



A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination 2011

Explanatory Statement

General Outline of Instrument

1. This legislative instrument is made under paragraph 29-75(1)(c) of the *A New Tax System (Goods and Services Tax) Act 1999* ('the GST Act').
2. All legislative references in this explanatory statement are to provisions in the GST Act unless otherwise specified.
3. This legislative instrument aligns the other information requirements (referred to in paragraph 29-75(1)(c)) for adjustment notes with the more flexible approach now taken for tax invoices as a result of legislative amendment¹.
4. This instrument is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Revocation of previous instrument

5. *A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination (No. 1) 2000* (F2006B11651) registered on 29 November 2006 commenced on the date the GST Act commenced. That legislative instrument is revoked on the commencement of this legislative instrument, and therefore, does not apply to net amounts for tax periods to which this instrument applies.

Commencement and application

6. This legislative instrument commences on 1 July 2010 and applies in relation to net amounts for tax periods starting on or after 1 July 2010.
7. The retrospective application date of this instrument is favourable to taxpayers as the information requirements under this legislative instrument are more flexible.

¹ The changes to the tax invoice requirements apply in relation to net amounts for tax periods commencing on or after 1 July 2010.

8. Under subsection 12(2) of the *Legislative Instruments Act 2003*, this instrument does not adversely affect the rights or liabilities of any person other than the Commonwealth.

9. As the adjustment note requirements in this legislative instrument are more flexible but not substantively different, taxpayers who abide by the requirements set out in the previous adjustment note determination *A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination (No. 1) 2000* (F2006B11651) registered on 29 November 2006 will not need to make any changes to their software or accounting systems in order to satisfy the adjustment note requirements in this legislative instrument. That is, an adjustment note that satisfied the information requirements of the previous adjustment note determination *A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination (No. 1) 2000* (F2006B11651) registered on 29 November 2006 will continue to satisfy the information requirements of this legislative instrument.

10. Additionally, the application of the more flexible adjustment note requirements for net amounts for tax periods starting on or after 1 July 2010 aligns with the application of the more flexible tax invoice requirements.

What is this instrument about:

11. This instrument sets out additional information requirements that must be satisfied if a document is to satisfy as an adjustment note under subsection 29-75(1).

What is the effect of this instrument:

12. A document is an adjustment note if it satisfies the information requirements of subsection 29-75(1) and the other information requirements set out in this legislative instrument. The information requirements in this legislative instrument are more flexible compared to the information requirements specified in the previous adjustment note determination *A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination (No. 1) 2000* (F2006B11651) registered on 29 November 2006. This flexibility aligns with the more flexible information requirements for tax invoices that resulted from legislative amendment.

Clearly ascertained

13. Consistent with the changes made to the tax invoice requirements, a taxpayer will satisfy the adjustment note requirements if the information prescribed in the legislative instrument is able to be clearly ascertained from the document. This means that provided the information can be found in the document, or determined from information within the document, it does not matter that it is not specifically stated or in a particular format. This also means that it must be clear what the information represents.

14. For example, an adjustment event occurs with respect to a supply of goods. The price (i.e. including GST) for the goods was \$6,600 and is now \$5,500. The adjustment note shows the difference in the GST exclusive price as -\$1,000 and the difference in the GST inclusive price of the supply as -\$1,100. Although the amount of the adjustment to the GST payable is not shown (i.e. -\$100), paragraph 5(1)(f) is satisfied as, from the information included in the document, the amount of the adjustment to the GST payable can be ascertained.

15. Further, the one piece of information on a document may satisfy more than one requirement. For example, a supply of goods of \$5,000 is treated as GST-free on the basis that the goods are to be exported. Subsequently, goods to the value of \$3,000 are

actually exported, while goods to the value of \$2,000 are redirected to a branch in Australia. There is an adjustment event as, to the extent that goods remain in Australia, the supply becomes taxable.

Therefore, the price of the goods remaining in Australia is \$2,200 (including \$200 GST). In this case, the difference in price so far as the supply becomes taxable is \$200 and the amount of the adjustment to the GST payable is \$200. In this case, it would satisfy both paragraphs 5(1)(f) and (g) if the document included a statement to the effect that the price and the amount of the adjustment to the GST payable has increased by \$200.

16. However, consistent with the approach taken for tax invoices, information that can only be determined in conjunction with an external reference source or other document is not information that can be clearly ascertained from the document intended as the adjustment note.

The document is intended as an adjustment note and the effect of the adjustment

17. The most direct way of satisfying that a document is intended as an adjustment note is to include the words "Adjustment Note". However, there are alternatives that would similarly make it clear that the document is intended as an adjustment note, for example, including the words "GST Adjustment" or "Tax Invoice Adjustment". A statement in the document could also make it clear.

18. It must also be clear from the document what the effect of the adjustment is. This can be shown in a number of different ways. For example, making it clear if the adjustment is a debit or credit amount to the supplier or the recipient or a positive or negative amount to the supplier or the recipient.

This in turn makes it clear for the recipient whether they have an increasing or decreasing adjustment (i.e. whether they have claimed too many, or too few, input tax credits in a previous tax period); or the supplier in the case of a recipient created adjustment note (i.e. whether they have paid too much or too little GST in a previous tax period).

Consistent with the previous adjustment note determination *A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination (No. 1) 2000* (F2006B11651) registered on 29 November 2006, it is acceptable if the document shows the words "Tax Invoice" and the adjustment to the price is shown as a negative or credit amount to the recipient.

The identity requirement

19. To satisfy the requirement as to identity, the document would need to include enough information to enable the identity of the supplier, recipient or agent, as applicable, to be ascertained from the document. Information sufficient to identify the supplier, recipient or agent includes the legal name of the entity; the business name; or the trading name.

The difference in the price of the supply

20. It is a requirement that the difference in the price of the supply is either shown or able to be clearly ascertained. As explained above at paragraphs 13 to 16, clearly ascertained means that it is sufficient if the amount can be worked out from the information that is included in the document.

For partly taxable supplies, the difference in price refers to that part of the supply that is, or becomes, taxable

21. Paragraph 5(1)(g) requires the difference in the price (i.e. including any GST) before and after the adjustment event to be clearly ascertainable from the document. If a supply is not a wholly taxable supply before and after the adjustment event, the difference in price is referable to that part of the supply which is affected by the adjustment event and that is taxable at the time of the adjustment event or becomes taxable in relation to that adjustment event.

22. Referring to the example at paragraph 14, the difference in the price of the supply refers to that part of the supply that was not taxable (i.e. \$2,000 worth of goods) and that subsequently becomes taxable (i.e. \$2,200). The difference in the price of the supply is therefore \$200 and the amount of the adjustment to the GST payable is also \$200. In this case, the one amount can satisfy both requirements at paragraphs 5(1)(f) and (g) as long as it is made clear in the document what the amount represents.

23. If a supply is wholly taxable (e.g. \$5,500 including GST of \$500) and part of the supply stops being taxable as the goods are exported (e.g. goods to value of \$600), the difference in the price of the supply refers to that part of the supply that is taxable prior to the adjustment event. The difference in the price is therefore -\$60 (i.e. \$660 - \$600) and the amount of the adjustment to the GST payable is also -\$60. In this case, the one amount (i.e. -\$60) can satisfy both requirements at paragraphs 5(1)(f) and (g) as long as it is made clear in the document what the amount represents.

24. If a supply is partly taxable (e.g. \$4,400 including \$400 GST) and partly GST-free (e.g. \$1,000) and a 5% reduction in price applies only to the taxable part of the supply, then the difference in price before and after the adjustment event refers to that taxable part. That is, the price before the adjustment event is \$4,400 (including \$400 GST) and after is \$4,180 (including \$380 GST).

Therefore, the difference in price is \$220. In this case, the document could show any two of the following three amounts and satisfy both requirements at paragraphs 5(1)(f) and (g) as long as it is made clear in the document what the amount represents:

- Amount of the adjustment to the GST payable -\$20
- Difference in the GST exclusive price -\$200
- Difference in the GST inclusive price -\$220

Statement as an alternative

25. If the amount of the GST payable is 1/11th of the price, a statement can be included as an alternative to the requirement at paragraph 5(1)(f) or 5(2)(f). The statement must make it clear that the difference in the price of the supply includes GST. This is similar to the statement as an alternative as allowed under previous adjustment note determination - see clause 3(h) of *A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination (No. 1) 2000* (F2006B11651) registered on 29 November 2006.

26. Previously an adjustment note, relating to a supply of insurance where the GST payable was less than 1/11th of the price, was required to include the difference in the GST exclusive price of the supply or alternatively a statement (as set out in clause 3(k)(ii)(B) of previous adjustment note determination *A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination (No. 1) 2000* (F2006B11651) registered on 29 November 2006).

The statement as an alternative to showing the GST exclusive price of the supply followed on from the tax invoice requirement to include the GST exclusive price of the supply or as an alternative a statement (as provided for in paragraph 29 of *Goods and Services Tax Ruling GSTR 2000/17 Goods and services tax: tax invoices*). As it is now no longer necessary to show the GST exclusive price on a tax invoice for a supply where the GST payable is less than 1/11th and thus no longer necessary to show the difference in the GST exclusive price of a supply on an adjustment note, the statement as an alternative to showing that amount for supplies of insurance has not been included in the legislative instrument.

Background:

27. Where taxpayers make or receive taxable supplies, subsequent events may mean that they paid too much or too little GST, or claimed too many or too few input tax credits, in a previous tax period. In these cases, they may need to make GST adjustments.
28. Generally, when a taxpayer has a decreasing adjustment from an adjustment event, they cannot claim the adjustment when completing their Activity Statement until they hold an adjustment note. An adjustment note is a document that meets the requirements in subsection 29-75(1), including any other information requirements as the Commissioner determines in writing.
29. Closely related to the adjustment note requirements are the tax invoice requirements.
30. The Board of Taxation Review of the legal framework for the administration of the GST recommended relaxing what were considered to be overly prescriptive requirements for the contents of tax invoices and recipient created tax invoices.
31. Schedule 3 of the *Tax Laws Amendment (2010 GST Administration Measures No. 2) Act 2010* amended the requirements for a document to be a tax invoice, replacing the previous prescriptive list with more flexible principles.
32. This legislative instrument similarly replaces the previous information requirements for adjustment notes and recipient created adjustment notes with more flexible principles.

Costing:

33. Compliance cost impact: No change/low – minor or machinery in nature. An assessment of the compliance cost impact indicates that the impact will be minor for both implementation and on-going compliance costs. The new instrument is of a minor or machinery nature.

Consultation

To be completed following consultation.

James O'Halloran
Deputy Commissioner of Taxation

[date of issue]

Legislative references:

A New Tax System (Goods and Services Tax) Act 1999

29-75(1)

29-75(1)(c)

Legislative Instruments Act 2003

12(2)

Tax Laws Amendment (2010 GST Administration Measures No. 2) Act 2010

Other references:

Goods and Services Tax Ruling GSTR 2000/17 Goods and services tax: tax invoices

A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements

Determination (No. 1) 2000 (F2006B11651) registered on 29 November 2006

Tax Office references

NO:

ISSN:

DRAFT