GSTR 2000/D15 - Goods and services tax: foreign exchange rates that work out the consideration for a taxable supply

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Draft Goods and Services Tax Ruling
Goods and services tax: foreign exchange rates that work out the consideration for a taxable supply

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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 sets out the Commissioner's proposed determinations under subsection 9-85(2) of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act). Copies of the draft determinations are attached at Schedule 1 and 2. Subsections 9-85(1) and (2) require that the consideration for a taxable supply is to be expressed in Australian currency where any amount of the consideration for the supply is expressed in a foreign currency. The proposed manner to work out this conversion is shown in this Ruling.

2. The Ruling also considers the input tax credit and adjustment outcomes involving these currency conversions. In addition, it explains the minimum information that must be contained in an invoice and a 'reverse charge' document for supplies where the amount of the consideration is expressed in a foreign currency.

3. Certain terms used in this Ruling are defined or explained in the **Definitions** section of this Ruling. These terms, when first mentioned elsewhere in the body of the Ruling, appear in **bold** type.

4. Unless otherwise stated, all legislative references in this Ruling are to the GST Act.

Date of effect

5. This Ruling, when finalised, will apply on and from 8 July 1999 (the date of Royal Assent to the Goods and Services Tax (GST) legislation).

Ruling with explanations

Consideration in Australian currency

6. The Commissioner will determine how to work out the foreign currency amount of consideration for a taxable supply that is to be expressed in Australian currency under subsection 9-85(2).

The exchange rates

7. The Commissioner proposes that to calculate an amount of consideration for a taxable supply that is expressed in a foreign currency, you convert that consideration into Australian currency by using:

- the RBA rate;
- the agreed rate; or
- the nominated rate.

The RBA rate

8. The Reserve Bank of Australia rate (RBA rate) is the unit of foreign currency per $A calculated by the RBA at **4:00pm Australian Eastern time** on each business day. The RBA rate is available, for example, to those entities that have access to electronic screen pages shortly after 4:00pm on each business day. This 4:00pm rate is also available to those with internet access, shortly after 9:15am on the following business day at the RBA website: www.rba.gov.au/media/mr_regular.html

The agreed rate

9. If you have an implied or written agreement with another entity, you can use an agreed rate. The agreement must use a specific fixed commercial Australian currency conversion exchange rate ($AUS) as the agreed rate (eg a commercial bank's foreign exchange rate or a rate calculated at a time when it is based on an averaging formula). The agreement may also refer to a specific $AUS rate at a

particular time of day[1]. You should be able to provide sufficient evidence of the calculation and the agreed exchange rate used, if asked by the Commissioner.[2]

The nominated rate

10. To recognise that some entities may have to significantly adjust their computerised accounting software systems to accommodate the RBA rate or the agreed rate, you may choose to nominate a rate and use it until:

- 30 June 2001; or
- the date when your system is updated,

whichever comes first.

11. The nominated rate is an exchange rate that is consistent with accounting standards. For example, it may be a commercial bank's foreign $AUS exchange rate or a rate calculated at a time when it is based on a fixed averaging formula. In these circumstances, you may find it is the same rate you use as an accounting standard in other parts of your business. Therefore, as your systems are unable to use different rates, in many circumstances your nominated rate will be the rate you use at the same time for your general accounting systems, your GST payable and your input tax credit calculations.

12. The nominated rate can only be used in the special circumstance where you cannot readily adjust your computerised accounting software package to be able to apply the RBA rate or agreed rate to work out the consideration for the purpose of this Ruling. In this case, you may not be able to calculate the amount of the consideration of a taxable supply in Australian currency without manual intervention for each invoice expressed in a foreign currency.

13. The nominated rate is based on a specific fixed exchange rate calculated on the exchange rate date you use in accordance with paragraphs 15 to 19. You may nominate a rate before 30 June 2001. It is a rate that you reasonably expect to use until 30 June 2001. A nominated rate cannot be changed by you without nominating a new rate to the Commissioner and cannot be used after 30 June 2001.

14. You may rely upon your nominated rate from 1 July 2000 provided you forward your nomination before 30 June 2001. In some circumstances, the Commissioner may request further information. Your nomination, including a brief note about your circumstances, should be forwarded to:

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[1] The agreement could also specify the RBA rate as the agreed rate
[2] Section 70 of the TAA.

GST Technical Advice

PO Box 9935

in your capital city

or

E-mail to: gstmail@ato.gov.au

or

Facsimile: (02) 6058 7103.

The date for using the exchange rate

15. You may have a taxable supply (including an intangible taxable supply from offshore under Division 84) where the consideration for the supply is stated in a foreign currency. You use the RBA rate, the agreed rate or the nominated rate to convert the consideration of a taxable supply to Australian currency on the conversion day.

16. Accordingly, when you account on a basis other than cash for GST, the conversion day is when you apply the relevant exchange rate to:

- the consideration at the date of the invoice (invoice date)[3]; or
- the amount of the receipt of any payment or part payment at the date of receipt (receipt date),

whichever comes first.[4]

17. When you account on a cash basis for GST, you apply the exchange rate on the conversion day to the amount of consideration to the extent that the amount of consideration is received on that day (cash basis receipt date). [5]

18. If you use the RBA rate, you use the particular rate when it becomes available to you. This will be either the RBA calculated actual day rate or the RBA calculated previous business day rate. Therefore, when it is available to you on the business day of the actual invoice date, the receipt date or the cash basis receipt date, you use that business day rate. If the most recent available RBA rate is that rate calculated on the business day prior to the actual invoice date, receipt date or the cash basis receipt date, then you use the prior RBA business day rate.

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[3] Where, for example, the invoice date is the tax invoice date, it is that date.
[4] Subsection 29-5(1).
[5] Subsection 29-5(2).

19. In circumstances where public holidays occur on the prior business day, you use the last available RBA business day rate.

Examples

Example 1 – the RBA rate

20. Zajones Ltd does not have a nominated rate or an exchange rate agreement between it and Frix-It Corp. Zajones Ltd accounts on a basis other than cash basis for GST. A taxable supply occurs for a price of $US110,000 on 12 December 2000. An invoice is issued by Zajones Ltd on 20 December 2000, and the consideration for the supply is expressed in $US currency. Frix-It Corp does not make a payment to Zajones Ltd before the date of the invoice. The RBA rate on 12 December 2000 is $A0.605c per $US, while the RBA rate for 20 December 2000 is $0.612c per $US.

21. The invoice shows a price of $US110,000 with GST being inclusive. Zajones Ltd is liable for GST using the RBA rate for 20 December 2000. It is calculated by dividing $US110,000 by $A0.612 and multiplying that by 10/11, to determine the value for GST. Therefore the GST is $A16,339.86, which is 10% of the value[6].

22. Also, Frix-It Corp is able to calculate its input tax credit as Zajones Ltd provides a statement on the invoice that refers Frix-It Corp to the RBA rate for 20 December 2000. Frix-It Corp's input tax credit is calculated in exactly the same way and is equal to $A16,339.86 for its creditable acquisition.

Example 2 – the agreed rate

23. Mazx Pty Ltd makes a taxable supply to Dealer Pty Ltd on 10 January 2001 under an agreement. Mazx Pty Ltd issues an invoice that shows the consideration for that supply in $US currency. The supply is subject to an agreement that contains a specific Australian exchange rate of $A0.607 per United States dollar ($US). The RBA rate for the conversion of the consideration (expressed in US currency) is $A0.607 on 10 January 2001.

24. On 6 March 2001, Mazx Pty Ltd makes a further taxable supply under the agreement. However, the exchange rate in the contract now does not reflect the current exchange rate. The RBA rate at the time of this later supply on 6 March 2001 is $A0.585. Both

[6] Jones Ltd may also calculate the GST by multiplying $US110,000 by 1/11 and dividing that by $A0.612 to arrive at the same figure of $16,339.86. Also, you must show the actual GST payable in some circumstances, for example, insurance premiums and supplies of long term accommodation in commercial residential premises.

Mazx Pty Ltd and Dealer Pty Ltd can choose to use the same rate being either the agreed rate of $A0.607 or the RBA rate of $A0.585.

Example 3 – the nominated rate

25. On 3 July 2000, Mable Corporation makes a taxable supply to Prent Pty Ltd. Neither company deals with each other under an agreed rate. Both corporations transact in a foreign currency. Mable Corporation has a computerised accounting system. Mable Corporation's computerised accounting system allows for a table of exchange rates for accounting purposes, in accordance with accounting standards, but in order for the operator to use the RBA rate for invoices, the operator has to manually insert the RBA rate for each invoice. In these circumstances, Mable Corporation nominates a rate in writing to the Commissioner. Mable Corporation can use this nominated rate until 30 June 2001 or the date when its computerised system is updated, whichever comes first. Mable Corporation uses the nominated rate to work out the consideration in Australian currency.

26. If Prent Pty Ltd has similar constraints with its computerised accounting system, Prent Pty Ltd may also nominate a rate to the Commissioner to use until 30 June 2001. Prent Pty Ltd will use its nominated rate to calculate its input tax credit in Australian currency. However, if Prent Pty Ltd does not have an agreed or nominated rate, it will use the RBA rate to calculate its input tax credit in Australian currency.

Adjustments

27. Where you have an adjustment relating to a taxable supply, you use the relevant exchange rate and the procedure outlined in paragraphs 15 to 19, depending on whether you use a cash basis or a basis other than cash for GST.

28. Three types of cases and examples are provided below where the entities use the RBA rate, the agreed rate or the nominated rate.

Increasing supply adjustment

29. If you have an *increasing supply adjustment* as a result of an increase in the quantity of an original supply, you need to calculate the increasing supply adjustment based on it being a new supply. Accordingly, if you account on a basis other than cash for GST, for the increased supply you apply the relevant exchange rate to *the increased consideration at invoice date* or *increased amount at receipt date,* whichever comes first. On the other hand, if you account on a cash basis for GST, you apply the relevant exchange rate to *the increased amount at receipt date*, to the extent of the receipt of any payment.

Example 4 - increasing supply adjustment

30. Tradey Pty Ltd makes a taxable supply to Xemirror Co Ltd on 15 February 2001 for ten middle parts. Tradey Pty Ltd accounts on a basis other than cash for GST and no payments are received from Xemirror Co Ltd before an invoice is issued. Tradey Pty Ltd issues an invoice, dated 28 February 2001, to Xemirror Co Ltd for ten middle parts. The invoice shows consideration in US currency. Tradey Pty Ltd calculates the GST, in this case using the RBA rate for 27 February 2001.

31. On 27 February 2001, Xemirror Co Ltd orders another two middle parts from Tradey Pty Ltd and asks that the additional supply be included on the original invoice. However, Tradey Pty Ltd delays the invoice until 7 March 2001. This order is a new supply.

32. The GST on Tradey Pty Ltd's invoice for ten middle parts is calculated using the RBA rate for 27 February 2001 and the two additional middle parts has a GST liability calculated using the RBA rate for 6 March 2001.[7]

Decreasing supply adjustment

33. If you have a *decreasing adjustment* as a result of, for example, a return of a supply or part supply, you need to calculate the decreasing adjustment for the decreased supply. Therefore, if you account on a basis other than cash for GST, you apply the relevant exchange rate *to the reduced consideration at the original invoice date* or *the reduced amount at original receipt date*, whichever came first. On the other hand, if you account on a cash basis for GST, you apply the relevant exchange rate to the *reduced amount at original receipt date*, to the extent of receipt of any payment.

Example 5 – decreasing supply adjustment

34. Mhjanel Pty Ltd makes a taxable supply on 25 May 2001 for 35 direct connectors to Sptracks Ltd. Mhjanel Pty Ltd accounts on a basis other than cash for GST. Sptracks Ltd does not make any payment to Mhjanel Pty Ltd before an invoice is raised. Mhjanel Pty Ltd issues an invoice expressed in US currency. Mhjanel Pty Ltd calculates its GST liability on the supply of the 35 direct connectors using the relevant exchange rate for 24 May 2001.

35. On 7 June 2001, Sptracks Ltd returns five direct connectors to Mhjanel Pty Ltd. This is a decreasing adjustment. Mhjanel Pty Ltd

[7] When the RBA rate is used the rate may be that of 7 March 2001 being the day it is actually available for screen based operators.

issues an adjustment note and calculates the decreasing adjustment using the relevant exchange rate for 24 May 2001.

Increasing price adjustment

36. If you have an *increasing or decreasing adjustment* as a result of, for example, a change in price on an original invoice for a taxable supply, you need to calculate the increasing or decreasing adjustment. Therefore, when you account on a basis other than cash for GST, you calculate the increasing or decreasing adjustment and apply the relevant exchange rate *of the original invoice date or of any original amount receipt date*, whichever comes first. On the other hand, if you account on a cash basis for GST, you apply the relevant exchange rate *of any original amount receipt date,* to the extent of receipt of any payment.

Example 6 – increasing price adjustment

37. Blaxxers Co Ltd issues an invoice to Drazzins Pty Ltd, dated 25 June 2001, for a taxable supply to Drazzins Pty Ltd on 11 June 2001. The GST payable is calculated using the RBA rate for 24 June 2001. However, the price on the invoice reflects a cost that is lower than the price that should have been charged. This error is realised on 10 July 2001. Blaxxers Co Ltd has an increasing adjustment and issues an adjustment note to Drazzins Pty Ltd. Blaxxers Co Ltd calculates the GST payable for the adjustment note using the RBA rate for 24 June 2001.

Input tax credits

38. Section 11-25 states:

> 'The amount of the input tax credit for a creditable acquisition is an amount equal to the GST payable on the supply of the thing acquired. However, the amount of the input tax credit is reduced if the acquisition is only partly creditable.'

39. This means the GST payable equates to the input tax credit for a creditable or partly creditable acquisition. You are required, under this section, to calculate the $AUS equivalent of the input tax credit on the date basis on which you account for GST explained in paragraphs 15 to 19.

40. In the circumstances explained in paragraphs 10 to 13, the supplier and the recipient could be using different rates, although the GST payable in foreign currency equates to the input tax credit in the foreign currency. Therefore, until 30 June 2001, the Commissioner accepts that where entities use different rates, there may be

fluctuations between the $AUS equivalent for the GST payable and the $AUS equivalent for the input tax credit.

Tax invoices

41. Supplies can be expressed in a foreign currency on a tax invoice in certain circumstances. An explanation of the requirements of tax invoices for taxable supplies expressed in foreign currencies are set out below.

42. A document that complies with section 29-70 is treated as a tax invoice where taxable supplies are expressed in a foreign currency on that tax invoice and:

- the price or the value or the GST payable of the taxable supply is expressed in Australian currency and is displayed on the tax invoice;
- a statement is included on the tax invoice describing the exchange rate that is used to calculate the GST payable, the price or the value of the taxable supply; or
- a document, including an invoice, may be readily attached to the tax invoice expressed in a foreign currency that provides details of all the conversion transactions.

43. Accordingly, instead of indicating the GST in Australian currency in the tax invoice, the tax invoice may provide an explanation that the GST is calculated by using a specific exchange rate. For example, it contains a statement that:

> 'The GST applicable to the consideration of this supply is calculated in Australian currency at the exchange rate published by the RBA at 4:00pm Australian Eastern time on the business day prior to the date of this invoice.'

Price and value expressed in Australian currency

44. Paragraph 29-70(1)(c) states that a tax invoice for a taxable supply must set out the price for the supply. Also, subsection 29-75(1) states that the value of the taxable supply is worked out by taking 10/11 of the price. According to section 9-75, the price is the consideration expressed as an amount of money being the GST inclusive consideration.

45. The word 'money' is defined in section 195-1 to include currency whether of Australia or any other country. Therefore, the price on a tax invoice may be expressed in a foreign currency.

46. Section 9-85 requires that the value is to be expressed in Australian currency. For example, the words 'to be expressed in Australian currency' could mean that:

- the consideration/value/GST payable that is shown in an invoice or a tax invoice is actually in Australian currency;
- the consideration/value/GST payable must be converted into Australian currency at the exchange rate which may be shown in an invoice or tax invoice; or
- the consideration/value/GST payable may be converted into Australian currency at a rate to be applied by the parties and is not shown in an invoice or tax invoice.

47. In the decision of the Privy Council in *Payne v Deputy FCT* [1936] 2 All ER 793, Lord Russell said at 796:

> '...the assessable income of the taxpayer must, whatever be the currency in which he derives it, all be *expressed in terms of Australian currency; in other words* if any portion of his assessable income is derived by him in French or Belgian currency, *it must before he can be properly assessed to Australian income tax be converted into its equivalent*, at the time it was derived, in Australian currency**.** In exactly the same way, any income derived by him in British currency must be converted into its equivalent in Australian currency.'

48. Accordingly, the first or second interpretation is to be used. That is, the phrase 'expressed in terms of Australian currency' requires that the amount of foreign currency shown as consideration for a supply means it is to be converted into an amount of Australian currency at the relevant exchange rate explained in this Ruling. Therefore, the Commissioner accepts that section 9-85 is satisfied if the calculation for the consideration of the supply is carried out using a relevant Australian currency exchange rate. This applies equally to calculations for value and GST paid or payable.

Reverse charges

49. A supply of anything other than **goods** or **real property** not connected with Australia (an intangible supply) can be a taxable supply.[8] A 'reverse charge' applies to certain intangible supplies from offshore that are taxable supplies. This means that GST on such a supply is payable by the recipient of the supply and is not payable by the supplier.[9] In these circumstances, you are liable for the GST

[8] Section 84-5.
[9] Section 84-10.

where you are the recipient of the supply. The amount of GST on a reverse charge is 10% of the price of the supply.[10]

50. To calculate the price of this taxable supply (where the consideration is stated in a foreign currency), you apply the RBA rate, the agreed rate or the nominated rate respectively to work out the amount of the GST payable and expressed on your documentation.[11]

Definitions

51. The following terms are defined for the purposes of this Ruling.

4:00pm Australian Eastern time

52. 4:00pm Australian Eastern time means 4:00pm Australian Eastern Standard time and 4:00pm Australian Eastern Summer time, as appropriate.

Goods

53. Goods mean any form of tangible personal property.

Real Property

54. Real property includes:

(a) any interest in or right over land; or

(b) a personal right to call for or be granted any interest in or right over land; or

(c) a licence to occupy land or any other contractual right exercisable over or in relation to land.

Detailed contents list

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

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[10] Section 84-12.

[11] Under subsection 29-10(3), the Commissioner has determined that you may claim an input tax credit without having to hold a tax invoice for a reverse charge under Division 84. See GSTR 2000/17.

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Your comments

56. If you wish to comment on this draft Ruling, please send your comments promptly by **21 July 2000** to:

Contact Officer: **Theo Richter**
Telephone: **(02) 6058 7357**
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Address: **GST Rulings Unit**
GPO Box 9999
Albury NSW 2640

Commissioner of Taxation
14 June 2000

Previous draft:

Not previously issued in draft form

Subject references:

- goods and services tax
- taxable supply
- intangible taxable supply
- price
- consideration
- reverse charge
- australian currency
- foreign currency
- attribution
- creditable acquisition
- partly creditable
- adjustments
- increasing adjustment
- decreasing adjustment
- input tax credits
- real property
- tax invoice
- accounting on a cash basis
- accounting on a basis other than cash
- commissioner determination

Legislative references:

- ANTA(GST)A 9-5(1)
- ANTS(GST)A 9-5(2)
- ANTA(GST)A 9-75
- ANTA(GST)A 9-85
- ANTS(GST)A 9-85(1)
- ANTS(GST)A 9-85(2)
- ANTS(GST)A 11-25
- ANTS(GST)A 29-5(1)
- ANTS(GST)A 29-5(2)
- ANTS(GST)A 29-70
- ANTS(GST)A 29-70(1)(c)
- ANTS(GST)A 29-70(3)
- ANTS(GST)A 29-75(1)
- ANTS(GST)A Division 84
- ANTS(GST)A 84-5
- ANTS(GST)A 84-10
- ANTA(GST)A 84-12
- ANTA(GST)A 195-1
- TAA 1953 70

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Schedule 1

DRAFT

COMMONWEALTH OF AUSTRALIA

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) ACT 1999

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) AUSTRALIAN CURRENCY CONVERSION DETERMINATION (NO.1) 2000

Under subsection 9-85(2) of the *A New Tax System (Goods and Services Tax) Act 1999* and subsection 4(1) of the *Acts Interpretation Act 1901*, I make the following determination:

Citation

1. This determination is the *A New Tax System (Goods and Services Tax) Australian Currency Conversion Determination (No. 1) 2000*.

Commencement

2. This determination commences on the date the *A New Tax System (Goods and Services Tax) Act 1999* commences.

Application of determination

3. This determination applies to an entity if:

(a) the entity needs to work out the value of a taxable supply; and
(b) any amount of the consideration for the supply is expressed in a currency other than Australian currency; and
(c) the entity is not entitled to work out the value of a taxable supply using the *A New Tax System (Goods and Services Tax) Australian Currency Conversion Determination (No. 2) 2000.*

Manner in which an amount of consideration for the supply is worked out

4. In working out the value of a taxable supply on a conversion day, any amount of the consideration for the supply that is expressed in a currency other than Australian currency is to be treated as if it were an amount of Australian currency worked out in accordance with the following formula:

amount of consideration x relevant exchange rate

where:

relevant exchange rate means:

(a) if, before the conversion day, the supplier and the recipient have an agreement that provides for a commercial rate of exchange to be applied to the consideration - that rate; or
(b) in any other case - the available RBA rate.

Note: When an entity attributes the GST on its taxable supplies or the input tax credit for its creditable acquisitions it uses the relevant exchange rate for a particular day to convert the consideration for a taxable supply to Australian currency.

Available RBA rate

5. (1) The available RBA rate means the exchange rate calculated by the Reserve Bank (the ***RBA exchange rate***) that is available to an entity on a particular day.

(2) The RBA exchange rate available to an entity on a day that is a RBA business day is:

(a) if the entity has access to an electronic screen page - the rate calculated by the Reserve Bank at 4pm Australian Eastern time on that day; or
(b) in any other case - the rate calculated by the Reserve Bank at 4pm Australian Eastern time of the preceding RBA business day.

(3) The RBA exchange rate available to an entity on a day that is not a RBA business day is:

(a) if the entity has access to an electronic screen page - the rate calculated by the Reserve Bank at 4pm Australian Eastern time on the last RBA business day preceding that day; or
(b) in any other case - the rate calculated by the Reserve Bank at 4pm Australian Eastern time of the penultimate RBA business day preceding that day.

Definitions

6. (1) The following expressions are defined for the purposes of this determination:

available RBA rate means the rate defined in Clause 5;

conversion day means the day:

(a) if an entity accounts on a cash basis - when payment is made; or
(b) if an entity accounts on a basis other than cash - when payment is made or an invoice is issued, whichever is the earlier;

exchange rate means the unit of foreign currency per Australian dollar;

RBA business day means a day that the head office of the Reserve Bank is open for business;

Reserve Bank means the body corporate continued in existence under the *Reserve Bank Act 1959*.

(2) Other expressions in this determination have the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999*.

Dated this day of 2000.

[not signed - draft for consultation]

Delegate of the Commissioner

Schedule 2

DRAFT

COMMONWEALTH OF AUSTRALIA

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) ACT 1999

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) AUSTRALIAN CURRENCY CONVERSION DETERMINATION (NO.2) 2000

Under subsection 9-85(2) of the *A New Tax System (Goods and Services Tax) Act 1999* and subsection 4(1) of the *Acts Interpretation Act 1901*, I make the following determination:

Citation

1. This determination is the *A New Tax System (Goods and Services Tax) Australian Currency Conversion Determination (No. 2) 2000*.

Commencement

2. (1) This determination commences on the date the *A New Tax System (Goods and Services Tax) Act 1999* commences.

(2) This determination does not revoke, amend or vary the *A New Tax System (Goods and Services Tax) Australian Currency Conversion Determination (No. 1) 2000*.

Application of determination

3. (1) This determination applies to an entity if:
(a) the entity needs to work out the value of a taxable supply; and
(b) any amount of the consideration for the supply is expressed in a currency other than Australian currency.

(2) However, the entity is not entitled to work out the value of a taxable supply using this determination after the earlier of:

(a) the time when the entity modifies its computerised accounting system so that it is capable of using the relevant exchange rate mentioned in the *A New Tax System (Goods and*

Services Tax) Australian Currency Conversion Determination (No. 1) 2000; and

(b) 30 June 2001.

Manner in which an amount of consideration for a supply is worked out

4. In working out the value of a taxable supply on a conversion day, any amount of the consideration for the supply that is expressed in a currency other than Australian currency is to be treated as if it were an amount of Australian currency worked out in accordance with the following formula:

amount of consideration x nominated exchange rate

where:

nominated exchange rate means the rate calculated in accordance with clause 5.

Note: When an entity attributes the GST on its taxable supplies or the input tax credit for its creditable acquisitions it uses the nominated exchange rate for a particular day to convert the consideration for a taxable supply to Australian currency.

Nominated exchange rate

5. (1) The nominated exchange rate is a rate calculated by an eligible entity on or after 1 July 2000 that:

(a) the entity reasonably expects to use in applying the formula referred to in Clause 4 until the relevant time; and

(b) is consistent with an accounting standard.

(2) An entity may change the nominated exchange rate if it no longer reasonably expects to use that rate until the relevant time.

(3) An entity changes the nominated rate by calculating another rate in accordance with subclause (1).

(4) An eligible entity may use the nominated exchange rate from the time it is calculated until:

(a) the entity changes the nominated exchange rate in accordance with subclause (3); or

(b) the entity modifies its computerised accounting system so that it may use the relevant exchange rate; or
(c) 30 June 2001;
whichever is the earliest.

(5) The nominated exchange rate must be notified to the Commissioner on or before 30 June 2001.

(6) In this clause, ***relevant time*** means:
(a) the time the entity modifies its computerised accounting system so that it is capable of using the relevant exchange rate; or
(b) 30 June 2001;
whichever is the earlier.

Definitions

6. (1) The following expressions are defined for the purposes of this determination:

accounting standard has the same meaning as in section 9 of the *Corporations Law*;

conversion day means the day:

(a) if an entity accounts on a cash basis - when payment is made; or
(b) if an entity does not account on a cash basis - when payment is made or an invoice is issued, whichever is the earliest;

eligible entity is an entity that cannot use the relevant exchange rate until the entity significantly modifies its computerised accounting systems;

relevant exchange rate has the same meaning as in Clause 4 of the *A New Tax System (Goods and Services Tax) Australian Currency Conversion Determination (No. 1) 2000*.

(2) Other expressions in this determination have the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999*.

Dated this day of 2000.
[not signed - draft for consultation]
Delegate of the Commissioner