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## Legislative Instrument

# Goods and Services Tax: Recipient Created Tax Invoice Determination 2017 for Ceding Insurers or Reinsurers

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I, **Timothy Dyce**, Deputy Commissioner of Taxation, make this determination under subsection 29-70(3) of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).

**Timothy Dyce**

Deputy Commissioner of Taxation

Dated: 29/03/2017

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### 1. Name of determination

This determination is the Goods and Services Tax: Recipient Created Tax Invoice Determination 2017 for **Ceding Insurers or Reinsurers**.

### 2. Commencement

This determination commences on the day after its registration on the Federal Register of Legislation.

### 3. Repeal of previous determination

This determination repeals and replaces determination *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice (RCTI) for supplies of reinsurance or supplies of retrocession Determination (No. 30) 2000 - F2006B11594*, registered on 17 November 2006.

### 4. Application

This determination applies to **ceding insurers or reinsurers** that satisfy the requirements of this determination.

This determination is substantially the same as the determination it replaces. An entity that satisfied the requirements of the previous determination and that is a **ceding insurer or reinsurer** will satisfy the requirements of this determination.

**5. Classes of Tax Invoices that may be issued by the recipient of a taxable supply under this determination**

A **ceding insurer or reinsurer** may issue a recipient created tax invoice (RCTI) for the receipt of a taxable supply of **reinsurance** or **retrocession** if they:

- (a) establish the value of that supply rather than the supplier, and
- (b) satisfy the requirements set out in paragraph 6.

**6. Requirements that must be satisfied by a recipient of a taxable supply under this determination**

A recipient must satisfy the following requirements:

- (a) the supplier and the recipient must be registered for GST when the tax invoice is issued
- (b) the recipient must set out in the tax invoice the ABN of the supplier
- (c) the recipient must issue the original or a copy of the tax invoice to the supplier within 28 days of making, or determining, the value of a taxable supply and must retain the original or the copy
- (d) if there is an adjustment the recipient must issue the original or a copy of an adjustment note to the supplier within 28 days of the adjustment and must retain the original or the copy
- (e) the recipient must reasonably comply with its obligations under the taxation laws
- (f) the recipient must have either a written agreement with the supplier that meets the requirements of paragraph 7, or a written agreement embedded in the RCTI that meets the requirements of paragraph 8
- (g) the recipient must not issue a document that would otherwise be a recipient created tax invoice, on or after the date when the recipient or the supplier has failed to comply with any of the requirements of this determination, and
- (h) if it has a current GST turnover of less than \$1,000,000, the recipient must notify the Commissioner in writing of its intention to use recipient created tax invoices. This notification must be made before 14 days have elapsed after the first occasion that a recipient created tax invoice is issued by that recipient.

**7. Requirements of a written agreement with the supplier other than a written agreement embedded in the RCTI**

The written agreement the recipient has with the supplier must:

- (a) specify the supplies to which it relates
- (b) be current and effective when the RCTI is issued, and
- (c) contain the following conditions:

- (i) the recipient can issue tax invoices in respect of the supplies
- (ii) the supplier will not issue tax invoices in respect of the supplies
- (iii) the supplier acknowledges that it is registered for GST when it enters into the agreement and that it will notify the recipient if it ceases to be registered, and
- (iv) the recipient acknowledges that it is registered for GST when it enters into the agreement and that it will notify the supplier if it ceases to be registered.

## 8. Requirements of a written agreement embedded in the RCTI

An agreement with the supplier embedded in an RCTI that the recipient issues to the supplier must contain the following statement:

*The recipient and the supplier declare that this agreement applies to supplies to which this tax invoice relates. The recipient can issue tax invoices in respect of these supplies. The supplier will not issue tax invoices in respect of these supplies. The supplier acknowledges that it is registered for GST and that it will notify the recipient if it ceases to be registered. The recipient acknowledges that it is registered for GST and that it will notify the supplier if it ceases to be registered for GST. Acceptance of this RCTI constitutes acceptance of the terms of this written agreement.*

*Both parties to this supply agree that they are parties to an RCTI agreement. The supplier agrees to notify the recipient if the supplier does not wish to accept the proposed agreement within 21 days of receiving this document.*

## 9. Definitions

The following expressions are defined for the purposes of this determination:

**ceding insurer or reinsurer** means an insurance entity that issues an insurance policy or policies and is indemnified for all or part of the loss it sustains under the policy or policies through a taxable supply of **reinsurance** or **retrocession** from another insurance entity.

**Reinsurance** means a transaction where one insurance entity (reinsurer) agrees to indemnify another insurance entity (ceding insurer) against all or part of any loss that the latter sustains under a policy or policies which it has issued.

**Retrocession** means a transaction where one insurance entity (retrocessionaire) agrees to indemnify another insurance entity (reinsurer) against all or part of any loss that the latter sustains under a policy or policies which it has issued.

Other expressions in this determination have the same meaning as in the GST Act.