# Rules for specific transactions

Detailed information about GST and rules for specific transactions.

## Agent, consignment and progressive transactions

Detailed information about GST and agent, consignment and progressive transactions.

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## GST and vouchers

How to account for and report goods and services tax (GST) on vouchers.

## Reverse charge in the valuable metals industry

Reverse charges of GST now apply to all business-to-business taxable supplies of gold, silver or platinum.

QC 28600

# Bartering and trade exchanges

Barter and trade exchanges are subject to the same income tax and GST treatment as normal cash or credit transactions.

**Last updated** 24 May 2017

Business transactions involving bartering or trade exchanges are subject to the same income tax and GST treatment as normal cash or credit transactions.

**Find out about:**

- How barter works
- Tax treatment of barter transactions
- Payments to ATO
- Tax invoices and ABNs
- Record keeping

## How barter works

In its simplest form, bartering involves the direct exchange of goods or services for other goods or services without reference to money or money value.

There are sophisticated forms of bartering in the market place, both locally and internationally. These arrangements are typically controlled by member-only organisations, with credit units the medium of exchange.

The terms 'exchange', 'barter exchange', 'trade exchange' and 'countertrade exchange' are used to describe the organisation that manages the bartering operation. Various terms are used to refer to the medium of exchange, such as units, credits, trade dollars or barter dollars. The most commonly used term is trade dollar.

Trade exchange operations vary in size and sophistication, from community-based to business-based operations.

A trade exchange provides its members with a trading account for the purpose of recording member transactions. The trade exchange credits or debits the account each time a member makes a sale or purchase respectively. The account is also debited for fees the trade exchange charges its members. The trade exchange may buy and sell in its own right, acting as a member with its own trading account.

## Tax treatment of barter transactions

Barter transactions are assessable and deductible for income tax purposes to the same extent as other cash or credit transactions.

When an entity that is a member of a trade exchange makes a taxable sale to another member, there is a liability for tax, including GST.

Payment may be in money or in kind, or in some instances a combination of these. The payment for sales between members of a trade exchange is the debiting of the recipient's account and the payment received is the crediting of the supplier's account.

Value of supplies made through a trade exchange need to be taken into account when determining whether an entity meets the GST registration threshold and is required to register for GST. For example, if an entity has $60,000 of cash transactions and barter transactions valued at $20,000, it meets the GST registrations threshold.

As a general rule, when valuing the payment arising from barter or countertrade transactions, we will accept a fair market value as adequately reflecting the money value or arm's length value, as applicable. In most cases, we will accept as a fair market value the cash price that the taxpayer would normally have charged a stranger for the services or for the sale of the goods or property.

The rules of most business-oriented countertrade organisations specify a rate for converting credit units into an Australian dollar equivalent. Customarily the rules specify that each credit unit has a value equivalent to one Australian dollar. Where the monetary value worked out using the rate specified in the rules represents a fair market value of the goods or services provided, that rate is to be applied when valuing the payment. In all other cases, a conversion rate that values the goods or services provided at their fair market value is to be applied when valuing the payment.

Transactions where the values are set at artificially high levels for the purpose of establishing an inflated income tax deduction may indicate fraudulent activity. Parties to transactions that involve inflated credit unit values may have consequences other than an adjustment to the amount of income returned or the amount of income tax deductions claimed.

Personal purchases are not deductible for income tax purposes and a GST credit cannot be claimed, whether the purchase is made using trade dollars or Australian currency.

### Example: GST payable on a taxable supply between members of a trade exchange

Harvey and Tracey are registered for GST and are both members of the Better Bartering Exchange. Harvey is a bookkeeper and provides bookkeeping services to Tracey who operates a courier service. Harvey's trading account is credited with 440 Better Bartering credits (BBs) for the supply of services to Tracey.

Under the rules of the exchange, one BB equals $1 and the commercial value of the services is $440. The price of the supply is 440 BBs. Before calculating the value of the supply, the 440 BBs are converted to their Australian dollar equivalent ($440). The value of the taxable supply that Harvey makes is $440 × (10÷11), which is $400. The GST on the supply is, therefore, $40 (that is, 10% of $400).

Harvey will declare $400 as assessable income on his income tax return, and Tracey will claim $400 as a deduction on her tax return.

## Payments to ATO

Payments to us of GST, income tax and the super guarantee levy must be made in Australian currency.

Generally, only other members of the trade exchange and the trade exchange itself may accept payment in trade dollars.

## Tax invoices and ABNs

A tax invoice is required for a barter transaction as it is for any other business transaction. However, where a member of a trade exchange makes a taxable sale and the payment is expressed in credits, the tax invoice must comply with all of the usual requirements for a tax invoice, and include either:

- the GST inclusive price expressed in Australian currency
- the GST payable in Australian currency.

Australian business number (ABN) obligations apply to bartering transactions to the same extent as for any other business transaction.

### Example: Tax invoice

Harvey and Carol are registered for GST. Harvey uses his Better Bartering credits (BBs) to purchase a new computer from Carol for his bookkeeping business. The rules of the exchange specify that one BB equals $1, and the market value of the computer is actually calculated in BB credits on this basis.

Carol issues Harvey with a tax invoice, showing the price of the computer in BBs and the GST payable in Australian currency converted at the rate of one BB equalling one Australian dollar.

If Carol did not quote an ABN, Harvey would be required to withhold 46.5% of the payment and remit that amount to us.

## Record keeping

Members of trade exchanges must keep records that record and explain all business transactions and other acts they engage in that are relevant to a particular sale, importation, purchase, dealing or entitlement. The records must be kept for five years after the completion of the relevant transactions or acts.

In addition to ordinary accounting documents, this may include:

- invoices and receipts
- purchase orders, delivery dockets, contracts and barter scheme statements

- other relevant documents, such as the application for membership of the bartering scheme, the rules of the scheme, and any other documents governing the relationships between members, and between members and the trade exchange.

**See also:**

- GSTR 2003/14 *Goods and services tax: the GST implications of transactions between members of a barter scheme conducted by a trade exchange (As at 29 May 2013)*

QC 17114

# GST and crowdfunding

Work out GST implications when raising funds for specific projects or particular business ventures through the internet.

**Last updated** 17 July 2020

For GST, luxury car tax and wine equalisation tax purposes, from 1 July 2015, where the term 'Australia' is used in this document, it is referring to the 'indirect tax zone' as defined in subsection 195-1 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).

Crowdfunding involves using the internet and social media to raise funds for specific projects or particular business ventures. Typically the promoter of the project or venture will engage an intermediary to operate an online platform that allows the promoter to connect to potential funders. Various models are used to attract funding.

**Find out about:**

- GST treatment
- Crowdfunding models and GST implications
- More information

## GST treatment

The GST treatment of crowdfunding for a promoter operating in Australia may vary according to:

- the model adopted and what supplies (if any) are made to the funder
- whether the promoter is carrying on an enterprise
- whether the promoter is registered for GST, or required to be registered
- whether the promoter makes supplies that are connected with Australia
- whether the funder is in Australia.

The intermediary will have a GST liability for services to the promoter if:

- the intermediary is carrying on an enterprise
- the intermediary is registered for GST, or required to be registered
- the intermediary provides the services for consideration
- the services are connected with Australia.

From 1 July 2017 supplies made by a non-resident promoter or intermediary may be subject to GST.

However, for the purposes of the information below, it is assumed that both the promoter and the intermediary carry on an enterprise in Australia and are registered for GST. The intermediary provides services to the promoter and the promoter pays for those services. The funders are also in Australia.

## Crowdfunding models and GST implications

The main crowdfunding models to emerge so far involve:

- donation-based funding
- reward-based funding
- equity-based funding
- debt-based funding.

## Donation-based model

Under the donation-based model, a funder makes a payment to the project or venture without receiving anything in return. The promoter does not make any supply to the funder and does not have any GST liability.

If the promoter simply acknowledges the payment (for example, by an entry on a website), the payment made by the funder is not consideration for any supply made by the promoter, either in return or to another party. Accordingly, the funder is not entitled to an input tax credit. The intermediary makes a taxable supply of services to the promoter.

### Example 1

James carries on an enterprise of designing health-related products. He develops a concept for a health-related apparatus, but requires funding for product development. To raise funds, he engages an intermediary to raise funds through a crowdfunding platform. The proposal is marketed for its social benefits, and funders receive nothing apart from having their contribution acknowledged on James' website.

James has no GST liabilities as payments by funders are not consideration for any supply in return. Funders are not entitled to input tax credits. The intermediary makes a taxable supply of services to James which is subject to GST. James is entitled to an input tax credit for the services he acquires from the intermediary.

## Reward-based model

Under a reward-based model, the promoter provides goods, services or rights in return for payments by funders. The promoter will have a GST liability if a taxable supply is made to the funder.

If the promoter makes a taxable supply, the funder is entitled to an input tax credit if the funder is registered for GST and the acquisition is made for a creditable purpose. Generally, no input tax credit is available if the acquisition relates to the funder making input taxed supplies. The intermediary makes a taxable supply of services to the promoter.

## Example 2

Members of The Incumbents, an Australian rock band, have formed a partnership which is registered for GST. They want to record an album by raising funds from their Australian fan base. They engage an intermediary to raise funds through a crowdfunding platform to help pay for recording the album.

Depending on the level of contributions, The Incumbents will provide funders with goods or services, which may extend to a CD, merchandise, concert tickets or advertising rights. These supplies, made in return for payments, are taxable supplies for which The Incumbents have a GST liability.

A funder who acquires advertising rights is entitled to an input tax credit if the funder is registered for GST to the extent that they are acquired for a creditable purpose. The intermediary makes a taxable supply of services to The Incumbents which is subject to GST. The Incumbents are entitled to an input tax credit for the services acquired from the intermediary.

## Equity-based model

Under an equity-based model, the funder makes a payment in return for an interest in the equity of the promoter. Typically this will occur when the promoter is a company in which the funder acquires shares in return for their payment. Supply of shares is an input taxed financial supply that is not subject to GST. The funder is not entitled to an input tax credit for the acquisition of the shares. The intermediary makes a taxable supply of services to the promoter.

Input tax credits are typically not available for acquisitions that relate to the promoter making input taxed supplies. However, if certain circumstances are satisfied, the funder may be entitled to input tax credits for acquisitions that relate to the making of input taxed financial supplies. Guidance on when an input tax credit may be available can be obtained in the public rulings listed in more information.

## Example 3

Investment Pty Ltd is a start-up company involved in development of green energy products. It engages an intermediary to raise funds through a crowdfunding platform. Under the arrangement, funders will be allocated shares in Investment Pty Ltd in return for payments.

Supply of the shares in return for a payment is an input taxed financial supply and is not subject to GST. The funder is not entitled to an input tax credit. The intermediary makes a taxable supply of services to Investment Pty Ltd which is subject to GST. As the acquisition of the services provided by the intermediary relates to the input taxed financial supply of the shares, Investment Pty Ltd will only be entitled to an input tax credit for the acquisition of the services where certain requirements are satisfied.

## Debt-based model

Under a debt-based model, the funder loans money to the promoter who agrees to pay the interest in return. Under this type of arrangement, the promoter makes an input taxed supply of an interest in or under a debt to the funder. The funder makes an input taxed supply of an interest in or under a credit arrangement to the promoter. Accordingly, no GST liability arises, and the funder is not entitled to an input tax credit for the acquisition made from the promoter. The intermediary makes a taxable supply of services to the promoter.

Input tax credits are typically not available for acquisitions that relate to the promoter making input taxed supplies. However, if certain circumstances are satisfied, the funder may be entitled to input tax credits for acquisitions that relate to the making of input taxed financial supplies. Guidance on when an input tax credit may be available can be obtained in the public rulings listed in more information

### Example 4

Fiona is a fashion designer who is starting carrying on her business. Fiona needs to buy material for her business, for which she requires short-term finance. Rather than asking her bank, Fiona engages an intermediary to raise funds through a crowdfunding platform. Under the arrangement, funders loan funds to Fiona in return for agreed interest.

Both Fiona and the funder make input taxed financial supplies and no GST arises. Neither Fiona nor the promoter are entitled to an input tax credit. The intermediary makes a taxable supply of services to Fiona which is subject to GST. As the acquisition of the services provided by the intermediary relates to Fiona making an input taxed financial supply, Fiona will only be entitled to an input tax credit for the acquisition of the services if certain requirements are satisfied.

## More information

More information can be found at:

- GSTR 2002/2 *Goods and services tax: GST treatment of financial supplies and related supplies and acquisitions*
- GSTR 2003/8 *Goods and services tax: supply of rights for use outside Australia - subsection 38-190(1), item 4, paragraph (a) and subsection 38-190(2)*
- GSTR 2003/9 *Goods and Services Tax: financial acquisitions threshold*
- GSTR 2004/1 *Goods and services tax: reduced credit acquisitions*
- GSTR 2004/7 *in the application of items 2 and 3 and paragraph (b) of item 4 in the table in subsection 38-190(1) of the GST Act*
  - *when is a 'non-resident' or other 'recipient' of a supply 'not in Australia when the thing supplied is done'?*
  - *when is 'an entity that is not an Australian resident' 'outside Australia when the thing supplied is done'?*
- GSTR 2006/3 *Goods and services tax: determining the extent of creditable purpose for providers of financial supplies*
- GSTR 2008/1 *Goods and services tax: when do you acquire anything or import goods solely or partly for a creditable purpose?*
- GSTR 2019/1 *Goods and services tax: supply of anything other than goods or real property connected with the indirect tax zone*

*(Australia)*

- LCG 2016/1 *GST and carrying on an enterprise in the indirect tax zone (Australia)*
- LCR 2017/1 *Superannuation reform: capped defined benefit income streams - pensions or annuities paid from non-commutable, life expectancy or market linked products*
- LCR 2018/2 *GST on supplies made through electronic distribution platforms*
- International taxation of goods and services supplied to Australia

QC 43118

# GST and employee reimbursements

Employers are entitled to GST credits for employee reimbursements.

**Last updated** 23 May 2017

As an employer you're entitled to a GST credit when you reimburse an employee for a taxable expense that is directly related to your business activities. This includes paying an expense payment benefit.

You can claim the credit in your activity statement in the normal way once your employee gives you a tax invoice or receipt for the expense.

You and your employee cannot both claim a GST credit for the same expense.

**Find out about:**

- Reimbursements
- Allowances
- Payments for notional expenses

## Reimbursements

You make a reimbursement when you pay your employee the amount, or part of the amount, of a particular work-related purchase they make. For example, if your employee purchases an item for $220, whether you pay them $220 (the whole price) or a lesser amount, say $110 (half the price), the payment is a reimbursement.

You also make a reimbursement if you pay:

- your employee when they become liable for an expense, even if they haven't yet paid it
- your employee an advance for an expense they have not yet incurred, providing they have to repay any unspent amount of the advance to you
- an expense on behalf of your employee, for example, to a business that has made a sale to the employee.

You need to have a tax invoice if the expense is more than $82.50 (GST inclusive).

## Example: Reimbursement of a work-related expense

Alexandra employs Petra in her advertising agency. Petra purchases craft materials for a client presentation that she is responsible for. The materials cost Petra $90, including GST. As the expense is for Petra's work in the agency, and Alexandra's policy is to reimburse these expenses if tax invoices are presented, when Petra makes a claim for her expense with the receipts attached Alexandra pays her $90.

Alexandra is entitled to a GST credit on this reimbursement.

**Example: Reimbursement of expense payment benefits**

Karim's children attend a non-government school. Karim pays their yearly school fees in advance. He also pays for school uniforms. Karim's employer, Maria, agrees to reimburse him these expenses after he gives her all of the relevant receipts and invoices. Maria makes separate payments for the school fees (education is GST-free) and uniforms (taxable). Both payments to Karim are expense payment benefits.

Maria is entitled to a GST credit on the reimbursement for Karim's purchase of taxable school uniforms. However, even though

Maria reimbursed the school fees, she cannot claim a GST credit because the cost of education is GST-free.

Maria may have a fringe benefits tax (FBT) liability for the reimbursed expenses.

**See also:**

- Expense payment fringe benefits

## Exclusions

The definition of a reimbursement for GST purposes excludes some situations.

You are **not** entitled to a GST credit if you:

- reimburse non-deductible expenses, such as the portion of expenses relating to entertaining clients
- reimburse expenses that relate to input taxed sales that you make in the running of your business and you exceed the financial purchases threshold (if you exceed this threshold you may only be entitled to a reduced GST credit on certain specific purchases)
- pay your employee an allowance or a payment based on a notional expense.

**See also:**

- Financial acquisitions threshold
- Income and deductions for business

# Allowances

You are paying your employee an allowance when you pay them an amount for an estimated expense without requiring them to repay any excess. An allowance is not included in the definition of a reimbursement and you are not entitled to any GST credits.

### Example: Allowances

Miyuki employs Juan in her Melbourne software firm. She asks Juan to attend a conference in Sydney. Miyuki pays Juan a travel allowance of $450. Juan is not expected to repay any of the allowance he does not spend, but he will not be entitled to an additional payment if his expenses exceeds this amount.

Miyuki has paid Juan an allowance. She is not entitled to any GST credits for Juan's expenses, regardless of how much Juan spends.

Miyuki may have pay as you go (PAYG) withholding obligations when she pays an allowance.

**See also:**

- Withholding from allowances

## Payments for notional expenses

A payment made to an employee based on a notional (rather than an actual) expense, such as a cents-per-kilometre payment to cover work-related use of an employee's private car, is an allowance, not a reimbursement. As it is not a reimbursement you are not entitled to a GST credit for this type of payment.

### Example: payment for a notional expense

Henri uses his car regularly for work purposes. His employer, Janne, requires him to keep records and pays him a monthly amount based on the car's engine size and the number of kilometres Henri travels for work purposes.

Janne is not making a reimbursement so is not entitled to a GST credit.

QC 16704

# GST and fundraising

When you fundraise, there are situations when GST applies.

**Last updated** 10 June 2020

When your business runs fundraising, you may be able to claim an income tax deduction. Goods and services tax (GST) may apply to some transactions.

Ensure you keep records of all donations made. This will help you prepare your tax return and report GST in your business activity statement (BAS).

## Sales including GST

If you run a fundraising event that includes taxable sales, we require you to report these sales as usual.

### Example 1: Running a fundraising event (proportion of sales donated)

Sierra runs a coffee shop and is registered for GST. To raise funds for bushfire recovery, Sierra decides to donate $2 from every $4 coffee sold in a week, to a deductible gift recipient (DGR) charity. At the end of the week her sales software shows that she sold 1,000 coffees. She donates $2,000 of the $4,000 of sales to the DGR entity and keeps the receipt. The business has an allowable deduction of $2,000 for the donation.

As the $4,000 of coffee sales are in the course of Sierra operating her business, these are taxable sales (subject to GST). Sierra must report the GST from the $4,000 of sales in her BAS as usual.

If you facilitate a fundraising event including the supply of a service, we require you to report these sales as usual.

### Example 2: Running a fundraising event (facilitates event)

Jurgen is a yoga instructor planning a fundraiser event after a natural disaster. Jurgen is a sole trader registered for GST. His friend supplies a studio space for them to use free of charge. He promotes the event via social media and to his regular client email list. He asks for a contribution of $30 each to participate in the 'Yoga and meditation for a cause' class.

Clients and their friends attend the event, paying in cash and via EFTPOS on the day. The total raised is $990. The supply (of yoga instructing services) is within the course of Jurgen's business so these are taxable sales (subject to GST). The GST collected, at 1/11th of the supply, is $90. Jurgen must report the GST from the sales in his BAS. He includes the $900 in his tax return as ordinary income.

As he donates $900 to a deductible gift recipient and receives a receipt, Jurgen has an allowable deduction for that donated amount.

## Sales not including GST

If you supply a service that is not taxable to support a fundraising event, you do not need to report GST.

### Example 3: Business contributing to a fundraising event outside of business enterprise

Vida runs a dance school and is registered for GST. Vida's friends are planning a fundraiser yoga event. She agrees to them using one of the studios for the event, without charge.

Vida does not advertise the event and does not receive any benefits relating to the event. As the business does not receive any benefit, the supply made by Vida (of the space) is not a taxable sale. There will be no GST to report in the BAS.

## Claiming income tax deductions and GST credits

If you donate trading stock it may be tax deductible if:

- you are donating the trading stock outside the ordinary course of your business

- have not claimed an income tax deduction for the forced disposal or death of livestock.

Trading stock is anything produced, manufactured, acquired or purchased for the purpose of manufacture, sale or exchange in your business. Live stock is also a trading stock.

If you donate trading stock with GST attached to it for fundraising, you may be able to apply for a GST credit when you submit your BAS.

**See also:**

- Running fundraising events
- Helping in a disaster
- Donations to help disaster victims
- Trading stock

QC 62841

# GST and product recalls

How GST is applied to goods that are recalled.

**Last updated** 23 May 2017

This information is for GST-registered retailers and business customers who are affected by a product recall.

Accounting for the GST on goods that have been recalled depends on who the goods are returned to, and if they are exchanged for money or replacement goods.

**Find out about:**

- Goods returned to the retailer
- Goods returned to the wholesaler

## Goods returned to the retailer

### Refund for returned goods

When a customer returns recalled goods to the retailer who sold the goods it is considered to be a cancellation of the original sale. As the retailer will have paid us GST on the sale and the customer will have claimed a GST credit, both parties will have to make adjustments.

A retailer who refunds the customer's money will be entitled to a GST credit for the GST component of those goods that was included in a previous activity statement. Generally, the credit is reflected in their next activity statement as a decreasing adjustment. They may be required to issue an adjustment note to the customer.

If the customer has claimed a GST credit for the GST paid in the price of the goods returned they will need to make an increasing adjustment on their next activity statement.

### Example

Alpha Manufacturing, a GST registered business, sold goods to Zeta Pharmacy, also a GST registered business, for $2,200 including GST.

Alpha Manufacturing issued a tax invoice and both businesses reported the transaction on their activity statements.

As a result of a product recall, Zeta Pharmacy returned the goods to Alpha Manufacturing and received a $2,200 refund. Both businesses will have to adjust their next activity statement.

Alpha Manufacturing will have to:

- claim back the $200 GST it has already paid by making a decreasing adjustment to the net GST they are liable to pay
- provide an adjustment note to Zeta Pharmacy.

Zeta Pharmacy will have to repay the $200 GST credit they claimed by making an increasing adjustment to the net GST amount they are liable to pay.

**See also:**

- Making adjustments on your activity statements

## Exchanging for new goods

If a retailer exchanges a customer's returned goods for new goods, the original sale is cancelled and a new sale is made. This means the retailer:

- can claim back the GST they have already paid on the original sale of the recalled goods by making a decreasing adjustment to the net GST amount they are liable to pay on their next activity statement
- must provide an adjustment note to the customer if they request one, or if they issued a tax invoice for the previous sale
- must account for the GST on the sale of the new goods on their next activity statement
- must provide a tax invoice for the new goods if the GST-inclusive amount is more than $82.50.

If the customer has claimed a GST credit on the recalled goods they:

- must repay the GST credit claimed by making an increasing adjustment to the net GST amount they are liable to pay on their next activity statement
- can claim a GST credit for the GST included in the price of the new goods. If the GST-inclusive amount of the new goods is more than $82.50, they must hold a valid tax invoice for the purchase before they can claim the GST credit.

## Example

Nature Pty Ltd, a GST-registered business, sold goods to Abundant Pty Ltd, also a GST-registered business, for $2,200. Nature Pty Ltd issued a tax invoice for this transaction.

As a result of a recall, Abundant Pty Ltd returned the goods to Nature Pty Ltd and received substitute goods that also had a market value of $2,200 (including GST).

Nature Pty Ltd must now:

- provide an adjustment note to Abundant Pty Ltd for the recalled goods
- provide a tax invoice for the sale of the new goods
- claim back the $200 they previously paid on the sale of the recalled goods by making a decreasing adjustment on their

next activity statement

- include $200 for the sale of the new goods on their next activity statement.

Abundant Pty Ltd must now:

- repay the $200 GST credit they previously claimed by making an increasing adjustment on their next activity statement
- claim a $200 GST credit on their next activity statement for the GST included in the price of the new goods.

**See also:**

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

# Goods returned to the wholesaler

## Refund for returned goods

In the situation where a customer returns goods to a wholesaler who did not make the sale directly to them, and the wholesaler refunds the customer's money, it is not a cancellation of a sale. The original sale of the goods has not been cancelled and there is no change in the GST obligations for the original sale of the goods. In this case, no adjustment needs to be made by either party.

### Example

Gamma Ltd, a GST-registered business, sells goods to Delta Pty Ltd, also a GST-registered business, for $1,100 (including GST).

Delta Pty Ltd sells the goods to Theta Health Foods, also a GST-registered business, for $2,200 including GST.

As a result of a recall, Theta Health Foods returns the goods directly to the wholesaler, Gamma Ltd, and receives a payment from Gamma Ltd. This means:

- Gamma Ltd takes no action and will not be able to claim back any amount from us for either their original sale or for the

- payment they have made for the returned goods
- Theta Health Foods takes no action and will continue to be entitled to a GST credit for their original purchase
- Delta Wholesaling Pty Ltd takes no action.

## Exchanging for new goods

In the situation where a customer returns goods to a wholesaler who did not make the sale directly to them, and the wholesaler sells the customer substituted goods, the original sale has not been cancelled. The wholesaler receiving the returned goods:

- will account for the GST on any additional money paid for the new sale in their next activity statement
- may need to provide a tax invoice for the new sale of goods.

The customer will be entitled to a GST credit for the GST included in any additional money paid for the new goods. Generally, the customer will account for the GST credit in their next activity statement as long as they have a tax invoice for the goods.

### Example

Beta Pty Ltd, a GST registered business, sells goods to Pi Goods Ltd, also a GST registered business, for $1,100.

Pi Goods Ltd then sells goods to Mu Supermarket, also a GST registered business, for $2,200.

As a result of a recall, Mu Supermarket returns goods to Beta Pty Ltd. Beta Pty Ltd sells substitute goods to Mu Supermarket and charges it an additional $220. The value of the returned goods is nil and the GST component on the additional payment is $20. This means:

- the $20 of GST must be included by Beta Pty Ltd in its next activity statement
- Mu Supermarket is entitled to a GST credit of $20 and will claim it on its next activity statement
- Pi Goods Ltd takes no action.

QC 16986

# GST and vouchers

How to account for and report goods and services tax (GST) on vouchers.

**Last updated** 13 April 2021

This information is for businesses that sell or buy vouchers. It explains how to account for vouchers in your activity statements.

A voucher:

- is a token, stamp (not a postage stamp), coupon or similar article, or a prepaid phone card or facility
- has a stated monetary value, which may be
  - printed on the voucher
  - printed on documents accompanying the voucher
  - a top up amount for a phone card
  - can be redeemed for other goods or services.

**Find out about**

- Reporting voucher sales
- Reporting voucher purchases

## Reporting voucher sales

Generally, if you sell a voucher for a stated monetary value and the holder is entitled to redeem it for goods or services up to that value, you don't account for the voucher on your activity statement until it's redeemed.

When a voucher is redeemed in full for goods or services you sell, the payment for the sale is the stated monetary value of the voucher and any additional payment received.

**See also**

- When and how to report and pay GST
- GSTR 2003/5 *Goods and services tax: vouchers* for circumstances where
  - the price of the voucher exceeds its stated monetary value
  - the voucher does not have a stated monetary value
  - the voucher is not redeemed
  - the voucher is only partially redeemed.

## Reporting voucher purchases

Generally, you claim input tax credits in your activity statement for the reporting period you redeem a voucher, not the reporting period when you buy it.

If you buy a voucher and then use the voucher to get something that is a taxable supply, you're entitled to claim a GST credit if that purchase is used in your business.

You're not entitled to claim a GST credit for that purchase if it either:

- relates to making input taxed sales
- is of a private or domestic nature.

If you have unredeemed vouchers, you may need to do an increasing adjustment.

**See also**

- When and how to report and pay GST
- Making adjustments on your activity statements
- GSTR 2003/5 *Goods and services tax: vouchers*
- State government voucher subsidy scheme

QC 17479

## Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.