

GSTD 2005/1 - Goods and services tax: can a recipient created tax invoice be an invoice for attribution purposes under Division 29 of the A New Tax System (Goods and Services Tax) Act 1999 ?

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! This Ruling contains references to provisions of the *A New Tax System (Goods and Services Tax) Regulations 1999*, which have been replaced by the *A New Tax System (Goods and Services Tax) Regulations 2019*. This Ruling continues to have effect in relation to the remade Regulations.

Paragraph 32 of [TR 2006/10](#) provides further guidance on the status and binding effect of public rulings where the law has been repealed and rewritten.

A [comparison table](#) which provides the replacement provisions in the *A New Tax System (Goods and Services Tax) Regulations 2019* for regulations which are referenced in this Ruling is available.

! This document has changed over time. This is a consolidated version of the ruling which was published on *31 October 2012*



Goods and Services Tax Determination

Goods and services tax: can a recipient created tax invoice be an invoice for attribution purposes under Division 29 of the *A New Tax System (Goods and Services Tax) Act 1999*?



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Preamble

*This document was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you - provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

[Note: This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]

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1. Yes. A recipient created tax invoice (RCTI)¹ can be an invoice for the purposes of Division 29 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).

Background

2. GST on taxable supplies is accounted for in tax periods. The GST payable on taxable supplies and the entitlement to input tax credits for creditable acquisitions are attributable to a tax period in which certain requirements under Division 29 of the GST Act are met.

3. The requirements for attributing GST to a tax period for entities that do not account on a cash basis are in subsection 29-5(1) of the GST Act:

- (1) The GST payable by you on a taxable supply is attributable to:
 - (a) the tax period in which any of the consideration is received for the supply; or
 - (b) if, before any of the consideration is received, an invoice is issued relating to the supply – the tax period in which the invoice is issued.

4. The requirements for attributing input tax credits to a tax period for entities that do not account on a cash basis are in subsection 29-10(1) of the GST Act:

- (1) The input tax credit to which you are entitled for a creditable acquisition is attributable to:
 - (a) the tax period in which you provide any of the consideration for the acquisition; or
 - (b) if, before you provide any of the consideration, an invoice is issued relating to the acquisition – the tax period in which the invoice is issued.

5. The time when an 'invoice is issued' will often determine the tax period to which GST and input tax credits must be attributed. 'Invoice' is defined in section 195-1 of the GST Act to mean 'a document notifying an obligation to make a payment'. 'Issue' is not defined in the GST Act. The Commissioner considers that an invoice is issued when the supplier 'sends' the invoice to the recipient. The date when the invoice issues is the date that the invoice is electronically transmitted, posted, couriered, hand delivered or is sent by similar method.²

6. Under the GST Act, 'invoices' are distinct from 'tax invoices'.³ They serve different purposes. An invoice is used for attributing GST and input tax credits, whereas a tax invoice must be held to claim an input tax credit. However, a document may at the same time be both an invoice and a tax invoice, or it may be one but not the other, depending on its characteristics.⁴

7. Tax invoices are to be issued by the supplier.⁵ However, the Commissioner has determined under subsection 29-70(3) of the GST Act that, in certain specified circumstances, the recipient of a taxable supply may issue a tax invoice. These tax

¹ A 'recipient created tax invoice' (RCTI) is a tax invoice that belongs to a class of tax invoices that the Commissioner has determined in writing may be issued by the recipient of a taxable supply: subsection 29-70(3) of the GST Act. A RCTI must comply with the information requirements under subsection 29-70(1) of the GST Act.

² Paragraph 33 of Goods and Services Tax Ruling GSTR 2000/34 Goods and services tax: what is an invoice for the purposes of the A New Tax System (Goods and Services Tax) Act 1999 ('GST Act')?

³ The term 'tax invoice' is defined in section 195-1 of the GST Act.

⁴ Paragraph 58 of GSTR 2000/34.

⁵ Paragraph 29-70(1)(a) of the GST Act.

invoices are called RCTIs. It is usually necessary for a recipient to hold a tax invoice to attribute an input tax credit to a tax period,⁶ but holding a tax invoice is not of itself sufficient for attribution. The correct tax period must be first worked out under subsections 29-10(1) and (2) of the GST Act.

Explanation

8. It is usual commercial practice for an invoice to be issued by the supplier of goods or services to a recipient. However, the GST Act does not expressly state that invoices must be created or issued by the supplier, or by any particular person, to satisfy the attribution rules in Division 29 of the GST Act. The Commissioner has acknowledged that a third party, who is authorised to determine and notify an amount payable by one party to another, can issue an invoice for the purposes of sections 29-5 and 29-10 of the GST Act.⁷ The Commissioner has also acknowledged that in certain industries it is commercial practice for the recipient to create an invoice.⁸

9. The word 'notifying' is used in the definition of invoice in section 195-1 of the GST Act. The verb 'notify' means to 'give notice to, or inform, of something'.⁹ This word could be interpreted narrowly to mean something like 'putting on notice'. That interpretation would support the view that it is the entity that is obliged to pay that must be notified and, since an entity cannot 'notify' itself of something, it follows that a recipient cannot issue an invoice to a supplier.

10. However, paragraphs 29-5(1)(b) and 29-10(1)(b) of the GST Act contemplate that attribution should occur when both the supplier and the recipient are notified or informed of the obligation to pay. These paragraphs use the phrase: 'the tax period in which the invoice is issued'. The definition of 'invoice' does not expressly state whom the document has to notify of the obligation to make a payment, nor who is to do the 'notifying'. It merely states that a document notifying an obligation to make a payment must be 'issued'.

11. We consider that the legislation is not intended to restrict who may notify the obligation and who must be notified of the obligation. It does not matter, in our view, whether the supplier issues a document to the recipient or the recipient issues a document to the supplier (notifying the supplier of the recipient's obligation to make a payment). In either case, an invoice has been issued.

12. We state in GSTR 2000/34 that a document will be an invoice if it notifies a presently existing obligation.¹⁰ Therefore, if the RCTI notifies an obligation to make a payment, then the RCTI meets the definition of an invoice in section 195-1 of the GST Act.

13. We also explain in GSTR 2000/34 when the obligation to make a payment exists. Briefly, the Ruling states that the words 'obligation to make a payment' refer to a legal obligation which is analogous to being 'required to pay'.¹¹

14. Whether an RCTI issued by a recipient notifies an obligation to make a payment or notifies that the recipient is 'required to pay' an amount to the supplier is a question of fact. Regard should be had to the RCTI agreement or any contractual or trade agreements between the parties to determine the terms of trade and the primary source document

⁶ Subsection 29-10(3) of the GST Act.

⁷ Paragraph 32 of GSTR 2000/34.

⁸ Paragraph 8 of GSTR 2000/10 (which deals with the requirements for RCTIs).

⁹ The Macquarie Dictionary, Revised Third Edition, 2001.

¹⁰ Paragraph 28 of GSTR 2000/34.

¹¹ Paragraph 25 of GSTR 2000/34.

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used for accounting purposes. This will help to establish whether an obligation to make a payment or a right to receive payment has crystallised.

15. It would be expected that an RCTI, in the absence of an invoice issued by the supplier, would be the primary source document used for accounting purposes by both the recipient and the supplier. That is, if upon receipt of the RCTI, the supplier recognises an account receivable from the recipient and the recipient recognises a debt owing to the supplier, then this is an indication that both parties recognise the RCTI as notifying an obligation to make a payment and that it is therefore an invoice.

16. When the recipient sends a document that notifies the supplier of the recipient's obligation to pay, an invoice is issued.¹² Therefore, an RCTI issued by the recipient of a supply can be an invoice. The actual date of issue of an invoice (including an invoice that is also an RCTI) is the date when the invoice is electronically transmitted, posted, couriered, hand delivered or is sent by similar method.¹³ The date of issue determines the tax period to which the GST payable and input tax credits are attributable.

Example

17. *Mighty Motors Ltd ('Mighty Motors') manufactures motor vehicles. O'Reilly's Windscreens Pty Ltd ('O'Reilly's') supplies windscreens to Mighty Motors in the manufacture of their motor vehicles. Both parties account for GST on a non-cash basis.*

18. *The parties agree that Mighty Motors issue RCTIs to O'Reilly's for windscreens supplied. Under their terms of trade, Mighty Motors has an obligation to make payment to O'Reilly's within 30 days from the date specified on the RCTI. Mighty Motors issues RCTIs through the post.*

19. *The RCTI agreement between the parties provides, amongst other things, that O'Reilly's must not issue any invoice, tax invoice or any other document that may require Mighty Motors to attribute input tax credits for any supplies of goods or services made by O'Reilly's.*

20. *Both parties account for respective debtors and creditors in their books of account on the basis of the RCTI as no other documentation flows between them.*

21. *The RCTI issued by Mighty Motors is also an invoice for GST purposes. Mighty Motors can attribute input tax credits, and O'Reilly's must attribute GST payable, in the tax period that the RCTI is issued (assuming no payment was made earlier).*

Date of effect

22. This Determination applies [to tax periods commencing] both before and after its date of issue. However, this Determination will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Determination (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

23. [Omitted]

Note: The Addendum to this Determination that issued on 25 January 2012 explains the Commissioner's view of the law as it applied from 1 July 2010.

¹² Refer to paragraph 6 of this Determination.

¹³ Paragraph 33 of GSTR 2000/34.

Commissioner of Taxation8 June 2005

Previous draft:

GSTD 2004/D1

*Related Rulings/Determinations:*TR 2006/10; GSTR 2000/10;
GSTR 2000/34; GSTD 2005/2*Subject references:*

- invoice
- recipient created tax invoice
- tax invoice
- tax period

Legislative references:

- ANTS(GST)A 1999 Div 29
- ANTS(GST)A 1999 29-5
- ANTS(GST)A 1999 29-5(1)

- ANTS(GST)A 1999 29-5(1)(a)
- ANTS(GST)A 1999 29-5(1)(b)
- ANTS(GST)A 1999 29-10
- ANTS(GST)A 1999 29-10(1)
- ANTS(GST)A 1999 29-10(1)(a)
- ANTS(GST)A 1999 29-10(1)(b)
- ANTS(GST)A 1999 29-10(2)
- ANTS(GST)A 1999 29-10(3)
- ANTS(GST)A 1999 29-70(1)
- ANTS(GST)A 1999 29-70(1)(a)
- ANTS(GST)A 1999 29-70(3)
- ANTS(GST)A 1999 195-1
- TAA 1953 Sch 1 Div 358

Other references:

- The Macquarie Dictionary, Revised Third Edition, 2001

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