



GST and rebates

How GST applies to rebates you pay and receive and other trade incentive payments.

Last updated 10 April 2017

How GST applies to rebates



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How GST applies to rebates

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Rebates and GST

A rebate is an incentive that you offer as a supplier or receive as a purchaser in many different circumstances.

If you receive or provide a rebate, you may need to adjust the amount of GST you've claimed or paid, or treat the rebate as a separate sale, depending on the circumstances.

A rebate may also be called a:

- trade incentive payment
- trade discount
- trade price rebate
- volume rebate
- promotional rebate
- incentive rebate
- cooperative advertising allowance
- case deal
- deferred credit
- third party payment.

The way you apply GST to rebates depends on the circumstances. A rebate can give rise to:

- an [adjustment event](#)
- a [third party payment adjustment](#)
- a [payment for a separate sale](#).

Adjustment event

When a rebate reduces the price of the goods and services that you sell or purchase, an adjustment event occurs.

Examples of rebates that reduce the price of goods or services include:

- volume rebates and deferred credits (rebates suppliers pay to purchasers who reach certain levels of purchases)
- settlement or trade discounts that purchasers receive for early payments after a sale.

In this situation you may have to [make an adjustment](#) to the amount of GST you paid or claimed.

Third party payment adjustments

A third party adjustment occurs when you, as a supplier, make a payment to an entity that acquires something that you supplied to another entity.

Examples of third party payments include:

- motor vehicle industry holdback payments
- manufacturer cash back incentives to retail customers to boost sales of their products via a retailer.

In this situation you may have to [make an adjustment](#) to the amount of GST you paid or claimed.

Payment for a separate sale

If you are a supplier, a rebate is payment for a separate sale when you pay it to reward, reimburse, compensate or subsidise a purchaser (of your goods and services) for activities they conduct for you or on your behalf. These rebates do not reduce the price of the goods and services you sold to them, but are payment for a separate sale by the purchaser to you.

If you are a purchaser, and receive a rebate from your supplier for activities that you conduct for them or on their behalf, the rebate is a payment for the sale of your services. The rebate does not reduce the price of the goods and services you purchased from the supplier.

Activities may include:

- advertising, promotions, warehousing, distribution or other marketing activities

- accounting, bookkeeping or debt collection.

It can also include using the purchaser's premises or equipment for these activities.

Some common examples of promotional rebates include:

- cooperative rebates
- cooperative allowances
- cooperative payments
- advertising rebates
- advertising allowances.

In this situation you need to [treat the rebate as payment for a separate sale.](#)

Your intention

You must consider your intention when working out whether a rebate you pay or receive:

- reduces the price of the goods and services sold or purchased
- is payment for a separate sale.

You can work out your intention by considering written evidence showing your obligations and expectations, and your actions in relation to the rebate.

Written evidence may include:

- contracts of sale
- documentation of the terms of trade
- promotional plans
- reports about conducting or monitoring the activities
- minutes of meetings between the parties
- calculations and invoices
- claim forms or credit notes.

Actions may include:

- whether other rebates are paid
- actual activities conducted
- the supplier's influence on the purchaser's activities
- accounting treatment of the rebate.

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Making an adjustment because of a rebate

Information for purchasers and suppliers on making an adjustment.

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Making decreasing adjustments

As a supplier, you have a decreasing adjustment if:

- you give a purchaser a rebate that reduces the price of the goods and services that you sold to them
- you paid or were liable to pay the GST on the sale in an earlier tax period
- as a result of the rebate, the GST amount you previously paid or were liable to pay on the sale is more than the GST amount payable on the sale after taking the rebate into account.

You also have a decreasing adjustment if you make a payment to a third party (the payee) relating to something you supplied to another entity and which the payee has subsequently purchased. A decreasing adjustment arises in these circumstances regardless of whether you paid or are liable to pay the GST on the sale in the current or in an earlier tax period.

In these situations you have a decreasing adjustment that decreases your net GST liability or increases your GST refund for the reporting period. The amount of the adjustment is the difference between the

amount of GST you paid or are liable to pay on the sale and the GST amount payable on the sale after taking the rebate into account.

You normally include the adjustment in your activity statement for the tax period you become aware of the adjustment. Generally, you cannot claim the decreasing adjustment until you hold an adjustment note or a third party adjustment note.

Making increasing adjustments

As a purchaser, you have an increasing adjustment if:

- you purchase goods or services and then receive a rebate from the supplier that reduces the price of the goods or services you purchased
- you claimed a GST credit for the purchase in an earlier tax period
- as a result of the rebate, the GST credit you previously claimed for the purchase is more than the GST credit amount that you are entitled to claim after taking the rebate into account.

You also have an increasing adjustment if you receive a payment from a third party (the payer) relating to a thing that you have purchased from another entity. An increasing adjustment arises in these circumstances regardless of whether you claimed or are entitled to claim the GST credit on the purchase in the current or an earlier tax period.

In these situations you have an increasing adjustment that increases your net GST liability or reduces your GST refund for the reporting period. The amount of the adjustment is the difference between the amount of GST credit you previously claimed or are entitled to claim and the GST credit amount that you are entitled to claim after taking the rebate into account.

You normally include the adjustment in the tax period you become aware of the adjustment.

Making an adjustment on all rebates that reduce the price of goods and services sold

If you are a supplier, you need to make an adjustment if either:

- you provide a rebate during a later tax period than the tax period you paid or were liable to pay the GST on the sale
- you make a third party payment.

If you provide a rebate (other than a third party payment) during the same tax period that you are required to report the GST on the sale, you do not need to make an adjustment. In this situation, the lower amount of GST payable on the sale will be reported on your activity statement in the first instance. If you provide a rebate that is a third party payment during the same tax period in which you are required to report the GST on the sale, you need to make an adjustment.

If you are a purchaser, you need to make an adjustment if either:

- you receive a rebate during a later tax period than the tax period in which you claimed a GST credit on the purchase
- you receive a third party payment.

If you receive a rebate (other than a third party payment) during the same tax period in which you claim a GST credit on the purchase, you do not need to make an adjustment. The lower amount of GST credit on the purchase will be claimed on your activity statement in the first instance. If you receive a rebate that is a third party payment during the same tax period in which you claim the GST credit on the purchase, you need to make an adjustment.

When to issue an adjustment note or a third party adjustment note

Adjustment events happen if the amount of GST paid or refunded is found to be incorrect after a business has lodged its activity statement for a period. For example, a change to the original price of goods or services that occurs in a subsequent tax period is an adjustment event.

You have a third party payment adjustment in situations where you supply a thing for resale and make a monetary payment to a third party (the payee) in connection with the payee's acquisition of that thing. This adjustment occurs when you do not supply the thing directly to the payee but rather through a supply chain.

You must account for such events or situations by making an adjustment to your GST liabilities on your activity statement. An

adjustment that decreases your GST liability or increases your GST refund is called a decreasing adjustment.

Suppliers must issue an adjustment note to the recipient of the supply and payers must issue a third party adjustment note to payees within 28 days. A claim for a decreasing adjustment cannot be made until an adjustment note or a third party adjustment note is held.

However, if the decreasing GST adjustment is below the \$75 threshold, you do not need to issue or hold an adjustment note or a third party adjustment note for that payment.

You do not have to issue an adjustment note if you pay a rebate in the same tax period you report the GST; however, you may choose to do so.

You must issue a third party adjustment note if you pay a rebate to a third party (the payee) in the same tax period you supplied the thing to another entity and which the payee has subsequently purchased.

For more information, see:

- *GSTR 2013/2 Goods and services tax: adjustment notes*
- *GSTR 2000/19 Goods and services tax: making adjustments under Division 19 for adjustment events*

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Accounting for a rebate as a separate sale

Information for suppliers and purchasers for a rebate as a separate sale.

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Suppliers

If you receive services from a purchaser and you give them a rebate for their services, you are making a purchase and the rebate is a payment for the services sold to you.

You may be entitled to claim a GST credit on purchasing the services. Generally, you must hold a tax invoice for the purchase before you can claim a GST credit.

Purchasers

If you provide services to your supplier and they give you a rebate as payment for your services, then you are making a sale and must pay GST on that sale.

Generally, you must issue a tax invoice within 28 days after the purchaser of your services (in this case your supplier) requests it.

Example – Accounting for GST on a rebate

BSJ Pty Ltd, under the terms of their contract, agrees to pay Jo Jo's Supermarket a rebate of \$550 for promoting its soft drink products.

Jo Jo's must promote BSJ's soft drink products by:

- displaying these products in a prominent position
- advertising the products.

Jo Jo's promotional activities are a separate sale of services to BSJ in exchange for the \$550 rebate. As such, the rebate does not reduce the price of the soft drink products sold to Jo Jo's but is a payment for a separate sale Jo Jo's made to BSJ.

BSJ is entitled to \$50 GST credit ($\$550 \times 1/11$) for the promotional services it purchased from Jo Jo's, provided it holds a tax invoice at the time of the claim.

Jo Jo's is liable to pay \$50 GST ($\$550 \times 1/11$) for the promotional services it sold to BSJ.

Jo Jo's must provide a tax invoice to BSJ for this sale within 28 days of BSJ requesting it.

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