GST – Agent, consignment and progressive transactions

GST registered businesses must account for the GST on sales made through an agent, on consignment or lease arrangements.

Last updated 17 July 2020

If you're registered for GST, you must account for the GST on sales made through an agent, on consignment or via a progressive transaction (such as a lease or hire arrangement).

Using an agent

What you need to know about using an agent to facilitate sales.

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Using an agent

What you need to know about using an agent to facilitate sales.

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Agents facilitate sales in return for an agreed amount paid through a commission or similar arrangement.

If you make taxable sales or importations through an agent, you're responsible for the GST.

You can claim a GST credit for the amount of GST you pay as a commission to the agency. The agent must pay GST on the commission that you pay them, regardless of how the purchaser pays for the goods or services.

Either you or the agent can issue a tax invoice to the purchaser, but you can't both issue tax invoices for the same sale.

Example 1: Using an agent

Bill is a GST-registered dive boat operator who engages Jenny (who is also GST-registered)as an agent to sell trips to the Great Barrier Reef on his behalf.

Bill makes taxable sales to the customer via Jenny who facilitates the sale. Jenny supplies agency services to Bill.

Bill charges $220 (including GST) for each trip. Jenny charges Bill a GST-inclusive commission of 20% ($44) for every trip she sells on his behalf.

For every trip sold, Bill pays GST of $20 to us ($220/11 = $20) and claims a GST credit of $4 ($44/11 = $4) for the GST component of the commission he pays to Jenny.

Jenny must pay GST of $4 for every commission payment she receives from Bill.

Bill and Jenny can receive payments from the customer in several ways.

Customer pays deposit ($44) to agent. Customer pays the balance owing ($176) to principal.

Customer pays full amount ($220) to agent. Agent pays principal full amount less commission ($220 - $44 = $176).

Customer pays the full amount ($220) to principal. Principal pays commission ($44) to agent.

For each of the three payment methods, Bill and Jenny must report the following amounts on their activity statement:

Bill

Total sales (**G1**)	$220	Non-capital purchases (**G11**)	$44
GST payable amount (**1A**)	$20	GST paid amount (**1B**)	$4

Jenny

Total sales (**G1**)	$44	Non-capital purchases (**G11**)	$0
GST payable amount (**1A**)	$4	GST paid amount (**1B**)	$0

See also:

- GSTR 2000/37 *Goods and services tax: agency relationships and the application of the law.*

Intermediary taxable supply arrangement

You may enter into a written agreement with an intermediary so that they become a part of the chain of supply for GST purposes. In that case, you are treated as making the sale to the agent and they are treated as making the sale to the customer.

Under this arrangement, you're required to account for the amount of GST payable on the sale. This is 1/11th of the value of the sale. The value of the sale is the price to the customer minus the commission payable to the agent.

You can use these simplified GST accounting arrangements with intermediaries who facilitate transactions, such as paying agents, billing agents and commission agents.

Example 2: Intermediary taxable supply arrangement

Bill and Jenny decide to enter an intermediary taxable supply arrangement. The price of the reef trip is $220 and Jenny's commission is $44 as in Example 1.

For each trip, Bill sells a service worth $176 to Jenny ($220 - $44) ie the price to the customer less the commission paid to Jenny. Bill pays GST of $16 (1/11 x $176) on this amount. Jenny sells a service worth $220 to the customer which includes GST of $20 (1/11 x $220). Jenny is entitled to a GST credit of $16 on her purchase from Bill.

Bill and Jenny must report the following amounts on their activity statements.

Bill

Total sales (**G1**)	$176	Non-capital purchases (**G11**)	$0
GST payable amount (**1A**)	$16	GST paid amount (**1B**)	$0

Jenny

Total sales (**G1**)	$220	Non-capital purchases (**G11**)	$176
GST payable amount (**1A**)	$20	GST paid amount (**1B**)	$16

See also:

- Consignment sales

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Consignment sales

Find out how GST applies to goods sold on consignment.

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Goods that you hold on consignment are goods that you are offering for sale, but that belong to someone else. The way GST applies to goods sold on consignment depends on:

- the nature of the consignment arrangement
- whether or not the owner of the goods is registered for GST.

If you sell goods on consignment, you sell goods without first buying those goods from the owner. Typically, you have an agreement that specifies one of the following:

- you agree to purchase the goods for an agreed price when you find a buyer (sale or return)
- you agree to sell the goods on behalf of the owner as an agent (agency sale).

Consignment sales often involve second-hand goods owned by people who are not registered for GST.

There are no restrictions on what goods can be sold on consignment. Goods regularly sold on consignment include motor vehicles, boats, wedding and formal dresses, cameras, farm machinery and artworks.

'Sale or return' sales

A sale is 'sale or return' when you only purchase the goods from their owner once you have found a buyer for the goods. This means you're selling the goods in your own right because you're purchasing the goods from the owner and selling them to the purchaser. In this situation, if you're registered for GST you must pay GST on the full sale price of the goods.

It is likely you're making 'sale or return' sales if any of the following apply:

- the amount you pay to the owner when a buyer is found is agreed in advance
- any amount you receive from the buyer that is over the agreed amount you have to pay the owner is yours to keep
- you set the sale price of the goods
- you don't have to tell the owner of the goods the final selling price or details of how much profit you made on the sale
- you have to provide a warranty on the goods
- you have to guarantee title to the goods
- you are prevented by a state law from selling goods as an agent - this is common in the motor vehicle industry
- you do not bear any commercial risk; that is, if the goods are not sold, you don't have to purchase them.

Claiming GST credits

If you sell goods on a 'sale or return' basis, you can claim a GST credit for the GST you pay in the price of the goods you purchase from the owner if:

- the owner is registered for GST, and
- the sale by the owner to you is a taxable sale.

If the owner is not registered for GST, there is a special GST credit available on second-hand goods you purchase to resell or exchange as part of your business.

See also:

- GST and second-hand goods - completing your activity statement.

Agency sales

You're making an agency sale when you sell goods as an agent on behalf of their owner. Under these circumstances, you are not liable to pay GST on the sale. However, you must pay GST on the commission you receive.

It is likely you are making sales as an agent if:

- you do not set the sale price of the goods
- you receive either a flat rate or percentage commission on completion of the sale
- you do not hold the goods in your own right
- you and the owner of the goods agree that you will act as an agent.

The owner of the goods is liable to pay GST on the sale if:

- they are registered for GST, and
- they make the sale in the course of running their business.

If the owner is not liable for GST, you must still pay GST on the commission you receive but the owner does not have to pay GST on the sale.

Example: Agency sale

Joe is a photographer who is registered for GST. Joe decides to sell one of his cameras through a second-hand dealer, Agatha. Agatha is registered for GST and agrees to sell the camera as an agent for Joe for a commission. Because Joe is selling the camera in connection with his photography business, he will have to pay GST on the sale price of the camera. Agatha will need to include GST on the commission she receives from Joe. Joe is entitled to claim a GST credit for the GST included in the amount of commission he pays to Agatha.

See also:

- Using an agent

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Progressive or periodic sales and purchases

Information about accounting for progressive or periodic sales and purchases.

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A progressive or periodic sale or purchase may be a:

- lease or hire agreement
- property maintenance agreement
- construction contract.

It does not include hire purchase agreements.

Accounting for progressive or periodic sales and purchases

If you account for GST on a non-cash basis, there are special rules about when to account for sales or purchases that are made and paid for progressively or periodically, for example, where you lease a property to someone and they pay rent monthly.

See also:

- Choosing an accounting method
- Lodging your BAS or annual GST return.

GST on sales

You account for the GST on progressive or periodic sales as if each component is a separate sale. This means you report each payment you receive at **G1** (GST on sales) in the reporting period you receive it. If you issue a separate tax invoice for a component of a sale before you receive payment, you report that amount in the reporting period in which you issue the tax invoice.

Do not report the whole amount you are due to receive for the sale when you receive the first payment, even if you issue a single invoice for the entire sale.

You may need to reduce the amount shown at **G1** for any part of these sales that is not connected with Australia.

If you use the accounts method to work out your GST liability, report the GST included in the price of each component of the sale at **1A**

(GST on sales) for the relevant reporting period.

If you use the calculation worksheet method, use the worksheet to calculate how much to report at **1A**.

See also:

- GSTR 2018/1*Goods and services tax: supplies of real property connected with the indirect tax zone (Australia)*
- GSTR 2018/2*Goods and services tax: supplies of goods connected with the indirect tax zone (Australia)*
- GSTR 2019/1*Goods and services tax: supply of anything other than goods or real property connected with the indirect tax zone (Australia)*

GST credits on purchases

You claim GST credits for each component of the progressive or periodic purchase separately.

This means you report the amount of each progressive or periodic payment at **G10** (capital purchases) or **G11** (non-capital purchases) in the reporting period in which you make the payment. If you receive a tax invoice for a component of the purchase before you make payment, you report that amount in the reporting period in which you receive the tax invoice.

Do not report the whole amount you are liable to pay for the purchase when you make the first payment, even if you have received an invoice for the entire purchase price.

If you use the accounts method to work out your GST credits, report the amount of the credits at **1B** (GST on purchases) for the relevant reporting period.

If you use the calculation worksheet method, use the worksheet to work out how much to report at **1B.**

See also:

- GSTR 2000/35 *Goods and services tax: Division 156 - supplies and acquisitions made on a progressive or periodic basis*
- GSTR 2000/12 *Goods and services tax: attributing GST payable and input tax credits for supplies and acquisitions under lay-by sale*

agreements.

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