expense of a local office. The only local office was at Newcastle where one officer was stationed.

(5) Definition of "Aids to Manufacture".

The Taxpayers' Association suggested that it would be of value if the rather lengthy definition of the Sales Tax (*Exemptions and Classifications*) Act 1935-1952 of "aids to manufacture" in the First Schedule could be re-drafted in more precise language. The Commissioner agreed that anything that made for conciseness in definition was to be desired.

31. The Committee does not propose to comment on the views of the Taxpayers' Association on (1) Delays in giving Rulings; (2) Disputed Rulings and (3) Decentralization of Administration of Sales and Pay-roll Taxes; it suggests that the view put forward on (5) Definition of "Aids to Manufacture" might be considered by the Commissioner of Taxation.

32. In regard to (3) Extension of Scope of Boards of Review, the Committee feels that even if this matter does depend upon policy, the suggestion warrants further consideration. The present position is that the taxpayer may appeal to the Board of Review on sale value, but must go to the courts on questions whether the item is taxable.

33. The origin of Boards of Review is described in the Commissioner's Thirtieth Report, page 23, as—

"designed to meet the demands of taxpayers for a more readily accessible and less expensive tribunal for the settlement of disputes over assessments than could be obtained in the courts."

"Generally speaking, the reviewing processes of the Board are simple and involve the taxpayer in little expense."

"On questions of fact, a Board's decision is final, but an appeal by either party may be made to a court against a Board's decision involving a question of law."

34. These arguments seem to the Committee to apply with equal force to disagreements about sales tax. At present, a taxpayer can refuse to pay the tax, and the Commissioner will proceed against him in the courts. Only taxpayers with ample resources and considerable courage will contemplate without apprehension treading the long and expensive path of legal proceedings, and unless appeals are taken to the higher courts there does not seem to be that guarantee of certainty in taxation sought by the Commissioner. The Committee thinks that recourse to Board of Review on the basis described in the Commissioner's Thirtieth Report is attractive and should facilitate the settlement of disputes regarding the interpretation of liability for sales taxation.

35. The plea of the possible increase in the number of appeals is scarcely a reasonable argument against this view.

36. The Committee is fortified in this view by the provisions for appeal on all grounds and with certain time limits, in the *Entertainment Tax Assessment Act* 1942-1949 (since repealed), in the *Income Tax Assessment Act* 1930-1953, and in the *Pay-roll Tax Assessment Act* 1941-1953.

SUMMARY OF THE COMMITTEE'S OBSERVATIONS.

37. The Committee summarises the observations it has made in this Report:—

- (1) The Commissioner has been asked to consider the inclusion of certain statistical information in his annual reports.
- (2) The Committee has discussed the adequacy of field investigations of taxpayers' returns but regards this as a matter of "policy".
- (3) The Committee suggests that the definition of "Aids to Manufacture" might be reviewed for a possible re-statement in more concise terms.
- (4) The Committee suggests that the extension of the scope of Boards of Review should receive further consideration.

On behalf of the Committee

F. S. BLAND, Chairman.

Secretary.

Parliament House,
Canberra.

September, 1953.

SALES TAX OUTSTANDING AND PERCENTAGE OF TOTAL PAYMENTS AS AT 30TH JUNE, 1950 TO 1953 AND COMPARISON WITH OTHER TAXES.

	As at 30th June, 1950.		As at 30th June, 1951.		As at 30th June, 1952.		As at 30th June, 1953.*	
	Tax Outstanding.	Percentage of Total Payments.	Tax Outstanding.	Percentage of Total Payments.	Tax Outstanding.	Percentage of Total Payments.	Tax Outstanding.	Percentage of Total Payments.
Sales Tax	£ 282,011.	.07	£ 341,506	.09	£ 558,602	.09	£ 648,650	.17
Income Tax—								
Individuals	40,691,339	50.0	42,751,477	19.5	142,607,237	34.0	102,961,829	27.2
Companies	10,994,506	13.0	13,804,223	15.0	38,688,070	24.8	23,346,481	13.3
Land Tax	196,737	4.7	387,707	10.8	2,406,723	39.1	473,002	36.0
Estate Duty	556,909	9.2	894,715	12.6	910,533	7.0	1,087,550	13.0
Gift Duty	46,532	5.4	97,890	9.3	92,029	7.7	125,255	10.8
Entertainments Tax	15,093	.34	17,158	.33	15,715	.20	16,732	.25
Pay-roll Tax	27,691	.12	35,484	.09	42,431	.11	73,890	.18

* Subject to revision.

APPENDIX No. 2.

RELIEF FROM PAYMENT OF INCOME, LAND AND PAY-ROLL TAXES GRANTED IN CASES OF SERIOUS HARDSHIP. SALES, ENTERTAINMENT AND OTHER TAXES WRITTEN OFF AS IRRECOVERABLE.

	1948-50.		1949-50.		1950-51.		1951-52.	
	Relief.	Irrecoverable.	Relief.	Irrecoverable.	Relief.	Irrecoverable.	Relief.	Irrecoverable.
Sales Tax	£ ..	£ 3,776	£ ..	£ 805	£ ..	£ 12,572	£ ..	£ 20,612
Income Tax and Social Services Contribution	165,859	92,763	177,438	227,207	235,847	158,687	280,002	202,400
Land Tax	121	87	323	111	150	18	..	10
Pay-roll Tax .. .. .	..	1,657	..	830	120	1,750	52	5,147
Entertainments Tax .. .. .	..	..	..	63	..	Under 1	..	39

NOTE.—There is no provision for relief from the payment of Sales Tax or Entertainment Tax in cases of hardship.

APPENDIX No. 3.

PROCEDURE FOR THE ASSESSMENT, COLLECTION AND ACCOUNTING OF SALES TAX.

Sales tax operates on a system of self-assessment by taxpayers. For the generality of cases the procedure, which is laid down in the law, is for the lodgment by taxpayers of monthly returns on prescribed forms which incorporate provision for the calculation by the taxpayers themselves, or the amount of sales tax due in respect of the transactions, acts or operations covered by the returns. The return forms incorporate provision for the receipting of cheques which should accompany returns. This general practice is not followed in two classes of case, viz.:

(1) where goods are imported by retailers or consumers, tax is payable at the point of importation of the goods. The tax is paid to the Customs Department on the import entry for the relevant goods in conjunction with the payment of customs and privilage duties and is paid by that Department direct to Consolidated Revenue; and

(2) where the Commissioner of Taxation is not satisfied with a return already lodged or where a taxpayer has failed to lodge a return, the Commissioner may issue an assessment;

2. Sales tax is due and payable on the date that the return is due for lodgment, which is 21 days after the close of the month during which the subject transactions, acts or operations have taken place. The due date for payment of tax in respect of goods imported by retailers or consumers is the date of entry of the goods for home consumption.

3. Sales tax is imposed upon a "sale value" arising in respect of some transaction, act or operation which takes place in relation to goods produced in or imported into Australia for consumption in this country. In its general objective, the tax is designed to fall upon the final wholesale sale of goods which are subject to the tax. There are some transactions, acts or operations which are not sales but which attract sales tax, e.g. the use by a manufacturer of goods produced by him.

4. There are nine separate Sales Tax Assessment Acts and nine separate Acts declaring the rates at which the tax is imposed. These separate Acts are regarded as necessary to compliance with section 55 of the Constitution which provides, inter alia, that laws imposing taxation, except laws imposing duties of customs or of excise, shall deal with one subject of taxation only.

5. There is a special Act known as the Sales Tax Procedure Act which lays down the procedure to be followed in certain circumstances.

8. Goods which are exempt from sales tax and goods which are subject to rates different from what is known as the general rate are set out in schedules in an Act known as the *Sales Tax Exemptions and Classifications Act 1935-1932*.

7. The following schedule shows the various Assessment Acts and the subjects to which those Acts relate:—

Appropriate Assessment Act.	Subjects of Taxation.
1. <i>Sales Tax Assessment Act (No. 1) 1930-1942</i>	Goods manufactured in Australia and sold by the manufacturer or bought by him as stock for sale by retail, or applied to his own use
2. <i>Sales Tax Assessment Act (No. 2) 1930-1930</i>	Goods manufactured in Australia and sold by a purchaser from the manufacturer
3. <i>Sales Tax Assessment Act (No. 3) 1930-1936</i>	Goods manufactured in Australia and sold by a person not being either the manufacturer or a purchaser from the manufacturer
4. <i>Sales Tax Assessment Act (No. 4) 1930—</i>	Certain goods manufactured in Australia and applied by the purchaser to his own use
5. <i>Sales Tax Assessment Act (No. 5) 1930—</i>	Goods imported into Australia
6. <i>Sales Tax Assessment Act (No. 6) 1930—</i>	Goods imported into Australia and sold by the importer or applied to his own use
7. <i>Sales Tax Assessment Act (No. 7) 1930—</i>	Goods imported into Australia and sold by a person other than the importer
8. <i>Sales Tax Assessment Act (No. 8) 1930—</i>	Certain goods imported into Australia, purchased by a taxpayer and applied to his own use
9. <i>Sales Tax Assessment Act (No. 9) 1930—</i>	Certain goods in Australia dealt with by lease

8. Though there are nine separate Assessment Acts, the procedure remains the same in most cases, viz. the lodgment of a return, which is, in effect, a self-assessment of tax and the simultaneous payment of the tax involved. There are different forms of returns to meet the differing circumstances and these are as shown below:

Form 1.—Return of sales and sales tax.

Form 2.—Return of goods manufactured by the taxpayer and treated by him as stock for sale by retail.

Form 3.—Return of goods applied by a registered person, i.e., a manufacturer or a wholesale merchant, to his own use.

Form 4.—Return of goods leased.

Form 5.—Return by auctioneers.

9. With regard to goods imported by retailers or consumers the importer is required to submit an import entry to the Collector of Customs incorporating a calculation of the sales tax payable. The tax is payable at the time of entry and is calculated on a sale value which is an amount equal to the total of the value for duty and the duty plus 2½ per cent. of that total.

10. Where the Commissioner finds in any case that tax or further tax is payable, he may assess the sale value upon which tax should be or should have been paid. The procedure in these cases is for a written notice of assessment to be issued by the Taxation Department specifying the taxable sale value and requiring the payment of the tax within a specified time. The taxpayer may, within a statutory period allowed, lodge an objection against the amount of the sale value on which the tax is levied by way of assessment.

11. Sales tax return forms are prepared in triplicate and are used as follows:—

(a) The original is attached to the taxpayer's file in the Department after a copy of the receipt is imprinted.

(b) The duplicate is forwarded to the Government Statistician.

(c) The triplicate is receipted and returned to the taxpayer, together with a return form for use in the following month.

12. In cases where the amount of the remittance agrees with the amount of tax shown as payable on the returns, the total amount of these remittances is posted to the Sales Tax Control account. Where the amount of the remittance differs from the amount of tax shown as payable on the return, individual

postings are made to the taxpayer's ledger card. Action is then taken to demand payment of any balance or make any refunds necessary.

13. All sales tax returns are subsequently examined within the office by departmental officers to ascertain whether tax has been correctly calculated at the appropriate rates and to detect, as far as possible, whether any irregularities have occurred.

14. Sales tax taxpayers are classified into trade groups and, from time to time, investigations are made to determine whether details furnished in returns are correct.

15. In cases where returns have not been lodged or returns lodged have been found to be incorrect, action is taken to obtain returns or amended returns and, if necessary, to issue assessments.

APPENDIX No. 4.

DEFINITION OF "AIDS TO MANUFACTURE".

Sales Tax (Exemptions and Classifications) Act 1935-1932.

The First Schedule.

In this Schedule, unless the contrary intention appears—

"aids to manufacture" means goods for use by a manufacturer being—

(a) machinery, implements and apparatus for use exclusively, or primarily and principally—

(i) in the actual processing or treatment of goods to be used in, wrought into or attached to goods to be manufactured by him;

(ii) in any processing or treatment by which the goods to which that processing or treatment is applied are used in, wrought into or attached to goods to be manufactured by him;

(iii) in any processing or treatment for the purpose of bringing goods manufactured by him into, or maintaining those goods in, the form or condition in which he markets or uses those goods;

(iv) in any processing or treatment for the purpose of disposing of waste substances resulting from any processing or treatment applied by him as specified in sub-paragraph (i), (ii) or (iii) of this paragraph;

(v) in operating, applying, cleaning or sterilizing machinery, implements or apparatus used in the processing or treatment specified in sub-paragraph (i), (ii), (iii) or (iv) of this paragraph;

(vi) in the cleansing or sterilizing of bottles, vats or other containers which he uses in the storage or marketing of goods which he manufactures or which he processes or treats as specified in sub-paragraph (i), (ii) or (iii) of this paragraph; or

(vii) in carrying out scientific research in relation to manufacturing operations conducted by him;

(b) goods for use as integral parts of machinery, implements or apparatus to be constructed *in situ* and to be used exclusively, or primarily and principally, as specified in paragraph (a) of this definition;

(c) parts for, or materials for use in the repair of so as to form part of, any of the machinery, implements or apparatus specified in paragraph (a) or (b) of this definition; or

(d) goods (other than those specified in paragraph (a) or paragraph (b)) for use as specified in paragraph (a) of this definition,

but does not include—

(e) road vehicles of the kinds ordinarily used for the transport of persons or the delivery of goods;

(f) cooking appliances or other plant for use exclusively, or primarily and principally, in the preparation of foodstuffs for consumption on any premises of the person preparing the foodstuffs;

(v) office equipment which is not for use directly in the manufacture of goods;

(A) machinery, implements or apparatus for use in the production of electric, current gas, steam, compressed air or hydraulic power, for purposes other than for sale or for use by the producer thereof exclusively, or primarily and principally, as specified in paragraph (a) of this definition;

(i) containers (including goods of the classes and for the uses included in, or specifically excluded from, Item 91 in this Schedule) for use by a manufacturer in the storage or delivery of his products, or materials or parts for the construction *in situ* of any containers for use in such storage;

(j) goods for use in connexion with the manufacture for sale of goods, if the first-mentioned goods are to be sold to the purchaser of the goods to be so manufactured, unless the goods to be so manufactured—

(i) are covered by any item in this Schedule; or

(ii) are to be sold by the manufacturer (or a person who quotes his certificate of registration in respect of the purchase of those goods and who furnishes to the manufacturer a certificate in writing that the first-mentioned goods are not for re-sale to a person to whom the goods to be so manufactured are also to be sold; or

(k) parts for any of the goods specified in paragraphs (e), (f), (v) (A), (i) or (j) of this definition;