

# ***GSTR 2000/D1 - Goods and Services Tax: making adjustments under Division 19 for adjustment events***

 This cover sheet is provided for information only. It does not form part of *GSTR 2000/D1 - Goods and Services Tax: making adjustments under Division 19 for adjustment events*

There is an [Erratum notice](#) for this document.

This document has been finalised.



## Draft Goods and Services Tax Ruling

### Goods and Services Tax: making adjustments under Division 19 for adjustment events

---

| Contents                  | Para |
|---------------------------|------|
| What this Ruling is about | 1    |
| Date of effect            | 6    |
| Background                | 7    |
| Ruling                    | 11   |
| Explanations              | 15   |
| Definitions               | 80   |
| Detailed contents list    | 90   |
| Your comments             | 91   |

#### *Preamble*

*This document is a draft for industry and professional comment. As such, it represents the preliminary, though considered views of the Australian Taxation Office. This draft may not be relied on by taxation officers, taxpayers and practitioners. When officially released it will be a public ruling for the purposes of section 37 of the **Taxation Administration Act 1953** and may be relied upon by any person to whom it applies.*

#### **What this Ruling is about**

---

1. This Ruling explains the Commissioner's view on the operation of Division 19 of *A New Tax System (Goods and Services Tax) Act 1999* ('GST Act').
2. The Ruling applies if you are registered or required to be registered for GST under Part 2-5 of the GST Act, and an adjustment event has given rise to an adjustment for a supply or an acquisition.
3. This Ruling does not explain how to account for Division 19 adjustments on your Business Activity Statement. This is explained in the instructions for the Business Activity Statement.
4. Unless otherwise stated, all legislative references in this Ruling are to the GST Act.
5. Certain terms used in this Ruling are defined or explained in the Definitions section of the Ruling. These terms, when first mentioned elsewhere in the body of the Ruling, will appear in **bold**.

#### **Date of effect**

---

6. This Ruling, when finalised, will take effect from 8 July 1999 (the date of Royal Assent to the GST Act).

## Background

7. If you are registered or required to be registered, there is Goods and Services Tax ('GST') payable on the **taxable supplies** you make in a tax period. However, you can claim a credit (called an **input tax credit**) for the GST included in the price of things you acquire for carrying on your enterprise (called **creditable acquisitions**).<sup>1</sup>

8. If your total GST payable exceeds your total input tax credits for a tax period, the excess (called your net amount) is payable to the Commissioner.<sup>2</sup> If your total input tax credits exceed your total GST payable, then your net amount is refunded to you by the Commissioner.<sup>3</sup> You work out your net amount on your Business Activity Statement for a tax period.

9. However, your net amount is increased or decreased by adjustments you have for the tax period. An adjustment arises under Division 19 where an adjustment event has caused you to have accounted for:

- too much (or too little) GST payable for a supply; or
- too much (or too little) input tax credit for an acquisition in a previous tax period.

10. Adjustment events include changes in consideration for supplies and acquisitions (such as discounts) and cancellations of supplies or acquisitions (such as the return of a thing to the supplier).

## Ruling

### What are adjustment events

11. Division 19 provides that an adjustment event is any event which has the effect of:

- cancelling a supply or an acquisition;
- changing the consideration for a supply or an acquisition;
- causing a supply or an acquisition to become, or stop being, a taxable supply or a creditable acquisition.

---

<sup>1</sup> Section 11-20.

<sup>2</sup> Subsection 33-5(1).

<sup>3</sup> Section 35-5 (Note: if the net amount is a refund it may be offset against other amounts payable to the Commissioner).

***Changes in the consideration for a supply or an acquisition***

12. An event that causes the consideration to change for a supply or an acquisition is an adjustment event. The following events change the consideration for a supply:

- granting or receiving a discount or a rebate (see paragraph 21);
- certain incorrect pricing or deliveries (see paragraphs 22 to 24); and
- certain charges for late payment (see paragraph 25).

13. The following events do not change the consideration for a supply or acquisition:

- promotional, co-operative, or advertising allowances, or similar allowances (see paragraphs 31 to 33);
- penalties for late payment in the nature of interest (see paragraphs 27 to 28);
- interest on early payments (see paragraph 29);
- charges for additional supplies, such as for late returns of hired goods (see paragraph 30);
- a foreign exchange gain or loss for a supply or an acquisition where the consideration is in a foreign currency (see paragraph 34);
- rebates paid to third parties (see paragraphs 35 to 38); and
- errors or omissions in completing a previous Business Activity Statement (see paragraph 41).

***Where a supply or an acquisition becomes, or stops being, a taxable supply or a creditable acquisition***

14. An event which causes a supply or acquisition to become, or stop being, a taxable supply or a creditable acquisition is an adjustment event. Events which do not cause a supply or an acquisition to become, or stop being, a taxable supply or a creditable acquisition are:

- a change in the extent to which you use an acquisition for a **creditable purpose** (see paragraphs 44 to 46). This includes where the acquisition was acquired solely for a creditable purpose and is later applied solely for a private or domestic purpose;
- where you become, or cease to be, registered or required to be registered (see paragraphs 47 to 49); and
- errors in classifying a supply or acquisition (see paragraph 50).

## **Explanations (this forms part of the ruling)**

15. Division 19 provides for:

- what are adjustment events for a supply or acquisition (see paragraphs 16 to 50);
- how to work out if an adjustment arises from an adjustment event in relation to a tax period for a supply or acquisition (see paragraphs 51 to 55); and
- how to work out the amount of the adjustment (see paragraphs 56 to 79).

### **What are adjustment events**

16. An adjustment event is any event which has the effect of:<sup>4</sup>

- cancelling a supply or an acquisition; or
- changing the consideration for a supply or an acquisition; or
- causing a supply or acquisition to become, or stop being, a taxable supply or creditable acquisition.

17. Where any of these events occur, you may have been liable for too much (or not enough) GST for a supply, or entitled to too much (or not enough) input tax credit for an acquisition.

### ***Cancellation of a supply or an acquisition***

18. The cancellation of a supply or an acquisition is an adjustment event.<sup>5</sup> The return of a thing, or a part of it, to a supplier is an

---

<sup>4</sup> Subsection 19-10(1).

<sup>5</sup> Paragraph 19-10(1)(a).

adjustment event (whether or not the return involves a change of ownership).<sup>6</sup> However, this does not include the return of a thing for repair or maintenance.<sup>7</sup>

### *Example*

19. A supplies goods to B on the condition that ownership does not pass to B until B on-sells the goods. A issues an invoice to B. Subsequently, B returns some of the goods to A, but not for repair or maintenance. This is an adjustment event.

### ***Changes in the consideration for a supply or an acquisition***

20. Where the consideration for a supply or acquisition changes for any reason you have an adjustment event.<sup>8</sup> The previously agreed consideration can change whether due to the offer of a discount or otherwise.<sup>9</sup>

### *Discounts or rebates*

21. After a supply occurs, a discount or rebate may be granted for early payment or volume purchases. These alter the consideration payable for the supply and therefore are adjustment events. This situation can be contrasted with a 'discount' offered as an inducement to make an acquisition. In such a situation, the 'discount' is used to arrive at the consideration for the supply. As there is no change to the consideration, there is no adjustment event.

### *Other changes in consideration*

22. Various other events may occur which affect the consideration for a supply and therefore are adjustment events. These include:

- incorrect invoicing and deliveries; and
- certain late payment amounts.

23. The invoice for a supply may be incorrect due to a mistake made by the supplier. Where the parties treat the mistake as a change to the previously agreed consideration for the supply, there will be an adjustment event.

---

<sup>6</sup> Paragraph 19-10(2)(a).

<sup>7</sup> Subsection 19-10(4).

<sup>8</sup> Paragraph 19-10(1)(b).

<sup>9</sup> Paragraph 19-10(2)(b).

# GSTR2000/D1

24. In certain circumstances, the terms of a supply include delivery of a specified quantity of goods and the correct quantity may not actually be delivered. Where the delivery error is not corrected, for example by a return of the excess goods or a further delivery of the shortfall, the quantity of the supply has changed. If both parties agree to the changed quantity and the associated change in consideration, this is an adjustment event.

25. A charge for late payment that alters the consideration is an adjustment event. Whether charges for late payment change the consideration for the supply depends on the terms of the contract. A charge for late payment is generally regarded as a change in consideration where the charge is intended as a disincentive to pay late and is not in the nature of interest. The purpose of the charge is similar to the offer of a discount for payment within a certain time.

## *Example*

26. George supplies goods to Jasper on the agreement that if payment is not received within 30 days a surcharge of 2% will be payable in addition to the amount shown on the invoice (both parties do not account for GST on a cash basis). Jasper makes a payment after the due date including the additional charge. The payment is a change in consideration and is therefore an adjustment event.

## *Interest penalties and late return penalties*

27. If a charge is made for late payment of an amount invoiced and the charge is interest or in the nature of interest, the charge is consideration for a separate supply. The separate supply is a financial supply and is therefore input taxed.<sup>10</sup> In this situation there is no adjustment event. If your financial supplies are below the **financial supplies threshold**, you may still be entitled to an input tax credit for acquisitions used to make these supplies.

## *Example*

28. Henry supplies goods to Andrew under terms that require the amount invoiced to be paid within 30 days after which interest will accrue at 14% per annum. Andrew does not pay the invoice on time. Henry subsequently obtains payment of the amount invoiced together with interest. The additional amount charged is consideration for a financial supply and is not a change in consideration for the original supply.

---

<sup>10</sup> Section 40-5 and Regulation 40-13 *A New Tax System (Goods and Services Tax) Regulations 1999*.

*Interest on early payment*

29. A recipient of a supply may make an early payment of an amount invoiced under agreed trading terms with the supplier. Under the agreement, the recipient is entitled to interest for the period of prepayment. The amount of interest is not a decrease in the consideration for the supply. It is a separate financial supply made by the recipient of the original supply and there is no adjustment event.<sup>11</sup>

*Charges for additional supplies (for example – hire)*

30. Where a charge is consideration for an additional supply, this is not an adjustment event. The charge could occur either as a result of an agreed extension to the hire period or because the person who hired the goods simply fails to return the goods within the agreed time. For example, where goods hired for an agreed period are not returned within that period, an additional charge for the extension of the hire period is consideration for a further supply.

*Promotional, co-operative or advertising allowances<sup>12</sup>*

31. Promotional, co-operative or advertising allowances which provide advantages to the supplier do not reduce the consideration for a supply and therefore are not adjustment events. Allowances of this nature are made to retailers in return for promotional and marketing activities undertaken by the retailer. The allowances provide a commercial advantage to the supplier by way of maximising sales of the supplier's goods or services and are not directed towards a reduction in the consideration.

32. The allowances may be paid in cash or cheque, or may be a credit which the retailer can use against future purchases. Despite the form taken by the allowances, they are directed at an end other than the reduction of the selling price and therefore do not vary the consideration for a supply.

33. The allowances are treated as consideration for a supply of services by the recipient/retailer. In effect the retailer is making commercially valuable promotional services available to the provider of the allowance for a price. This supply of these services by the retailer is made for consideration equal to the amount of the allowance.

---

<sup>11</sup> Section 40-5 and Regulation 40-13 A *New Tax System (Goods and Services Tax) Regulations* 1999.

<sup>12</sup> Allowances of this nature are discussed in *Colgate-Palmolive Pty Ltd v. FCT* 99 ATC 4289; (1999) 41 ATR 357.

# GSTR 2000/D1

## *Foreign exchange gains or losses*

34. A foreign currency exchange gain or loss, resulting from an acquisition or supply where the consideration is expressed in a foreign currency, is not an adjustment event. The consideration, expressed in the foreign currency, has not changed.

## *Rebates to third parties*

35. A rebate may be paid by a supplier (such as a manufacturer) to an end user (the consumer) who acquires a thing from a retailer. Such a rebate is not an adjustment event if it does not change the consideration for the supply.

36. Often in cases like this, the manufacturer will make a payment directly to the end user. The consideration the manufacturer receives from the retailer remains unchanged, as does the consideration that the retailer receives from the end user. As there has been no change in consideration in either case, there is no adjustment event arising from the payment of the rebate. Such a rebate is a separate supply.

## *Example*

37. Car Manufacturer Pty Ltd offers \$1,000 cash back to retail purchasers of its vehicles. The supply chain it uses for marketing its vehicles is:

Car Manufacturer  $\Rightarrow$  Retailer  $\Rightarrow$  Retail Purchaser.

38. Car Manufacturer sells a vehicle to Retailer Pty Ltd for \$25,000. Retailer sells this vehicle to Retail Purchaser for \$30,000. Following the purchase, Retail Purchaser makes a claim on Car Manufacturer for the \$1,000 and receives payment. The consideration received by Car Manufacturer from Retailer for the vehicle is still \$25,000, therefore there is no resultant adjustment event.

## *Change in the extent of liability for the consideration*

39. The amount of input tax credit you claim in relation to an acquisition made in a tax period is based upon the extent to which you provide, or are liable to provide the consideration for that acquisition.<sup>13</sup> If the extent of liability changes, you may have claimed too much (or not enough) input tax credit. The change in liability is an adjustment event.

---

<sup>13</sup> Subsection 11-30(3).

*Example*

40. Gold Company and Silver Company are joint venturers, each with a 50% interest in the joint venture. The joint venture is not a GST joint venture. It incurs expenditure of \$100,000 on exploration work for which each joint venturer is liable for \$50,000. The interests of the parties subsequently change such that Gold Company has a 40% interest and Silver Company has a 60% interest. The change in interests has changed the extent to which each party is liable for the consideration for the exploration work. This change in liability for the consideration is an adjustment event for each party.

*Errors or omissions*

41. An adjustment event does not arise if you have made an error or omission in completing a previous Business Activity Statement (BAS). For example, where you have incorrectly entered an amount on your BAS, this is not an adjustment event.

***Where a supply or an acquisition becomes, or stops being, a taxable supply or a creditable acquisition***

42. In certain circumstances a supply, which is not initially a taxable supply, can become a taxable supply. In these circumstances, an adjustment event arises.<sup>14</sup>

*Example*

43. Export Co sells engineering equipment both in Australia and overseas. Export Co sells goods to a company in Malaysia. No GST is included in the price as the goods are to be exported within 60 days. However, the goods are not exported until after the 60 day period.<sup>15</sup> This delay has caused a previously **GST-free** supply to become a taxable supply. An adjustment event has occurred in relation to the supply.

*Changes in the use of an acquisition*

44. A change in the extent to which you use an acquisition for a creditable purpose is not an adjustment event. If you make an acquisition solely for a non-creditable purpose and you later apply that acquisition for a creditable purpose in your enterprise, this will not

---

<sup>14</sup> Paragraph 19-10(1)(c).

<sup>15</sup> see Section 38-185. The Commissioner has a discretion to extend the 60 day period.

# GSTR 2000/D1

cause the acquisition to become a creditable acquisition. Adjustments for changes in use are accounted for under Division 129 (about changes in the extent of creditable purpose).

45. Similarly, if you make an acquisition solely for a creditable purpose and you apply the goods solely to private or domestic use, the acquisition does not cease being a creditable acquisition. You may need to make an adjustment under Division 130 (about goods applied solely to private or domestic use).

## *Example*

46. Jeremy is registered and acquired a motor car for private purposes. The acquisition of the car is not a creditable acquisition because he did not acquire it for a creditable purpose.<sup>16</sup> He later starts to use the car in his enterprise. The motor car does not become a creditable acquisition because Jeremy starts to use it for a creditable purpose. The change in use of the motor vehicle is not an adjustment event. Instead he makes an adjustment under Division 129.

## *Changes in your registration status*

47. A supply does not become, or stop being, a taxable supply merely because you become, or cease to be, registered or required to be registered. An acquisition does not become, or stop being, a creditable acquisition merely because you become, or cease to be, registered or required to be registered.

48. If you become registered, decreasing adjustments for certain trading stock acquired prior to becoming registered are accounted for under Division 137 (about decreasing adjustments for stock on hand when you become registered). If you cease to be registered, you may need to payback a portion of your input tax credits for certain assets. You do this by making an increasing adjustment under Division 138 (about cessation of registration).

## *Example*

49. Lucy acquired a motor car for her business but she was not registered for GST purposes. Therefore the car is not a creditable acquisition.<sup>17</sup> She later becomes registered. The motor car does not become a creditable acquisition because Lucy became registered. That is, the event is not an adjustment event.

---

<sup>16</sup> Paragraph 11-5(a).

<sup>17</sup> Paragraph 11-5(d).

*Errors or omissions*

50. It is not an adjustment event if you wrongly classify a supply as being, or not being, a taxable supply, or an acquisition as being or not being a creditable acquisition. However, if there is a change in consideration as a result of correcting the error, this is an adjustment event.

**When an adjustment event results in an adjustment**

51. You have an adjustment for a supply if:<sup>18</sup>

- one or more adjustment events in relation to the supply occur during a tax period; and
- GST on the supply was attributable to an earlier tax period;<sup>19</sup> and
- the event has caused the previously attributed GST amount for the supply to differ from the corrected GST amount.

52. Similarly for an acquisition, you have an adjustment where:<sup>20</sup>

- one or more adjustment events in relation to the acquisition occur during a tax period; and
- an input tax credit for the acquisition was attributable to an earlier tax period;<sup>21</sup> and
- the event has caused the previously attributed input tax credit amount to differ from the corrected input tax credit amount for the acquisition.

53. An adjustment does not always arise from an adjustment event. One of the requirements for an adjustment is that the GST on the supply, or the input tax credit on the acquisition, was attributable to an earlier tax period.<sup>22</sup> Where the adjustment event occurs in the same period in which the GST on the supply or the input tax credit on the acquisition is attributable, this requirement is not met.

54. Adjustment events that occur in the same period as the attribution of the GST on the supply or the input tax credit on the acquisition do not result in adjustments. Changes in your GST

---

<sup>18</sup> Section 19-40.

<sup>19</sup> or, if the supply was not a taxable supply, would have been attributable to an earlier tax period had the supply been a taxable supply (paragraph 19-40(b)).

<sup>20</sup> Section 19-70.

<sup>21</sup> or, if the acquisition was not a creditable acquisition, would have been attributable to an earlier tax period had the acquisition been a creditable acquisition (paragraph 19-70(b)).

<sup>22</sup> For a supply, paragraph 19-40(b); for an acquisition, paragraph 19-70(b).

# GSTR2000/D1

payable or your input tax credits resulting from these adjustment events are accounted for in calculating your GST payable or your input tax credits for the period.

## *Example*

55. On 1 June 2001, Stationery Co makes a taxable supply of stationery goods for a consideration of \$100, with 2% discount offered if paid within 14 days. The recipient pays the account on 10 June 2001 and pays the discounted amount of \$98. In accounting for the transaction, Stationery Co calculates its GST liability on a price of \$98.

## **Working out adjustments for supplies**

56. An adjustment will arise, in relation to a supply, where an adjustment event has caused the previously attributed GST amount to differ from the corrected GST amount.<sup>23</sup> You need to work out the two amounts and then compare them to determine if an adjustment arises because of the adjustment event.

## ***The corrected GST amount for a supply***

57. The corrected GST amount for a supply in relation to a tax period must take into account:<sup>24</sup>

- the amount of any GST that was attributable to a tax period for the supply; and
- any changes in circumstances that have given rise to any adjustments under Subdivision 19-B or Division 21 (about adjustments for bad debts).

58. The corrected GST amount reflects the GST for the supply, as at the end of the current tax period. You take into account any Subdivision 19-B or Division 21 adjustments up to and including the current tax period.

## *Example*

59. In Eliza's first tax period (ending on 31 March 2001), she makes a taxable supply with a consideration of \$1,100. GST payable of \$100 is attributable to the first tax period.

---

<sup>23</sup> Paragraph 19-40(c).

<sup>24</sup> Paragraph 19-40(c).

60. The consideration is decreased in her second tax period (ending on 30 June) by \$110 because Eliza allows a discount to the recipient of the supply. This is an adjustment event for the supply.

61. The corrected GST amount for her second tax period is worked out as follows:

|                                                                                                                      |         |
|----------------------------------------------------------------------------------------------------------------------|---------|
| Original consideration                                                                                               | \$1,100 |
| PLUS the total effect on consideration of changes in circumstances that give rise to an increasing adjustment under: |         |
| Division 21                                                                                                          | NIL     |
| Division 19                                                                                                          | NIL     |
| LESS the total effect on consideration of changes in circumstances that give rise to a decreasing adjustment under:  |         |
| Division 21                                                                                                          | NIL     |
| Division 19                                                                                                          | \$110   |
| Adjusted consideration                                                                                               | \$990   |
| multiplying by 1/11 to give the corrected GST amount                                                                 | \$90    |

***The previously attributed GST amount for a supply***

62. The previously attributed GST amount for a supply in relation to a tax period is:<sup>25</sup>

- the amount of any GST that was attributable to a tax period for the supply; plus
- the sum of any increasing adjustments under Subdivision 19-B or Division 21 that were previously attributable to any tax period for the supply; minus
- the sum of any decreasing adjustments under Subdivision 19-B or Division 21 that were previously attributable to any tax period for the supply.

63. The previously attributed GST amount does not take into account the effect of any adjustment events that occur in the current period for the supply.

<sup>25</sup> Section 19-45.

**GSTR2000/D1***Example*

64. Using the example from paragraph 59, Eliza's previously attributed GST amount is worked out as follows:

|                                                                                      |       |
|--------------------------------------------------------------------------------------|-------|
| GST attributed to the tax period ending 31 March 2001 <sup>26</sup>                  | \$100 |
| PLUS the sum of all increasing adjustments under:                                    |       |
| Division 21                                                                          | NIL   |
| Division 19 (except any Division 19 adjustments in the current period) <sup>27</sup> | NIL   |
| LESS the sum of all decreasing adjustments under:                                    |       |
| Division 21                                                                          | NIL   |
| Division 19 (except any Division 19 adjustments in the current period) <sup>28</sup> | NIL   |
| previously attributed GST amount                                                     | \$100 |

***Working out the amount of the adjustment***

65. The amount of an adjustment is the difference between the previously attributed GST amount and the corrected GST amount. If the corrected GST amount is greater than the previously attributed GST amount, you will have not paid enough GST. Therefore you have an *increasing adjustment*. If the corrected GST amount is less than the previously attributed GST amount, you will have paid too much GST. Therefore you have a *decreasing adjustment*.<sup>29</sup>

*Example*

66. For Eliza's supply (continuing with the same example), the corrected GST amount (\$90) is less than the previously attributed GST amount (\$100). Therefore a decreasing adjustment has arisen. The amount of the adjustment is:

$$\$100 - \$90 = \$10.$$

67. The final amount of GST Eliza should have accounted for with regard to the supply is:

GST for the first tax period: \$100

LESS changes in the second tax period:

<sup>26</sup> Paragraph 19-45(a).

<sup>27</sup> Paragraph 19-45(b).

<sup>28</sup> Paragraph 19-45(c).

<sup>29</sup> Sections 19-50 and 19-55.

|                   |             |
|-------------------|-------------|
| under Division 21 | NIL         |
| under Division 19 | <u>\$10</u> |
|                   | <u>\$90</u> |

**Working out adjustments for acquisitions**

68. An adjustment will arise, in relation to an acquisition, where an adjustment event has caused the previously attributed input tax credit amount to differ from the corrected input tax credit amount.<sup>30</sup> You need to work out the two amounts and then compare them to determine if an adjustment arises because of the adjustment event.

***The corrected input tax credit amount***

69. The corrected input tax credit amount for an acquisition in relation to a tax period must take into account:<sup>31</sup>

- the amount of any input tax credit entitlement for the acquisition;<sup>32</sup> and
- any changes in circumstances that give rise to any adjustments under Subdivision 19-C, Division 21 or Division 129 (about adjustments for changes in the extent of creditable purpose).

70. The corrected input tax credit amount reflects the input tax credit for the acquisition as at the end of the current period. You take into account any Subdivision 19-C, Division 21 or Division 129 adjustment, up to and including the current tax period.

***Example***

71. In Thomas's first tax period (ending on 31 March 2001), he makes a creditable acquisition for \$1,100. The extent of creditable purpose for the acquisition is 60%. An input tax credit of \$60 ( $\$1,100 \times 1/11 \times 60\%$ ) is attributable to the first tax period.

72. The consideration is decreased by \$110 in his second tax period (ending on 30 June) because Thomas is allowed a discount. This is an adjustment event for the acquisition.

73. The corrected input tax credit amount for the second tax period is worked out as follows:

---

<sup>30</sup> Paragraph 19-70(c).

<sup>31</sup> Paragraph 19-70(c).

<sup>32</sup> An entitlement to an input tax credit for an acquisition can only arise under Division 11.

**GSTR2000/D1**

|                                                                                                                     |         |
|---------------------------------------------------------------------------------------------------------------------|---------|
| original consideration                                                                                              | \$1,100 |
| PLUS the total effect on consideration of changes in circumstances which give rise to decreasing adjustments under: |         |
| Division 129                                                                                                        | NIL     |
| Division 21                                                                                                         | NIL     |
| Division 19                                                                                                         | NIL     |
| LESS the total effect on consideration of changes in circumstances which give rise to increasing adjustments under: |         |
| Division 129                                                                                                        | NIL     |
| Division 21                                                                                                         | NIL     |
| Division 19                                                                                                         | \$110   |
| Adjusted consideration                                                                                              | \$990   |
| Multiplying by 1/11                                                                                                 | \$90    |
| Multiplying by 60% to give the corrected input tax credit amount                                                    | \$54    |

***The previously attributed input tax credit amount***

74. The previously attributed input tax credit amount for an acquisition in relation to a tax period is:<sup>33</sup>

- the amount of any input tax credit entitlement for the acquisition; minus
- the sum of any increasing adjustments under Subdivision 19-C, Division 21 or Division 129, that were previously attributable to a tax period for the acquisition; plus
- the sum of any decreasing adjustments under Subdivision 19-C, Division 21 or Division 129, that were previously attributable to a tax period for the acquisition.

75. The previously attributed input tax credit amount does not take into account the effect of any adjustment events that occur in the current tax period for the acquisition.

<sup>33</sup> Section 19-75.

*Example*

76. Continuing with the example from paragraph 71, Thomas's previously attributed input tax credit amount is worked out as follows:

|                                                                                      |      |
|--------------------------------------------------------------------------------------|------|
| input tax credit attributed to any tax period <sup>34</sup>                          | \$60 |
| LESS the sum of all increasing adjustments under                                     |      |
| Division 129                                                                         | NIL  |
| Division 21                                                                          | NIL  |
| Division 19 (except any Division 19 adjustments in the current period) <sup>35</sup> | NIL  |
| PLUS the sum of all decreasing adjustments under:                                    |      |
| Division 129                                                                         | NIL  |
| Division 21                                                                          | NIL  |
| Division 19 (except any Division 19 adjustments in the current period) <sup>36</sup> | NIL  |
| previously attributed input tax credit amount                                        | \$60 |

*Working out the amount of the adjustment*

77. The amount of an adjustment is the difference between the previously attributed input tax credit amount and the corrected input tax credit amount. If the corrected input tax credit amount is greater than the previously attributed input tax credit amount, you have not received enough input tax credit. Therefore you have a **decreasing adjustment**. If the corrected input tax credit amount is less than the previously attributed input tax credit amount, you have received too much input tax credit. Therefore you have an **increasing adjustment**.<sup>37</sup>

*Example*

78. Using the same example, Thomas's corrected input tax credit amount (\$54) is less than the previously attributed input tax credit amount (\$60). Therefore an increasing adjustment has arisen. The amount of the adjustment is:

$$\$60 - \$54 = \$6$$

<sup>34</sup> Paragraph 19-75(a).

<sup>35</sup> Paragraph 19-75(b).

<sup>36</sup> Paragraph 19-75(c).

<sup>37</sup> Sections 19-80 and 19-85

79. The final amount of credit Thomas should have accounted for is:

input tax credit for the first period: \$60

LESS changes for tax period 2:

under Division 21 \$NIL

under Division 19 \$6

\$54

## Definitions

80. The following terms are defined for the purposes of this Ruling. Some of the terms are themselves defined in the GST Act.

### Creditable acquisition

81. You make a creditable acquisition if:

- (a) you acquire anything solely or partly for a creditable purpose; and
- (b) the supply of the thing to you is a taxable supply; and
- (c) you provide, or are liable to provide, consideration for the supply; and
- (d) you are registered, or required to be registered.<sup>38</sup>

### Creditable purpose

82. You acquire a thing for a creditable purpose to the extent that you acquire it in carrying on your enterprise.<sup>39</sup>

83. However, you do not acquire the thing for a creditable purpose to the extent that:

- (a) the acquisition relates to making supplies that would be input taxed; or
- (b) the acquisition is of a private or domestic nature.<sup>40</sup>

84. To the extent that an acquisition relates to making financial supplies through an enterprise, or a part of an enterprise, that you carry on outside Australia, the acquisition is not, for the purposes of

---

<sup>38</sup> Section 11-5.

<sup>39</sup> Subsection 11-15(1).

<sup>40</sup> Subsection 11-15(2).

paragraph (a) above, treated as one that relates to making supplies that would be input taxed.<sup>41</sup>

85. An acquisition is not treated, for the purposes of paragraph (a) above, as relating to making supplies that would be input taxed if:

- (a) the only reason it would (apart from subsection 11-15(4)) be so treated is because it relates to making financial supplies; and
- (b) your annual turnover of financial supplies does not exceed the lesser of:
  - (i) \$50,000 or such other amount specified in the regulations; or
  - (ii) 5% of your annual turnover (treating supplies that are input taxed as part of your annual turnover).<sup>42</sup>

### **Financial supplies threshold**

86. The financial supplies threshold is the lesser of:

- \$50,000 (or such other amount specified in the regulations); or
- 5% of your annual turnover (treating supplies that are input taxed as part of your annual turnover).

### **GST-free**

87. If a supply is GST-free, then:

- no GST is payable on the supply;
- an entitlement to an input tax credit for anything acquired or imported to make the supply is not affected.<sup>43</sup>

### **Input tax credit**

88. An input tax credit is the credit you are entitled to for the GST included in the price you pay for an acquisition or the GST paid on an importation, if it is for use in your enterprise.

---

<sup>41</sup> Subsection 11-15(3).

<sup>42</sup> Subsection 11-15(4).

<sup>43</sup> Section 38-1.

# GSTR 2000/D1

The entitlement arises under section 11-20 (about creditable acquisitions) or section 15-15 (about creditable importations).<sup>44</sup>

## Taxable supply

89. You make a taxable supply if:

- (a) you make the supply for consideration; and
- (b) the supply is made in the course or furtherance of an enterprise that you carry on; and
- (c) the supply is connected with Australia; and
- (d) you are registered, or required to be registered.

However, the supply is not a taxable supply to the extent that it is GST-free or input taxed.<sup>45</sup>

## Detailed contents list

90. Below is a detailed contents list for this draft Ruling:

|                                                                                                               | <b>Paragraph</b> |
|---------------------------------------------------------------------------------------------------------------|------------------|
| <b>What this Ruling is about</b>                                                                              | <b>1</b>         |
| <b>Date of effect</b>                                                                                         | <b>6</b>         |
| <b>Background</b>                                                                                             | <b>7</b>         |
| <b>Ruling</b>                                                                                                 | <b>11</b>        |
| What are adjustment events                                                                                    | 11               |
| <i>Changes in the consideration for a supply or an acquisition</i>                                            | 12               |
| <i>Where a supply or an acquisition becomes, or stops being, a taxable supply or a creditable acquisition</i> | 14               |
| <b>Explanations (this forms part of the ruling)</b>                                                           | <b>15</b>        |
| What are adjustment events                                                                                    | 16               |
| <i>Cancellation of a supply or an acquisition</i>                                                             | 18               |
| <i>Example</i>                                                                                                | 19               |
| <i>Changes in the consideration for a supply or an acquisition</i>                                            | 20               |
| <i>Discounts or rebates</i>                                                                                   | 21               |
| <i>Other changes in consideration</i>                                                                         | 22               |
| <i>Example</i>                                                                                                | 26               |

<sup>44</sup> Section 195-1

<sup>45</sup> Section 9-5

|                                                                                                               |    |
|---------------------------------------------------------------------------------------------------------------|----|
| <i>Interest penalties and late return penalties</i>                                                           | 27 |
| <i>Example</i>                                                                                                | 28 |
| <i>Interest on early payment</i>                                                                              | 29 |
| <i>Charges for additional supplies (for example – hire)</i>                                                   | 30 |
| <i>Promotional, co-operative or advertising allowances</i>                                                    | 31 |
| <i>Foreign exchange gains or losses</i>                                                                       | 34 |
| <i>Rebates to third parties</i>                                                                               | 35 |
| <i>Example</i>                                                                                                | 37 |
| <i>Change in the extent of liability for the consideration</i>                                                | 39 |
| <i>Example</i>                                                                                                | 40 |
| <i>Errors or omissions</i>                                                                                    | 41 |
| <i>Where a supply or an acquisition becomes, or stops being, a taxable supply or a creditable acquisition</i> | 42 |
| <i>Example</i>                                                                                                | 43 |
| <i>Changes in the use of an acquisition</i>                                                                   | 44 |
| <i>Example</i>                                                                                                | 46 |
| <i>Changes in your registration status</i>                                                                    | 47 |
| <i>Example</i>                                                                                                | 49 |
| <i>Errors or omissions</i>                                                                                    | 50 |
| When an adjustment event results in an adjustment                                                             | 51 |
| <i>Example</i>                                                                                                | 55 |
| Working out adjustments for supplies                                                                          | 56 |
| <i>The corrected GST amount for a supply</i>                                                                  | 57 |
| <i>Example</i>                                                                                                | 59 |
| <i>The previously attributed GST amount for a supply</i>                                                      | 62 |
| <i>Example</i>                                                                                                | 64 |
| <i>Working out the amount of the adjustment</i>                                                               | 65 |
| <i>Example</i>                                                                                                | 66 |
| Working out adjustments for acquisitions                                                                      | 68 |
| <i>The corrected input tax credit amount</i>                                                                  | 69 |
| <i>Example</i>                                                                                                | 71 |
| <i>The previously attributed input tax credit amount</i>                                                      | 74 |
| <i>Example</i>                                                                                                | 76 |

**GSTR2000/D1**

|                                                 |           |
|-------------------------------------------------|-----------|
| <i>Working out the amount of the adjustment</i> | 77        |
| <i>Example</i>                                  | 78        |
| <b>Definitions</b>                              | <b>80</b> |
| Creditable acquisition                          | 81        |
| Creditable purpose                              | 82        |
| Financial supplies threshold                    | 86        |
| GST-free                                        | 87        |
| Input tax credit                                | 88        |
| Taxable supply                                  | 89        |
| <b>Detailed contents list</b>                   | <b>90</b> |
| <b>Your comments</b>                            | <b>91</b> |

**Your comments**

91. If you wish to comment on this draft Ruling, please send your comments promptly by **31 March 2000** to:

Contact Officers: Chris Williams  
 Telephone: (07) 3853 4835  
 Facsimile: (07) 3853 4882  
 Email: [chris.williams@ato.gov.au](mailto:chris.williams@ato.gov.au)  
 Address: Mr Chris Williams  
 GST Rulings Unit  
 GPO Box 920  
 BRISBANE QLD 4001.

**Commissioner of Taxation**

16 February 2000

|                                                                      |                                      |
|----------------------------------------------------------------------|--------------------------------------|
| <i>Previous draft:</i>                                               | - changes in extent of liability     |
| Not previously issued in draft form                                  | - changes in use of an acquisition   |
|                                                                      | - corrected GST amount               |
| <i>Related Rulings/Determinations:</i>                               | - corrected input tax credit amount  |
|                                                                      | - decreasing adjustment              |
| <i>Subject references:</i>                                           | - discount                           |
| - acquisition – becoming, or ceasing to be, a creditable acquisition | - errors                             |
| - adjustment –                                                       | - foreign exchange gains or losses   |
| - when it arises                                                     | - incorrect pricing or deliveries    |
| - calculating the amount of                                          | - increasing adjustment              |
| - adjustment event                                                   | - interest on early payments         |
| - changes in consideration                                           | - interest penalties – late payments |
| - changes in registration                                            | - late payment amounts               |
|                                                                      | - late return penalties              |

- omissions
- previously attributed GST amount
- previously attributed input tax credit amount
- promotional, co-operative or advertising allowances
- rebate
- supply –
  - cancellation or return
  - becoming, or ceasing to be, a taxable supply

- ANTS(GST)A 1999 19-40(a)
- ANTS(GST)A 1999 19-40(b)
- ANTS(GST)A 1999 19-40(c)
- ANTS(GST)A 1999 19-45
- ANTS(GST)A 1999 19-45(a)
- ANTS(GST)A 1999 19-45(b)
- ANTS(GST)A 1999 19-45(c)
- ANTS(GST)A 1999 19-50
- ANTS(GST)A 1999 19-55
- ANTS(GST)A 1999

## Subdivision 19-C

- ANTS(GST)A 1999 19-70
- ANTS(GST)A 1999 19-70(b)
- ANTS(GST)A 1999 19-70(c)
- ANTS(GST)A 1999 19-75
- ANTS(GST)A 1999 19-75(a)
- ANTS(GST)A 1999 19-75(b)
- ANTS(GST)A 1999 19-75(c)
- ANTS(GST)A 1999 19-80
- ANTS(GST)A 1999 19-85
- ANTS(GST)A 1999 Division 21
- ANTS(GST)A 1999 335(1)
- ANTS(GST)A 1999 35-5
- ANTS(GST)A 1999 38-1
- ANTS(GST)A 1999 38-185
- ANTS(GST)A 1999 40-5
- ANTS(GST)A 1999 Division 129
- ANTS(GST)A 1999 Division 130
- ANTS(GST)A 1999 Division 137
- ANTS(GST)A 1999 195-1
- ANTS(GST)R 1999 40-13

*Legislative references:*

- ANTS(GST)A 1999 9-5
- ANTS(GST)A 1999 11-5
- ANTS(GST)A 1999 11-5(a)
- ANTS(GST)A 1999 11-5(d)
- ANTS(GST)A 1999 11-15(1)
- ANTS(GST)A 1999 11-15(2)
- ANTS(GST)A 1999 11-15(3)
- ANTS(GST)A 1999 11-15(4)
- ANTS(GST)A 1999 11-20
- ANTS(GST)A 1999 11-30
- ANTS(GST)A 1999 11-30(3)
- ANTS(GST)A 1999 15-15
- ANTS(GST)A 1999 Division 19
- ANTS(GST)A 1999 19-10(1)
- ANTS(GST)A 1999 19-10(1)(a)
- ANTS(GST)A 1999 19-10(1)(b)
- ANTS(GST)A 1999 19-10(1)(c)
- ANTS(GST)A 1999 19-10(2)
- ANTS(GST)A 1999 19-10(2)(a)
- ANTS(GST)A 1999 19-10(2)(b)
- ANTS(GST)A 1999 19-10(4)
- ANTS(GST)A 1999
- Subdivision 19-B
- ANTS(GST)A 1999 19-40

*Case references:*

*Colgate-Palmolive Pty Limited v. FC of T* 99 ATC 4289; (1999) 41 ATR 357

## ATO references:

NO 99/18224-5

BO

FOI number:

ISSN: 1443-5160