GSTR 2001/D7 - Goods and services tax: prizes

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There is an Erratum notice for this document.
This document has been finalised.

Draft Goods and Services Tax Ruling
Goods and services tax: prizes

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Preamble

This document is a draft for industry, professional and community 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 the final Ruling is 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 entity to whom it applies.*

What this Ruling is about

1. This Ruling explains how the goods and services tax ('GST') applies to the providers and the recipients of prizes under the *A New Tax System (Goods and Services) Tax Act 1999* ('GST Act').

2. The Ruling explains when a prize is a taxable supply made by the provider and when it is consideration for a supply made by the recipient of the prize. Taxable supplies of prizes may be made for consideration that is not expressed as an amount of money (non-monetary consideration). Where this Ruling discusses non-monetary consideration, it refers to Goods and Services Tax Ruling GSTR 2001/6, GST: non-monetary consideration ('GSTR 2001/6').

3. This Ruling also explains how Division 126 of the GST Act deals with prizes resulting from gambling. The explanation of Division 126 includes the GST treatment of points awarded by entities such as casinos and clubs.

4. This Ruling does not deal with supplies that are GST-free under subdivision 38-H of the GST Act (which is about raffles and bingo conducted by a charitable institution).

5. The Ruling adopts interpretations of the GST Act expressed in other public rulings issued by the ATO. This Ruling, when finalised, does not alter the views expressed in those rulings, but explains and applies those views in the context of the particular subject matter of this Ruling.

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

Date of effect

7. This draft Ruling explains our view of the law as it applied from 1 July 2000. You will be able to rely upon the final Ruling as and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

Context

What is a prize?

8. A prize may be either:

(a) in the form of money;

(b) in a non-monetary form, such as

- a medal, trophy or ribbon, representing success in a particular endeavour;
- a good, service or right of intrinsic value that a recipient would generally be able to acquire elsewhere if prepared to pay for it (for example, a car, cleaning services or a holiday); or

(c) a combination of the above.

9. A prize that is in the form of money is referred to in this Ruling as a 'monetary prize'.

10. Prizes provided in some circumstances are commonly called awards. In this Ruling, unless otherwise stated, a reference to a prize will include a reference to an award.

When are prizes provided?

11. An 'event operator' is an entity that organises events or competitions for which a prize is awarded to the successful participant(s). Examples of situations in which a prize is provided by an event operator are:

- to the successful participant in a competition of physical, intellectual or artistic prowess;
- to the owner of a racehorse or greyhound that wins a race;

- to a sporting club member who is chosen as the club's best and fairest player for the season;
- to a volunteer collector for a charitable cause in recognition of effort; or
- to the winner of a lottery or raffle.

Valuation

12. In dealing with the issue of valuation, the Ruling refers to GSTR 2001/6, which provides guidelines that you may apply to determine a reasonable market value of consideration. For example, in certain circumstances, using the market value of a prize that is supplied may be a reasonable valuation method for the non-monetary consideration provided for the prize.

Ruling with explanations

Prizes as supplies

13. 'Supply' is defined very broadly in section 9-10. However, a supply does not include a supply of money unless the money is provided as consideration for a supply that is itself a supply of money.[1] In providing money as a prize, an entity does not make a supply for GST purposes (but the provision of money could be consideration for a supply). In providing a non-monetary prize, an entity is making a supply for GST purposes.

14. In the organisation of a competition for which a prize is awarded to the successful participant, there are several identifiable supplies. (See the diagram in Appendix A that shows the exchange of supplies and consideration for the examples below).

Supply by the event operator - the right to participate in the event

15. When an event operator organises a competition or similar undertaking, participants may be required to formally enter the event by completing an entry form and paying an entry fee. In return, the event operator provides to the participant a right to participate. However, the supply of a right to participate may be a supply for no consideration if no entry fee is charged.

[1] Subsection 9-10(4)

Example 1: Professional golfer

16. *Rod is a professional golfer. He pays an entry fee of $50. In return for the $50 fee, Golfers Unlimited supplies Rod with a supply, being the right to enter and participate in the tournament.*

Supply by the participant - participating in the event

17. All participants that enter the competition make a supply to the event operator by participating in the event.

Example 2: Professional golfer

18. *Rod (from Example 1) plays in the tournament. In doing so, Rod makes a supply to the event operator by participating in the event.*

Supply by the event operator to the winner - the non-monetary prize

19. The event operator in providing a non-monetary prize to the successful participant in a competition is also making a supply.

Example 3: Professional golfer

20. *Rod (from Examples 1 and 2) wins the tournament. Golfers Unlimited presents Rod with a trophy. The provision of the trophy is a supply for GST purposes.*

Prizes and what is a taxable supply

21. Where a prize is provided to a participant by an event operator, the prize may be a taxable supply made by the event operator, as well as consideration provided by the event operator for the supply of the participant's services.

Prizes as taxable supplies

22. The supply of a prize will be a taxable supply if the requirements of section 9-5 are met in relation to that supply. As noted above at paragraph 13, a monetary prize is not a supply for GST purposes but could be consideration for a supply made by the recipient of the prize.

23. Subdivision 9-A is about taxable supplies. Section 9-5 sets out the requirements of a taxable supply. The section provides:

'You make a taxable supply if:

(a) you make the supply for consideration;

(b) the supply is made in the course or furtherance of an enterprise that you carry on;

(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.'

24. Where paragraphs (b) and (c) of section 9-5 are met and the supply is neither GST-free nor input taxed, the supply will be a taxable supply if:

- it is a non-monetary prize;
- the supply of the prize is made for consideration; and
- the supplier is registered or required to be registered.

Prizes as consideration for taxable supplies

25. Prizes may be provided as consideration for a supply of services by a participant in a competition. The participant's supply will be a taxable supply if all of the requirements of section 9-5 are met. For example, participants in a local art show competition will not be making a taxable supply if they are not registered or required to be registered. However, the art show operator may be making a taxable supply of the prize if there is consideration for the prize and the operator is registered or required to be registered.

26. In analysing the GST consequences of supplying and receiving prizes, this Ruling focuses on the requirements that the supply of a prize is made for consideration, and that the supplier is registered or required to be registered.

Consideration for the supply of a prize

27. A supply is a taxable supply if (among other things) the supply is made for consideration.[2] Consideration is defined in section 195-1 to mean 'any consideration within the meaning given by section 9-15, in connection with the supply or acquisition'.

28. Subsection 9-15(1) further provides that a payment, act or forbearance will be consideration for a supply if it is 'in connection with', 'in response to' or 'for the inducement' of a supply. A payment, act or forbearance may be consideration for a supply even

[2] See paragraphs 25 and 26.

though it is made voluntarily, and regardless of whether it is made by persons other than the recipient of a supply.[3]

29. In most cases involving the supply of a prize, the consideration is likely to be an act. For example, the act of participating in an art show competition may be consideration for a supply.

The sufficient nexus test

30. A supply is not subject to GST unless it is made *for consideration.*[4] Consideration for a supply or acquisition is defined in section 195-1 as any consideration, within the meaning given by section 9-15, in connection with the supply or acquisition.

31. We consider that, in the context of the GST Act, the expression 'you make the supply for consideration' in paragraph 9-5(a) has a similar meaning to 'there is consideration for the supply that you make'.[5]

32. The references in the GST Act to 'supply for consideration'[6] and more commonly to 'consideration for a supply'[7] underscore the close coupling between the supply and the consideration that is necessary before a payment will be consideration for a supply.

33. In determining whether a payment satisfies the requirements of subsection 9-15(1), the test is whether there is a sufficient nexus between the supply and the payment made. Sufficient nexus is explained further in GSTR 2001/6. The explanation given in that Ruling draws on analyses of tests of consideration for a supply that apply in overseas jurisdictions.

Applying the sufficient nexus test to prizes awarded in a competition

34. In the context of a horse race for which monetary and non-monetary prizes may be awarded, the owner of the winning horse makes a supply to the event operator by providing the horse to participate in the race. The event operator makes a supply of the non-monetary prize to the owner.

35. As the prize provided by the event operator is in connection with and in response to the supply by the owner, the prize has

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[3] Subsection 9-15(2).
[4] Paragraph 9-5(a).
[5] Compare paragraph 11-5(c) – one of the requirements of a creditable acquisition is that you provide consideration for the supply. In addition, the definition of 'supply' itself adopts the expression 'consideration for a supply'.
[6] For example paragraph 9-5(a).
[7] The term 'consideration for a supply' appears in, for example, paragraph (a) of the definition of 'price' in subsection 9-75(1), in subsection 9-85(2) in relation to the value of a supply, and in paragraph 11-5(c) in defining a creditable acquisition.

sufficient nexus with the supply. The prize (whether monetary and/or non-monetary) is consideration for the supply by the owner.[8]

36. The event operator makes a supply of the non-monetary prize to the owner. The owner provided the horse to participate for the inducement of the prize. In providing the horse to race, the owner provided consideration for the supply of the prize.

Example 4: Professional horse owner and racing club

37. *Both Basil and the Central Racing Club are registered for GST. Basil pays a nomination fee to enter his horse in a race organised by the Central Racing Club. In return, he is supplied with a right to race his horse in the nominated race. There is a sufficient nexus between the supply of the right and the consideration that is the nomination fee.*

38. *Basil's horse wins the race and he receives prize money and a trophy. Basil makes a supply to the Central Racing Club by providing his horse to participate in the race. The consideration for this supply is the prize money and the trophy provided by the club.[9] Basil makes a taxable supply as there is a sufficient nexus between the supply of the winning horse and the consideration provided by the club.*

39. *The Central Racing Club makes a taxable supply of the trophy. The consideration provided by Basil for this supply is the provision of his horse to participate in the race. The club makes a taxable supply as there is a sufficient nexus between the supply of the trophy and the consideration provided by Basil.*

Participant not registered nor required to be registered

40. Although a prize that is provided to a successful participant may be consideration for the supply by the participant, the supply will not be a taxable supply if the participant is not registered nor required to be registered for GST.

Example 5: Hobby race horse owner

41. *Wendy is a hobby race horse owner who enters her horse into a race at the Central Racing Club. Wendy is not registered nor required to be registered as she is not carrying on an enterprise. Wendy makes a supply to the club by providing her horse to participate in the race.*

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[8] Support for this view is provided at paragraph 6.215 of the Consolidated EM to the GST Act.

[9] Subsection 9-75(1)

42. *Wendy's horse wins the race and she receives a monetary prize and a trophy. Although the prize, both the money and the trophy, is consideration for the supply Wendy makes, she does not make a taxable supply as she is not registered nor required to be registered.*

43. *The Central Racing Club makes a taxable supply of the trophy. The consideration provided by Wendy for this supply is Wendy's provision of her horse to participate in the race. The club makes a taxable supply as there is a sufficient nexus between the supply of the trophy and the consideration provided by Wendy.*

Other examples of sufficient nexus

44. As in the horse racing examples above, a sufficient nexus between the provision of services and the supply of a prize can be demonstrated in non-sporting contexts as well.

Example 6: Fund raising quest prize

45. *The Smith Medical Research Centre ('Centre') runs a fund raising quest. The participants pay a fee to enter and the quest involves participants raising money through various activities.*

46. *Professional Fundraising Services ('PFS') enters competitions to win prizes. Both PFS and the Centre are registered for GST. PFS raises the highest amount of funds for the Centre. The Centre awards PFS a non-monetary prize of a motor vehicle.*

47. *The supply of PFS's services will be a taxable supply for which the consideration is the motor vehicle. The motor vehicle is a taxable supply made by the Centre. The consideration made in connection with this supply is the fund raising work provided by PFS.*

Example 7: Professional artist prize

48. *Linda is a professional artist and submits a painting to an exhibition organised by the Bright Artists Society. Both Linda and the society are registered for GST. The painting submitted by Linda is judged to be the best entry and a $4,000 computer system is awarded to her as a prize.*

49. *Linda makes a supply by participating in the exhibition. The consideration for this supply is the computer system.*

50. *The supply of the prize by the society is a taxable supply. By participating in the exhibition, Linda provides consideration for the supply of the prize.*

Prize awarded without formal entry into a competition

51. Participants are sometimes considered for prizes on the basis of how their services compare with the services of others, even though they have not formally entered into any competition. For example, sportspeople may be awarded end-of-season awards.

52. Where a non-monetary prize is awarded to a participant in these circumstances, the services of the participant will be consideration for the supply of the prize, if there is a sufficient nexus between the services and the supply of the prize.

Example 8: Sportsperson award

53. *Anthony is a professional footballer who is contracted (as an independent contractor) to provide his services to a football club. Both Anthony and the club are registered for GST. Anthony receives payments for his playing services. His contract with the club as an independent contractor also provides for bonuses and other incentives based on his and the team's performance.*

54. *In addition, Anthony also accumulates votes towards winning the best and fairest award during the season. As a result of his outstanding performances during the year, Anthony wins the award.*

55. *In providing the award, the club makes a taxable supply to Anthony. Although Anthony has not specifically entered a competition for the award, it forms part of his contractual relationship with the club. He supplies his services for rewards that are connected with or result from his contract. The consideration provided by Anthony is the supply of his services.*

Example 9: Product promotion prize

56. *Lisa is an independent travel agent who is registered for GST and works on a commission basis for various airlines. At the end of the financial year, Lisa makes the highest number of sales of tickets for Jumbuk Airlines*.

57. *In recognition of her achievement, Jumbuk decides to provide Lisa with a return ticket to any capital city in Australia. Jumbuk supplies this prize to Lisa and she provides consideration for the supply in the form of her services*.

No consideration for the supply of a prize

58. A prize may be awarded in circumstances where not all the elements of section 9-5 are satisfied. In these circumstances, a GST liability does not arise for the entity making the supply. For example,

where work is provided voluntarily without any entitlement to compensation, it may indicate that the work is not consideration for the supply.

59. Whether work can be characterised as voluntary depends on the facts and circumstances of each case. However, for the purposes of this Ruling, voluntary work has the following characteristics:

- the entity receiving the services does not make any undertaking to the worker about remuneration or reward before the work is provided;
- the worker provides the services without any expectation of remuneration or reward from the recipient of the services; and
- the entity receiving the services does not have any legal obligation to provide any remuneration or reward to the worker.

Example 10: Prize in recognition of personal attributes

60. *Bill provides his services of making street collections for the Jones Hospital Foundation. The Foundation decides after the collection to award a prize of a CD player to Bill who collected the most money on their collection weekend. Bill is awarded the prize in recognition of his personal attributes in providing community support.*

61. *Bill provides his services on a voluntary basis without any entitlement to compensation. The Foundation has not made a taxable supply, as there has not been any consideration for the supply of the CD player.*

Example 11: Best student in the State

62. *Tom is a student in the final year of secondary education. At the end of the year, his school decides to award a prize to Tom, who topped the State in the final examinations. In recognition of this achievement, the school provides Tom with a laptop computer.*

63. *Tom has worked hard to attain his grades as he wishes to undertake a medical degree at a university. Tom does not make a supply to the school. The school makes a supply, but it does not make a taxable supply as there is not any payment in connection with the supply of the laptop computer.*

Consideration must have economic value and independent identity

64. For a thing to be treated as a payment for the supply of a prize, it must have economic value and independent identity[10] provided as compensation for the making of the supply. That is, it must be capable of being valued and be something of value that an acquirer would usually or commercially pay money to acquire.

Examples where there is no economic value and independent identity

Example 12: Student quiz prize

65. *Gembrook College is registered for GST and conducts a general knowledge quiz for its final year students. Jim is a final year student and wins the quiz. The school awards him a prize of sporting equipment worth $200.*

66. *The school makes a supply of the prize. Jim's participation in the quiz is not something that someone would pay for and does not have any economic value and independent identity. The school does not have any GST liability for the supply of the prize.*

Example 13: Amateur cricketer prize

67. *Peter is an amateur cricketer playing for a local cricket club that is registered for GST. Peter does not receive any payments for his playing services.*

68. *As a result of his outstanding performances for his team, Peter wins the best batsman's trophy from the club.*

69. *The club, in providing the award, makes a supply of the trophy to Peter. However, Peter's services do not have any economic value and independent identity in connection with these particular transactions and for GST purposes.*

70. *The supply of the trophy to Peter by the cricket club is not a supply for consideration.*

Examples where there is economic value and independent identity

Example 14: Professional sportsperson receiving a trophy

71. *Paul is a professional basketball player who plays for the Mountain City Basketball Club. Paul shoots the highest number of baskets for the season and receives a trophy from the club.*

[10] Refer to GTR 2001/6 for an explanation of economic value and independent identity.

72. *The club makes a supply of the trophy to Paul. Paul's playing services have been provided in connection with the prize and there is an economic value and independent identity attached to those services. The club makes a taxable supply of the prize.*

Example 15: Amateur playing in a professional golf tournament

73. *Jack is an amateur golfer who regularly participates in amateur and professional tournaments. He is invited to play in a professional golf tournament held by the Clinton Golf Club. He finishes the tournament as runner-up and wins a trophy for his efforts.*

74. *The club makes a supply of the trophy to Jack. His participation has an economic value and independent identity to the operators. The club wanted a good gallery and expected every player in the tournament, either professional or amateur, to play to a high standard to promote a successful tournament. His participation is in connection with and for the inducement of the prize.*

75. *By participating in the event, Jack provides consideration to the Clinton Golf Club. The supply of the trophy by the Clinton Golf Club to him is a supply for consideration.*

76. *Although the trophy is consideration for the supply Jack makes, he does not make a taxable supply as he is not registered nor required to be registered. However, he will need to register if he is carrying on an enterprise and accumulates prizes to a value of $50,000 or more in any 12 month period.*[11]

Non-monetary lottery prizes - no consideration

77. A taxable supply of a ticket in a lottery, raffle or similar undertaking is a gambling supply. Gambling supplies are explained in more detail later in this Ruling, commencing at paragraph 86.

78. The price of a ticket in a lottery is consideration for the supply of the ticket. It is not consideration for the supply of a non-monetary prize provided on the outcome of the lottery.

79. The purchase of the lottery ticket provides the holder with a right to be placed in a draw. The holder of the winning ticket acquires a right to the prize. The supply of the prize is separate from the supply of the ticket. No separate or additional consideration is provided for the supply of the prize.

[11] Division 23 – Who is required to be registered and who may be registered.

Example 16: Non-monetary lottery prize

80. *The Merry Bowls Club is registered for GST and conducts a raffle where the prize is a motor vehicle worth $33,000. The tickets are $10 each and 5,000 tickets are sold.*

81. *Mandy purchases a ticket in the raffle and is supplied with a right to be considered for a prize. The raffle is drawn and Mandy wins the prize.*

82. *As she does not provide any separate or additional consideration for the prize, the club does not make a taxable supply of the car.*

Valuation of non-monetary consideration

83. Where the consideration for the supply of a non-monetary prize is a person's services, the value of the supply is the GST inclusive market value of that consideration.[12] GSTR 2001/6 provides guidelines on how to determine the GST inclusive market value of non-monetary consideration. That Ruling states that any reasonable valuation method may be used.

84. Consistent with GSTR 2001/6, it is reasonable to determine the GST inclusive market value of services provided as consideration for the supply of a prize, on the basis of the market value of the prize itself.

Example 17: GST inclusive market value of participation

85. *In example 15 above, by participating in the event, Jack provides consideration for the supply of the trophy. The cost of the trophy is $500. The Clinton Golf Club may treat $500 as being the GST inclusive market value of the consideration that is provided by Jack for the supply of the trophy.*

Supply of prizes by the provider of gambling supplies

86. The general rule for working out the net amount of GST that applies to you for a tax period is contained in Division 17. Subsection 17-5(1) provides that the net amount for a tax period applying to you is worked out using the formula:

'GST – Input tax credits'.

87. However, Division 126 provides the way of working out your net amount by incorporating your net profits from taxable supplies involving gambling.

[12] Paragraph 9-75(1)(b)

88. The activities, on which the net amount is worked out, are based on gambling supplies and gambling events. Both of these terms are defined in Division 126.

Definition of gambling supplies and gambling events

89. Section 126-35 states:

> '(1) A *gambling supply* is a taxable supply involving:
>
> (a) the supply of a ticket (however described) in a lottery, raffle or similar undertaking; or
>
> (b) the acceptance of a bet (however described) relating to the outcome of a gambling event.
>
> (2) A *gambling event* is:
>
> (a) the conducting of a lottery or raffle, or similar undertaking; or
>
> (b) a race, game, or sporting event, or any other event, for which there is an outcome.'

90. Examples of gambling events include:

- games offered in casinos;
- gaming machines in clubs and hotels;
- lotteries; and
- raffles.

91. In addition, any race, game or sporting event, or any other event for which there is an outcome is a gambling event under paragraph 126-35(2)(b). Common examples of these include:

- horse and greyhound racing;
- football and other sporting matches; and
- other events, the outcome of which will not be known until some time in the future, such as which participant will receive an award.

92. A gambling supply, in relation to the above examples, is the supply of the ticket for the raffle or lottery, and the acceptance of a bet. When a sporting team plays a match, it is not making a gambling supply. However, a bookmaker in accepting a bet on the outcome of the match, is making a gambling supply.

Global GST amount and prizes

93. GST on gambling supplies is dealt with by using the global accounting system described in Division 126. Section 126-10 defines the *global GST amount* for a tax period as:

> '(Total amount wagered - Total monetary prizes) x 1/11
>
> where:
>
> ***total amounts wagered*** is the sum of the consideration for all of your gambling supplies that are attributable to that tax period.
>
> ***total monetary prizes*** is the sum of:
>
> (a) the monetary prizes you are liable to pay, during the tax period, on the outcome of gambling events (whether or not any of those gambling events, or the gambling supplies to which the monetary prizes relate, take place during the tax period); and
>
> (b) any amounts of money you are liable to pay, during the tax period, under agreements between you and recipients of your gambling supplies, to repay to them a proportion of their losses relating to those supplies (whether or not the supplies take place during the tax period).'

94. For the purposes of this Ruling, an entity that provides gambling supplies is referred to as a gambling supply provider.

95. 'Monetary prize' is defined by the GST Act to mean:

> '(a) any prize, or part of a prize, in the form of money; or
>
> (b) if the prize is given at a casino - any prize, or part of a prize, in the form of money or in the form of gambling chips that may be redeemed for money.'[13]

GST treatment of prizes supplied on the outcome of a gambling event

96. A lottery or raffle is a gambling event as defined in paragraph 126-35(2)(a). Money paid as a prize on the outcome of a lottery or raffle is included in total monetary prizes in the calculation of the global GST amount.

[13] Section 195-1

Example 18: Calculating global GST amount

97. *The Merry Bowls Club is registered for GST and conducts a raffle where the prize is a car worth $33,000 and $500 cash. The tickets are $10 each and 5,000 tickets are sold.*

98. *The Merry Bowls Club is required to account for GST on the global GST amount. This will be on the total of the tickets sold ($50,000) less the value of the total monetary prize ($500) only.*

99. *The global GST amount is (($50,000 - $500) x 1/11) = $4,500.*

100. *Although the Merry Bowls Club does not make a taxable supply of the car, it is entitled to claim an input tax credit of $3,000, which is 1/11th of the consideration paid for the car.*

GST treatment of points awarded as prizes by providers of gambling supplies

101. A common practice in the gambling industry is for points to be awarded to players to encourage their further participation in gambling events or to facilitate the purchase of products or services sold in the club, hotel or casino.

102. These points represent an amount of value expressed in money terms. For example, 30 points may have an equivalent value of $15. Points may be issued in the following circumstances:

- as a prize or part of the prize on a gambling event or a competition (for example, points are awarded for a win on a gaming machine or a player's success in a card game at a casino);
- on the basis of participation rather than for a win on a gaming machine or a card game at a casino (for example, points awarded on the basis of the number of games played, time or money spent playing on gaming machines, or the time spent at gaming tables); or
- on the purchase of meals, beverages and other non-gambling services supplied by the entity.

103. We consider that participation in a gambling event has its own outcome. Points awarded for participation, and/or on a result, are points awarded on the outcome of the gambling event.

104. When points are awarded for a winning bet, and/or for participation, and the points are redeemed for money (or gambling chips if paid by a casino), the money (or chips) will be a monetary prize. The monetary prize will need to be included in the total monetary prizes for the purposes of calculating the global GST amounts in section 126-10.

105. However, points awarded for the purchase of meals, beverages and other non-gambling services supplied by an entity, or points purchased by a participating member, are not considered to be on the outcome of a gambling event. Where these points are redeemed for money, the monetary prize cannot be included in the global GST amount.

Example 19: Points awarded on a prize basis

106. *Harry plays a gaming machine at a licensed club. The club allocates points to any member who wins a prize on their machines. Any points accumulated may be redeemed for cash.*

107. *As the points have been awarded on the outcome of a gambling event, the club can include the money paid over in redeeming the points as part of the total monetary prizes, when calculating its global GST amount.*

Example 20: Points awarded on a participation basis

108. *Roseanne plays a gaming machine at a licensed club. Roseanne is unsuccessful and does not win any jackpots on the machine. The club awards points on the basis of the number of games played and/or time spent playing the gaming machine.*

109. *Although the points are awarded on a participation basis, the redemption of these points for money constitutes a monetary prize for the purposes of section 126-10. The points are treated as being awarded on the outcome of a gambling event.*

Example 21: Points awarded for the purchase of non-gambling products

110. *Gia orders meals and drinks for her guests at a licensed club. As a registered club member, she is awarded points on the purchase of these products.*

111. *The awarding of these points is not on the outcome of a gambling event. The redemption of these points for money will not constitute a monetary prize for the purposes of section 126-10.*

When does the money paid for these points give rise to monetary prizes?

112. When points are redeemed for money (or gambling chips if paid by a casino), we consider that the money paid is a monetary prize. Therefore, the money paid can be claimed as a monetary prize in the section 126-10 calculation of a gambling supply provider.

113. For these gambling points to be claimed as total monetary prizes, it is not sufficient that they are merely awarded by a gambling supply provider. At the time of the awarding of points, there is no liability upon the gambling supply provider to pay money (or if the provider is a casino, to pay the value of the points in the form of gambling chips).

114. When gambling points are redeemed, the player is entitled to receive the value of them as money (or in the form of gambling chips if the provider is a casino). The money you are liable to pay the player at that time can be included in total monetary prizes for the purposes of section 126-10.

Promotional events

115. Entities that are gambling supply providers also often conduct various forms of promotional events, with the purpose of encouraging increased gambling participation from members/customers. Often these promotional activities involve extra prize payments and bonus draws on various gaming jackpots.

116. For these prizes to be treated as monetary prizes for the purposes of section 126-10, they must be directly related to the prize paid and the outcome of the gambling event.

117. The following are examples of monetary prizes related to the outcome of a gambling event.

Example 22: Increased and additional money prizes

118. *The Koalas Sporting Club is a GST registered gambling supply provider and conducts a jackpot hour every Friday night. Any lucky players who win a $50 cash jackpot in the jackpot hour will receive double that amount.*

119. *The money is paid on the outcome of a gambling event. The total value of the prize paid is a monetary prize for the purposes of section 126-10.*

120. *As part of the jackpot hour, Koalas Sporting Club provides all lucky players who win a jackpot over $150 with a double chance ticket, entitling them to be in a draw for a bonus prize of $500.*

121. *As the payment of the prize of $500 is payable on the outcome of the initial gambling event and the draw, the prize is a monetary prize for the purposes of section 126-10.*

Lucky membership draws

122. For promotional purposes, it is common practice in the club industry to conduct lucky membership draws for club members. These draws involve the random drawing of a membership number for a monetary prize and are normally held at a particular time each day or week.

123. The purpose of the draw is to encourage members to attend the club and the prize is paid if the member is present. If the prize is unclaimed, it may jackpot to the following draw. Generally, there is no charge for the entry into the draw and there is no condition of entry, other than being a financial member of the club.

124. Although there may be no consideration paid by a member or participant in these draws, the event has similar characteristics to a lottery, as it is:

> 'A contest where the outcome is mainly determined through the operation of chance, the disposition of prizes by lot.'[14]

125. The lucky membership draw satisfies the requirements of the definition of a ***gambling event*** for the purposes of subsection 126-35(2) as it is:

> 'the conducting of a lottery or raffle, or similar undertaking.'

Therefore, any monetary prize paid to the winner of the draw may be included within total monetary prizes for purposes of section 126-10.

Example 23: Lucky membership draws

126. *Legends Sporting Club makes gambling supplies and conducts a free lucky member draw every Friday evening at its 'happy hour' at 5.00pm. A money jackpot of $50 is payable on the random selection of a current member's registration number. If the prize is not claimed by the member, it will jackpot by $50 per week, until it is claimed by a member who is selected in a draw. The member needs to be present at the draw to be eligible to take the prize*.

127. *As the event can be described as a gambling event, the prize that is paid is a monetary prize for the purposes of section 126-10. It needs to be included as a monetary prize when calculating the club's global GST amount*.

Contributions to cross-venue jackpots

128. Some gaming machines in licensed clubs and hotels may be linked to provide opportunities to play for larger jackpots.

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[14] Butterworths Legal Dictionary 1997, p.709

Participating clubs and hotels contribute to a 'jackpot fund' to cover the payment of a cross-venue jackpot that is set up. It is not known when and where the jackpot will be won.

129. The contributions into the jackpot fund are treated as being a monetary prize for the purposes of section 126-10, as they are for the sole purpose of being paid out as a monetary prize. The contribution to the jackpot pool by each participating gambling supply provider has the same effect as if the amount had been paid out by them as a monetary prize on the outcome of a gambling event. Each contributing member is entitled to claim the value of the extent of their contribution to the jackpot pool as a monetary prize when calculating their global GST amount.

Example 24: Cross-venue jackpots

130. *Ten of the Koala Sporting Club's gaming machines are linked to the Animals Sporting Club's Jackpot Network. As a participating member club of the network, Koala Sporting Club is required to contribute a percentage of the revenue of these other machines to the jackpot pool. These contributions are a monetary prize for the purposes of section 126-10.*

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Your comments

132. If you wish to comment on this draft Ruling, please send your comments promptly by **15 Febuary 2002** to:

Contact officers: **Rad Rasaratnam or Robert Lynch**
Telephone: **(03) 9215 3847 or (03) 9215 3924**
Facsimile: **(03) 9215 3689**
E-mail: **rad.rasaratnam@ato.gov.au or robert.lynch@ato.gov.au**
Address: **14 Mason Street**
GPO Box 9990
DANDENONG VIC 3175

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Subject references:

- acquisitions
- consideration
- creditable acquisitions
- gambling event
- gambling supply
- global GST amount
- GST
- GST-free
- input tax credits
- input taxed
- lottery
- monetary prize
- prize
- raffle
- supplies
- taxable supplies
- total monetary prizes

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Appendix A

SUPPLIES IN THE ORGANISATION OF A COMPETITION

(See paragraph 14 of this Ruling)

