GSTR 2000/1 - Goods and Services Tax: adjustment notes

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Goods and Services Tax Ruling
Goods and Services Tax: adjustment notes

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Preamble

This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. You can rely on the information presented in this document which provides advice on the operation of the GST system.

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

What this Ruling is about

1. This Ruling sets out the minimum requirements for adjustment notes under the *A New Tax System (Goods and Services Tax) Act 1999* ('GST Act'). The Ruling explains:

- what the approved form for an adjustment note is under paragraph 29-75(1)(d) of the GST Act;
- the effect of the special rules on the requirements for adjustment notes;
- what documents the Commissioner will treat as adjustment notes that do not fully satisfy the requirements of subsection 29-75(1);
- the circumstances when a decreasing adjustment can be attributed without an adjustment note, as determined by the Commissioner under subsection 29-20(3); and
- the documentary requirements for adjustment events that do not result in an adjustment because they occur in the same tax period that the GST or **input tax credit** is attributed.

2. This Ruling also explains the information requirements that the Commissioner has determined under paragraph 29-75(1)(c) of the GST Act.

3. The information requirements in this Ruling apply so that most suppliers can furnish adjustment notes without substantial changes to their existing commercial documents. Adjustment notes may be combined with**,** for example, tax invoices, commercial credit notes and debit notes, and monthly statements.

4. 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 type**.

5. All legislative references in this Ruling are to the GST Act unless otherwise stated.

Date of effect

6. This Ruling applies on and from 8 July 1999 (the date of Royal Assent to the Goods and Services Tax ('GST') legislation) and may be relied on immediately.

Note: The Addendum to this Ruling that issued on 1 March 2006 applies from 22 February 2005. You can rely on the amendments to GSTR 2000/1, as amended by this Addendum, for the purposes of section 37 of the *Taxation Administration Act 1953* from the date of issue of the Addendum.

Background

7. A supplier who makes taxable supplies is liable to pay GST on these supplies.[1] If the acquisition by the **recipient** is a **creditable acquisition**, the recipient may claim an input tax credit equal to the GST payable on the supply.[2] However, the amount of the input tax credit is reduced if the acquisition is only **partly creditable**.[3]

Adjustments

8. Whether you make or receive taxable supplies, subsequent events may mean that you paid too much or too little GST, or you claimed too much or too little input tax credit in a previous tax period. In these cases, you may need to make some GST **adjustments.**

9. GST adjustments are either increasing or decreasing. Generally, an **increasing adjustment** increases your **net amount** for the tax period, while a **decreasing adjustment** decreases your net amount for the tax period.[4] The net amount is the difference between

[1] Section 9-40
[2] Sections 11-20 and 11-25
[3] Section 11-25
[4] Section 17-10. If your net amount is less than zero (that is, a refund), an increasing adjustment will decrease your net amount, and a decreasing adjustment will increase your net amount.

the GST payable by you and your input tax credits. This amount must be paid to, or refunded by, the Commissioner.[5]

Adjustment events

10. An adjustment can arise from an adjustment event. Under the GST Act, an adjustment event occurs when: [6]

- a supply or acquisition is cancelled;
- the consideration for a supply or acquisition is changed (for example, by a volume rebate);
- a supply becomes taxable or stops being taxable (for example, goods are supplied for export, but are not exported within the time provided in section 38-185); or
- an acquisition becomes creditable or stops being creditable.

Adjustment notes

11. When you have a decreasing adjustment from an adjustment event, you cannot claim the adjustment when completing your Business Activity Statement ('BAS')[7] until you hold an adjustment note.[8] You will have a decreasing adjustment if:

- the GST payable on a taxable supply that you made has decreased; or
- the input tax credit for a creditable acquisition that you made has increased.

12. There are, however, some circumstances in which you do not need an adjustment note if you have a decreasing adjustment. This is the case if:

- the GST exclusive value of the taxable supply was $50 or less;[9] or

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[5] Subsection 33-5(1) and section 35-5 (Note: if the net amount is a refund it may be offset against other amounts payable to the Commissioner.)
[6] Section 19-10
[7] Your GST return forms part of your Business Activity Statement.
[8] Subsection 29-20(3)
[9] Subsection 29-80(2).

- the GST on the taxable supply is payable by the recipient because of section 15C of the *A New Tax System (Goods and Services Tax Transition) Act 1999*[9A] (GST Transition Act); or
- a determination by the Commissioner under subsection 29-20(3) applies to your circumstances.

12A. You also do not need an adjustment note to attribute an increasing adjustment.[10]

Obligation of the supplier to issue an adjustment note

13. If you make a supply and an adjustment arises from an adjustment event, you must issue an adjustment note within 28 days of the earlier of you:

- receiving a request by the recipient of the supply; or
- becoming aware of the adjustment (where you issued or were requested to issue a **tax invoice**).[11]

This means that if you did not issue or were not requested to issue a tax invoice, you only have to issue an adjustment note if the recipient requests one.

14. You also do not have to issue an adjustment note if:

- the GST exclusive value of the taxable supply was $50 or less; [12] or
- the recipient of the taxable supply issued the tax invoice. In which case the recipient must issue the adjustment note (see paragraph 27).[13]

[9A] Division 2 of Part 3 of the GST Transition Act applies to agreements spanning both 1 July 2000 and 1 July 2005. In the circumstances described in section 15C of that Act, the GST on a taxable supply made under such an agreement is payable by the recipient (to the extent the supply is made on or after a certain date occurring on or after 1 July 2005). Subsection 15H(4) of that Act provides that subsection 29-20(3) of the GST Act does not apply, so that the recipient may make a decreasing adjustment without holding an adjustment note.
[10] Subsection 29-20(3).
[11] Subsection 29-75(2).
[12] Subsection 29-80(2).
[13] Subsection 29-75(2).

Statutory requirements for adjustment notes

15. A document is an adjustment note if it satisfies subsection 29-75(1). This subsection requires that an adjustment note relating to a taxable supply must:

- be issued by the supplier, except for recipient created adjustment notes (paragraph 29-75(1)(a));[14]
- set out the Australian Business Number (ABN) of the **entity** that issues it, which in most cases is the supplier (paragraph 29-75(1)(b));
- contain other information determined in writing by the Commissioner (paragraph 29-75(1)(c)); and
- be in the **approved form** (paragraph 29-75(1)(d)).

16. These requirements are also affected by certain special rules that are explained at paragraphs 37 to 52 of this Ruling.

Ruling

Other information requirements

17. The Commissioner has determined under paragraph 29-75(1)(c) other information that an adjustment note must include. A copy of the determination is attached as Schedule 1 to this Ruling. These requirements are explained at paragraphs 18 to 27.[15]

18. An adjustment note must show prominently the following words:

- 'Adjustment note' (You may also include the words 'credit' or 'debit'.

  For example, 'credit adjustment note', 'debit adjustment note', 'adjustment credit note' or 'adjustment debit note'); or
- 'Tax invoice' (You can use these words where the adjustment to the price is shown as a negative or credit amount to the recipient.

  For example, a recipient returns a supply of goods that costs $60. The tax invoice may show the negative amount of $60 as '-$60'.)

[14] The supplier's agent may issue an adjustment note on the supplier's behalf.
[15] The Commissioner has a discretion under subsection 29-75(1) to treat a document as an adjustment note that does not fully satisfy these requirements.

19. An adjustment note must also include the following:

- the name of the supplier or the agent of the supplier;
- the name of the recipient or the agent of the recipient;
- the address or ABN of the recipient or the agent of the recipient;
- the issue date of the adjustment note;
- the difference between the price of the supply or supplies before the adjustment event and the new price of the supply or supplies;[16]
- a brief explanation of the reason for the adjustment, for example, 'discount', 'refund', 'rebate', 'return' or a code by which the reason is readily ascertained, such as REF for a refund; and
- the amount of the adjustment to the GST payable or a statement to the effect that the difference in the price of the **taxable supply** or supplies includes GST.

The name of the supplier, recipient or their agent could be a legal name or a business name.

20. There are additional or fewer information requirements for certain adjustment notes described in paragraphs 21 to 27.

Adjustment notes relating to a tax invoice showing a total amount payable of less than $1000

21. If the adjustment note relates to a supply or supplies for which the total amount payable on the **tax invoice** was less than $1000, you do not have to include the following information:

- the name of the recipient or the agent of the recipient; and
- the address or ABN of the recipient or the agent of the recipient (see paragraphs 68 and 69).

Adjustments for supplies less than $1000 that did not have a tax invoice

22. When an adjustment event occurs so that a supply that was not taxable becomes taxable, a tax invoice would not have been issued for the supply. In this case, an adjustment note may exclude the

[16] Where the supply is returned in full, the difference will be the full amount of the price.

information in paragraph 21 if the price of the supply or supplies to which it relates was less than $1000 (see paragraphs 70 and 71).

Adjustment events that relate to a supply that is partly taxable

23. An adjustment event may relate to a supply that is not wholly taxable. For example, the supply may be partly taxable and partly **GST-free** or **input taxed**. Where the supply is partly taxable, an adjustment note must indicate:

- the difference between the price of the taxable supply before the adjustment event and the new price of the taxable supply; and
- the amount of the adjustment to the GST payable (see paragraphs 72 to 75).

Taxable supplies for which the GST is less than 1/11th of the price

24. If the amount of GST payable is less than 1/11th of the price of the taxable supply, the adjustment note must show:

- the amount of the adjustment to the GST payable; and
- the difference between the GST exclusive price of the supply or supplies before the adjustment event and the new GST exclusive price of the supply or supplies.

25. This will occur only in limited circumstances, for example with an insurance premium or a supply of long-term accommodation in commercial residential premises (see paragraphs 76 and 77).

Insurance premiums

26. GST payable on a supply of insurance may be less than 1/11th of the price. Instead of indicating the difference between the GST exclusive price of the supply or supplies before the adjustment event and the new GST exclusive price of the supply or supplies, an adjustment note relating to a supply of insurance may provide an explanation that the GST amount may be less than 1/11th of the total amount payable. For example, it advises that:

> 'If you are registered for GST purposes, your adjustment is or is based on the GST amount shown above. Please note that, in accordance with the GST law relating to insurance premiums, the GST amount may be less than 1/11th of the total amount payable.'

Recipient created adjustment notes

27. The Commissioner has determined that an adjustment note issued by the recipient of the supply must include the following information, in addition to the information shown at paragraphs 18 and 19:

- the words 'recipient created' shown prominently with the words specified in paragraph 18. For example, 'recipient created adjustment note', 'recipient created credit adjustment note' or 'recipient created tax invoice' where a tax invoice shows an adjustment as a negative or credit amount to the recipient; and
- the ABN of the supplier or the agent of the supplier.[17]

Paragraphs 78 and 79 provide further explanation of recipient created adjustment notes.

Approved form for adjustment notes

28. A document is in the approved form for an adjustment note if it includes the information required by section 29-75(1), including the information explained in this Ruling.

Combined adjustment note and tax invoice

29. The one document may be both a tax invoice and an adjustment note if it satisfies the requirements for tax invoices in subsection 29-70(1) and the requirements for adjustment notes in 29-75(1). For example:

- a tax invoice that shows the terms of a settlement or prompt payment discount may also be an adjustment note;
- a summary statement may be both a tax invoice and adjustment note; and
- an adjustment note may be combined with a subsequent tax invoice.

This is explained in paragraphs 80 to 88.

[17] The recipient's ABN must be shown on the adjustment note as required by paragraph 29-75(1)(b).

Adjustment note contained in two documents - a credit note and a tax invoice

30. Some suppliers do not issue only a credit or debit note for an adjustment. Instead, they cancel the original tax invoice with a credit note and then issue a new tax invoice showing the new price.

31. The Commissioner will treat these two documents together as an adjustment note if:

- they satisfy subsection 29-75(1) and the requirements of this Ruling; and
- they are cross-referenced.

32. As a supplier, you must issue both documents within 28 days of:

- a request by the recipient; or,
- you becoming aware of the adjustment (where you issued or were requested to issue a tax invoice).

33. A decreasing adjustment cannot be claimed until both documents are held that together form the adjustment note.

Example 1

34. Mathew issues a tax invoice for the sale of a computer to Sven. The price of the computer is $1100. In the next **tax period**, Mathew refunds $110 of the price because of a faulty part. Mathew issues a credit note for $1100 to cancel the original tax invoice and issues a new tax invoice showing the reduced price of $990. The credit note and new tax invoice are cross-referenced. Mathew cannot claim the decreasing adjustment of $10 until he issues and holds both the credit note and the new tax invoice.

Adjustment notes in electronic form

35. An adjustment note may be issued in electronic form if it includes the information required by subsection 29-75(1). For example, an adjustment note may be issued by Electronic Data Interchange (EDI). However, this record must be readily accessible and easily convertible to English as required by subsection 70(2) of the *Taxation Administration Act 1953* (Taxation Administration Act).

Requests for copies of adjustment notes

36. Sometimes a supplier may issue an adjustment note and the recipient of the supply may request another copy. For example, the adjustment note may be lost or destroyed. If the supplier issues a copy

of the adjustment note or a second adjustment note, we suggest that it be marked 'copy' or 'duplicate' to enable easier identification of the document. You may claim a decreasing adjustment if you hold an adjustment note that is a copy or a re-issued adjustment note.

Special rules that affect adjustment notes

37. There are a number of special rules in the GST Act that affect adjustment notes. These are explained in paragraphs 38 to 52.

GST Groups

38. If you are a member of a GST group, the representative member of your group is liable for the GST payable on the taxable supplies that you make.

39. The representative member is also liable for any increasing adjustments and is entitled to claim any decreasing adjustments for supplies or acquisitions that you make.[18]

40. Even though the special rule in section 48-40 makes the representative entity liable to pay GST, you are the entity that makes the supply. As such, you or your agent must issue any adjustment notes.

GST branches

41. If you are an entity with a separately registered GST branch, you may make some supplies through that branch. When you register a GST branch, the Commissioner will notify you of the GST branch registration number.[19]

42. If you make a taxable supply through a GST branch, you must show the GST branch registration number and your ABN on any adjustment note that you issue for a decreasing adjustment arising from an adjustment event.[20]

43. Adjustments can be decreasing for either the supplier or the recipient. Therefore, when an adjustment event causes a decreasing adjustment for either the supplier or the recipient, the adjustment note must also show the GST branch registration number of the GST branch through which the supply is made.

44. If the recipient of a supply made through a GST branch of the supplier issues a recipient created adjustment note, the GST branch registration number (and the supplier's ABN) must be shown.

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[18] Section 48-50
[19] Section 54-15
[20] Paragraph 54-50(1)(b)

Agents and insurance brokers

45. Division 153 deals with supplies and acquisitions made through agents and insurance brokers (see paragraphs 89 and 90).

Supplies made by you through an agent

46. If you have a decreasing adjustment for a supply you make through an agent, you may claim the adjustment if either you or your agent holds the adjustment note.[21]

47. A request by the recipient of the supply is complied with if either you or your agent issues an adjustment note.[22] Your obligation to issue an adjustment note will be satisfied if you or your agent issues an adjustment note within 28 days of either you or your agent becoming aware of the adjustment. However, you and your agent must not both issue separate adjustment notes for the adjustment.[23]

48. The Commissioner will treat a document as an adjustment note if it shows your agent's ABN instead of your ABN and otherwise meets the requirements for an adjustment note.[24]

Acquisitions made by you through an agent

49. If you have a decreasing adjustment for a supply that you acquire through an agent, you may claim the decreasing adjustment if either you or your agent holds the adjustment note.[25] You may claim the decreasing adjustment if the adjustment note shows your name and address or ABN, or your agent's name and address or ABN.[26]

Adjustment notes relating to supplies for more than one principal

50. An agent may issue the one adjustment note for adjustments that relate to supplies made by a number of principals. For example, agents may make a supply as a principal in their own right and on behalf of other principals. The adjustment note may show the agent's name and ABN instead of the name and ABN of each principal.

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[21] Subsection 153-10(1)
[22] Paragraph 153-20(1)(b) and common law agency principles
[23] Subsection 153-20(2)
[24] Subsection 29-75(1)
[25] Subsection 153-10(1)
[26] This is in accordance with the information requirements for adjustment notes that the Commissioner proposes to determine under paragraph 29-75(1)(c).

51. If there is a decreasing adjustment relating to supplies made by a number of principals, each principal can claim their part of the decreasing adjustment if the agent holds the adjustment note.[27]

Supplies made through insurance brokers

52. An insurer may supply an insurance policy through an insurance broker acting on behalf of the recipient of the supply. Division 153 applies as if the insurance broker were an agent of the insurer.[28] This means that the insurance broker may issue an adjustment note on behalf of the insurer. Therefore, the Commissioner will treat a document as an adjustment note if it shows the ABN and name of the insurance broker instead of the insurer.[29]

Documents that the Commissioner will treat as adjustment notes

53. Under subsection 29-75(1), the Commissioner may treat as an adjustment note a document that does not otherwise satisfy the requirements for an adjustment note. The Commissioner proposes to exercise this discretion in the situations described in paragraphs 54 to 58.

Reimbursements

54. Division 111 has special rules that apply when you reimburse an employee, an agent, an officer of your company or a partner of your partnership for an expense incurred that is directly related to the activities of that position. The reimbursement is treated as consideration for an acquisition that you make from the employee, agent, officer or partner.[30] If the requirements of the Division are met, you may claim the input tax credit for the creditable acquisition if you hold the tax invoice that was issued to the person you reimbursed.[31]

55. There is no equivalent special rule for adjustment notes. This means that you could not claim a decreasing adjustment for an acquisition under subsection 111-5(1) if you hold an adjustment note that shows the name and address or ABN of your employee, agent, officer of your company or partner as the recipient (unless the exception in paragraphs 21 to 22 applies and these details are not required). However, the Commissioner will treat this document as an adjustment note under subsection 29-75(1), even though it does not show your name and address or ABN as the recipient.

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[27] Section 153-10
[28] Section 153-25
[29] Subsection 29-75(1)
[30] Subsection 111-5(1)
[31] Section 111-15

Pre-establishment costs of a company

56. In the circumstances set out in Division 60, a company may claim an input tax credit for a creditable acquisition made before it comes into existence. The acquisition must be made by an entity that becomes a member, officer or employee of the company.[32] When claiming the input tax credit, the company must hold a copy of the tax invoice that is held by the member, officer or employee when attributing the input tax credit.[33]

57. There is no equivalent special rule for adjustment notes. This means that you could not claim a decreasing adjustment for the acquisition if you do not hold an adjustment note that shows your name and address or ABN as the recipient (unless the exception in paragraphs 21 to 22 applies and these details are not required). However, if you hold a copy of the adjustment note that is held by the member, officer or employee of your company, the Commissioner will treat this document as an adjustment note under subsection 29-75(1), even though it does not show your name and address or ABN as the recipient.

Special circumstances that arise on a case by case basis

58. Sometimes an adjustment note that you hold to claim a decreasing adjustment does not satisfy the requirements of subsection 29-75(1). For example, the ABN shown may not be the correct number. The Commissioner may treat this document as an adjustment note if you claimed the decreasing adjustment while exercising reasonable care and acting in good faith. Reasonable care requires that you exercise the care that a reasonable, ordinary person would exercise to fulfil that person's tax obligations. A person exercising reasonable care may make an honest mistake based on reasonable grounds.

Circumstances in which an adjustment note is not required

59. There are some circumstances in which you may claim a decreasing adjustment without holding an adjustment note (see paragraph 12 of this Ruling). One circumstance is if the Commissioner has made a determination under subsection 29-20(3) of circumstances in which an adjustment note is not required. The Commissioner may exercise this power in the circumstances described at paragraphs 60 to 63.

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[32] Subsection 60-15(1)
[33] Subsection 60-25(2)

'Reverse charges' on offshore intangible supplies

60. If you acquire something that is a supply (other than goods or real property) that is not connected with Australia, you may be liable to pay GST on the supply if it is taxable under section 84-5. The Commissioner proposes to determine that this is a circumstance in which you may claim an input tax credit without having to hold a tax invoice.[34]

61. The Commissioner has determined that if there is a later decreasing adjustment for a supply of this type, you may claim a decreasing adjustment without an adjustment note. A copy of this determination is attached as Schedule 2 to this Ruling.

Special circumstances that may arise from time to time

62. The Commissioner may make a determination in the future where there are when special circumstances of a kind that affect a particular entity or class of entities. For example, an adjustment note may be lost through a natural disaster such as a fire or flood.

63. The Commissioner may also make a determination in the future where there are special circumstances of a kind in which the recipient of a supply has been unable to obtain an adjustment note from the supplier. For example, the supplier may refuse to do so after repeated requests or may no longer be able to be contacted.

Adjustment events occurring in the same tax period that the GST or input tax credit is attributed

64. An adjustment event may occur in the same tax period as the GST or input tax credit is attributed. In this situation, there has been no GST or no input tax credit previously attributed, and therefore no adjustment.

65. Because there is no adjustment, there is no requirement under the GST Act to issue an adjustment note.[35] However, suppliers may find it more convenient to issue an adjustment note or other document for these adjustment events, even though they are not required to do so.

[34] Subsection 29-10(3)
[35] Subsection 29-75(1)

Requirement to keep a copy of an adjustment note that you issue

66. If you issue an adjustment note for a supply that you make, you do not have to keep a copy. However, keeping a copy would be one way of showing that you complied with the requirement to issue an adjustment note. Although you are not required to keep copies of adjustment notes, you are required to keep sufficient records that explain all transactions.[36]

Penalties for failing to issue an adjustment note

67. If you fail to issue an adjustment note as required by section 29-75, you may become liable to a penalty.[37] Also, you may become liable to a penalty if both you and your agent issue separate adjustment notes for the same decreasing adjustment, contrary to subsection 153-20(2).[38]

Explanations (this forms part of the ruling)

Adjustment notes relating to a tax invoice showing a total amount payable of less than $1000

68. A tax invoice for a supply or supplies with a total amount payable of less than $1000 does not have to include the recipient's name, ABN or address, and the quantity of goods or extent of services provided.[39] This allows suppliers who mainly make supplies below $1000 to issue tax invoices showing less information than is usually required for tax invoices.

69. To make the adjustment note requirements consistent with the tax invoice requirements, the Commissioner has determined that an adjustment note does not have to show the recipient's name, ABN or address if it relates to a supply for which the tax invoice shows a total amount payable of less than $1000.[40]

Adjustments for supplies that did not have a tax invoice

70. An adjustment event may occur when a supply that was not taxable becomes taxable.[41] For example, this may occur when goods are supplied for export, but are not exported within the time provided

[36] Section 70 Taxation Administration Act
[37] Subsection 44(2) Taxation Administration Act
[38] Paragraph 45(b) Taxation Administration Act
[39] Subregulation 29-70(3) of the A New Tax System (Goods and Services Tax) Regulations 1999
[40] The other information required by paragraphs 18 to 19 must be shown.
[41] Paragraph 19-10(1)(c)

in section 38-185. Because the supply was not taxable, a tax invoice would not have been issued. Therefore, the rule in paragraph 21 would not be appropriate.

71. In this situation, the Commissioner has determined that an adjustment note may exclude the information listed in paragraph 21 if the price of the supply to which it relates was less than $1000.

Adjustment events that relate to a supply that is partly taxable

72. An adjustment event may relate to a supply that is not wholly taxable. For instance, the supply may be partly taxable and partly GST-free or input taxed. An example is a supply of food items that includes some items that are GST-free and other items that are taxable.

73. If there is an adjustment event for this supply, the supplier and recipient must know the effect on their GST payable and input tax credit entitlement. For this reason, the Commissioner has determined that the adjustment note must show:

- the difference between the price of the taxable supply before the adjustment event and the new price of the taxable supply; and
- the amount of the adjustment to the GST payable.

Example 2

74. A restaurant receives a volume rebate for food purchases from a supermarket for the three months January, February and March 2001. The total purchases for this period were $40 000. The price of the taxable purchases was $11 000. The restaurant claimed input tax credits of $1000 for these purchases.

75. The volume rebate received by the restaurant is 5%. The supermarket issues a credit adjustment note showing the total difference in price of $2000. The adjustment note must show the difference in the price of the taxable supply of $550, and the amount of the adjustment to the GST payable of $50.

Taxable supplies for which the GST payable is less than 1/11th of the price

76. For some supplies, the GST payable may be less than 1/11th of the price of the taxable supply. In this situation, the adjustment to the GST or input tax credit cannot be calculated by taking 1/11th of the difference between the price before and after the adjustment event.

For this reason, the Commissioner has determined that when the GST payable is less than 1/11th of the price, the adjustment note must show:

- the amount of the adjustment to the GST payable;
- the difference between the GST exclusive price of the supply or supplies before the adjustment event and the new GST exclusive price of the supply or supplies.

77. This requirement occurs in limited circumstances. An example is a supply of long-term accommodation in commercial residential premises under Division 87. For these supplies, GST is calculated on a reduced value.

Recipient created adjustment notes

78. A tax invoice must be issued by the supplier or an agent of the supplier.[42] The exception is when the tax invoice is of a class that the Commissioner determines may be issued by the recipient of a taxable supply.[43]

79. If, as the recipient, you issue a **recipient created tax invoice** for a taxable supply, you must also issue any adjustment notes that relate to the supply.[44] However, if you did not issue a recipient created tax invoice for the taxable supply, you cannot issue a recipient created adjustment note.[45]

Combined adjustment note and tax invoice

80. A document is a tax invoice if it satisfies the requirements of subsection 29-70(1). A tax invoice can also be an adjustment note in the approved form if it satisfies the requirements for an adjustment note in subsection 29-75(1). If the supply is made through a GST branch, the document must also show the GST branch registration number.[46]

Settlement discounts

81. One example where a tax invoice and adjustment note may be combined is when a settlement or prompt payment discount is available. To be an adjustment note, the tax invoice must show the amount of the reduction in price that is available to the recipient as a settlement or prompt payment discount. If the other information

[42] Paragraphs 29-70(1)(a) and 153-15(1)(b)
[43] Paragraph 29-70(1)(a) and subsection 29-70(3)
[44] Paragraph 29-75(2)
[45] Paragraph 29-75(1)(a) and subsection 29-75(2)
[46] Section 54-50

necessary for an adjustment note is shown, the document can be both an adjustment note in the approved form and a tax invoice. The document will become an adjustment note when the settlement or prompt payment discount is taken up by the recipient.

Summary statements and subsequent tax invoices

82. Adjustments may also be shown on the next tax invoice. For example, a monthly statement may be issued at the end of the month that shows the supplies made during the month, as well as any adjustments such as returns or discounts. This document is an adjustment note in the approved form if it includes the information required by subsection 29-75(1).

83. When a number of adjustments are included on the one document, a separate amount must be shown for each type of adjustment. For example, a monthly statement should show an amount for any refunds during the month, as well as a separate amount for the total discounts during the month.

84. If an adjustment note is combined on the next tax invoice or another document, you must issue the adjustment note within 28 days of a request by the recipient or of you becoming aware of the adjustment.[47] The adjustment is an amount that is the difference between the previously attributed GST or input tax credit amount and the corrected GST or input tax credit amount.[48]

85. Sometimes the calculation of the amount of the adjustment may not occur at the time of the adjustment event. In this case, the adjustment note must be issued within 28 days of you becoming aware of the adjustment amount, or a request by the recipient if this is earlier.

Example 3

86. RJB Pty Ltd makes sales to Jim, who is offered a volume rebate if he purchases a certain quantity of supplies over a three month period. RJB Pty Ltd gives a rebate for the purchases made by Jim for the months of July, August and September 2000.

87. RJB Pty Ltd issues a monthly statement to Jim at the end of September 2000. The statement shows sales to Jim for September, and also shows the amount of the volume rebate for the months of July, August and September. The statement is both a tax invoice and an adjustment note if it satisfies the requirements of subsections 29-70(1) and 29-75(1), as explained in this Ruling.

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[47] Subsection 29-75(2)
[48] Sections 19-50, 19-55, 19-80 and 19-85

Example 4

88. An electricity provider issues a bill based on an estimate of the electricity used. The electricity provider later reads a particular meter and finds that an additional amount of electricity was used by the recipient during the previous period. However, the adjustment amount is calculated at a later date. The electricity provider must issue an adjustment note within 28 days of becoming aware of the adjustment amount or a request by the recipient.

Agents

89. Division 153 provides special rules where supplies are made through agents. The term 'agent' is not defined in the GST Act and therefore has its common law meaning.[49]

90. In relation to your obligation as a supplier to issue an adjustment note, the agent/principal relationship means that you become aware of an adjustment if your agent becomes aware of the adjustment.[50] You or your agent must issue an adjustment note within 28 days of either you or your agent becoming aware of the adjustment. One way in which you or your agent may become aware of an adjustment is by a request for an adjustment note from the recipient of the supply.

Alternative views

Special rules for GST branches

91. Paragraph 54-50(1)(b) refers to a decreasing adjustment ***relating to*** a taxable supply made through a GST branch. The Commissioner interprets this paragraph as referring to a decreasing adjustment for either the supplier or the recipient.

Alternative view

92. An alternative view has been submitted that this interpretation is not consistent with the provisions of section 54-50(1)(b) which specifically refers to a 'decreasing' adjustment relating to a taxable

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[49] Agency was described by the High Court in *International Harvester Co of Australia Pty Ltd v Carrigan's Hazeldene Pastoral Co.* (1958) 100 CLR 644; at 652 as '…a word used in the law to connote an authority or capacity in one person to create legal relations between a person occupying the position of principal and third parties'.

[50] *Sargent v ASL Developments Ltd* (1974) 131 CLR 634, at 649, 658-659

supply made by the GST branch, and the provision of sections 19-40 to 19-55 which refer to decreasing adjustments relating to such supplies. There would be no reason for the section to specifically mention 'decreasing' adjustments if section 54-50 were intended to apply to decreasing adjustments for either the supplier or the recipient (i.e., it would simply refer to 'adjustments')

Meaning of the words 'relating to a taxable supply'

93. Section 54-50 requires additional information to section 29-75 when a supply is made through a GST branch. Section 29-75 and paragraph 54-50(1)(b) both refer to an adjustment that arises from 'an adjustment event ***relating to*** a taxable supply' (emphasis added).

94. The High Court has interpreted the words 'relating to' as being 'extremely wide' and stated that the meaning must be sought 'in the context in which the expression is used'.[51] Therefore, the words 'an adjustment event relating to a taxable supply' should also be able to be interpreted widely. Because a creditable acquisition must be a taxable supply, an adjustment event relating to a taxable supply should also include the adjustment event as it relates to the acquisition by the recipient.

95. As noted in paragraph 92, Division 19 deals with supplies and acquisitions separately. However, this is because it explains in detail how an adjustment will arise for the supplier and for the recipient. In contrast to Division 19, sections 29-75 and 54-50 refer to adjustments relating to supplies because they apply only to the supplier. It is significant that they impose the obligation on the supplier to issue an adjustment note that meets the requirements of these sections.

96. If the words 'relating to a taxable supply' in section 29-75 were taken to refer only to adjustments for the supplier, the supplier would not be required to provide an adjustment note if an adjustment event caused an adjustment for the recipient only (for example, when an acquisition becomes creditable). In this case, the recipient has a decreasing adjustment and could not claim the adjustment without an adjustment note.

97. In addition, showing the GST branch registration number on all adjustment notes may be simpler and more practicable for suppliers, rather than suppliers and recipients having to distinguish between different types of adjustments.

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[51] *Tooheys Ltd v Commissioner of Stamp Duties (NSW)* (1961) 105 CLR 602 at 620;

Previous Rulings

98. The information requirements that the Commissioner has determined under paragraph 29-75(1)(c) were previously included in the draft Ruling GSTR 1999/D1.

Definitions

99. The following terms are defined for the purposes of this Ruling. Terms with asterisks are defined in section 195-1 of the GST Act:

Approved form

100. *Approved form has the meaning given by subsection 995-1(1) of the *Income Tax Assessment Act 1997*. Under this subsection, a notice, application or other document is in the approved form if, and only if:

(a) it is in the form approved in writing by the Commissioner in relation to that kind of notice, application or other document; and

(b) it is signed by a person or persons as the form requires; and

(c) it contains the information that the form requires, and any further information or statement as the Commissioner requires; and

(d) for a notice, application or document that is required to be lodged with the Commissioner – it is lodged at the place and in the manner that the Commissioner requires.

The Commissioner may combine in the same approved form more than one notice, application or other document.

Creditable acquisition

101. 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.[52]

Creditable purpose

102. You acquire a thing for a creditable purpose to the extent that you acquire it in *carrying on your *enterprise. 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.[53]

103. You import goods for a creditable purpose to the extent that you import the goods in carrying on your enterprise. However, you do not import the goods for a creditable purpose to the extent that:

(a) the importation relates to making supplies that would be *input taxed; or

(b) the importation is of a private or domestic nature.[54]

Entity

104. Entity means any of the following:

(a) an *individual;

(b) a body corporate;

(c) a corporation sole;

(d) a body politic;

(e) a *partnership;

(f) any other unincorporated association or body of persons;

(g) a trust;

(h) a *superannuation fund.[55]

GST-free

105. If a supply is *GST-free, then:

[52] Section 11-5
[53] Subsections 11-15(1) and (2)
[54] Subsections 15-10(1) and (2)
[55] Subsection 184-1(1)

- 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.[56]

Input tax credit

106. You are entitled to an input tax credit for any *creditable acquisition or *creditable importation that you make.[57]

Input taxed

107. If a supply is *input taxed, then:

- no GST is payable on the supply;
- there is no entitlement to an input tax credit for anything acquired or imported to make the supply.[58]

Net amount

108. The net amount for a tax period applying to you is worked out using the following formula:

GST – Input tax credits

where:

GST is the sum of all of the GST for which you are liable on the taxable supplies that are attributable to the tax period.

input tax credits is the sum of all of the input tax credits to which you are entitled for the creditable acquisitions and creditable importations that are attributable to the tax period.

However, the net amount for the tax period may be increased or decreased if you have any adjustments for the tax period.[59]

Partly creditable

109. In relation to an acquisition, partly creditable has the meaning given by 11-30 (section 70-20 also applies to a reduced credit acquisition). Under subsection 11-30(1):

[56] Section 38-1
[57] Sections 11-20 and 15-15
[58] Section 40-1
[59] Section 17-5

An acquisition that you make is partly creditable if it is a *creditable acquisition to which one or both of the following apply:

(a) you make the acquisition only partly for a creditable purpose;

(b) you provide, or are liable to provide, only part of the *consideration for the acquisition.

Recipient

110. In relation to a *supply, means the entity to which the supply was made.[60]

Recipient created tax invoice

111. A recipient created tax invoice is a *tax invoice belonging to a class of tax invoices that the Commissioner has determined in writing may be issued by the recipient of a *taxable supply.[61]

Taxable supply

112. 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 is *GST-free or *input taxed.[62]

Tax invoice

113. A tax invoice means a document that complies with the requirements of subsection 29-70(1)(section 54-50 will also apply if the supply is made through a *GST branch). Under subsection 29-70(1), a tax invoice for a *taxable supply:

(a) must be issued by the supplier, unless it is a *recipient created tax invoice (in which case it must be issued by the recipient); and

(b) must set out the *ABN of the entity that issues it; and

[60] Section 195-1
[61] Subsection 29-70(3)
[62] Section 9-5

(c) must set out the *price for the supply; and

(d) must contain such other information as the regulations specify; and

(e) must be in the *approved form.

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Commissioner of Taxation
22 March 2000

Previous draft:
Previously issued as GSTR 1999/D1

Subject references:
- adjustments
- adjustment events
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- agents
- GST branches
- GST groups
- Goods and Services Tax
- Tax invoice

Legislative references:
- ANTS(GST)A 9-5
- ANTS(GST)A 9-40
- ANTS(GST)A 11-5
- ANTS(GST)A 11-15(1)
- ANTS(GST)A 11-15(2)
- ANTS(GST)A 11-20
- ANTS(GST)A 11-25
- ANTS(GST)A 15-15
- ANTS(GST)A 17-5
- ANTS(GST)A 17-10
- ANTS(GST)A Div 19
- ANTS(GST)A 19-10
- ANTS(GST)A 19-10(1)(c)
- ANTS(GST)A 19-40
- ANTS(GST)A 19-45
- ANTS(GST)A 19-50
- ANTS(GST)A 19-55

- ANTS(GST)A 19-80
- ANTS(GST)A 19-85
- ANTS(GST)A 29-20(3)
- ANTS(GST)A 29-70(1)
- ANTS(GST)A 29-70(1)(a)
- ANTS(GST)A 29-70(3)
- ANTS(GST)A 29-75
- ANTS(GST)A 29-75(1)
- ANTS(GST)A 29-75(1)(a)
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- ANTS(GST)A 29-75(1)(c)
- ANTS(GST)A 29-75(1)(d)
- ANTS(GST)A 29-75(2)
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- ANTS(GST)A 35-5
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- ANTS(GST)A 38-1
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- ANTS(GST)A 54-50(1)(b)
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- ANTS(GST)A 84-5
- ANTS(GST)A Div 87
- ANTS(GST)A 111-5(1)
- ANTS(GST)A 111-15
- ANTS(GST)A Div 153
- ANTS(GST)A 153-10
- ANTS(GST)A 153-10(1)
- ANTS(GST)A 153-15(1)(b)
- ANTS(GST)A 153-20(1)(b)
- ANTS(GST)A 153-20(2)
- ANTS(GST)A 153-25
- ANTS(GST)A 184-1(1)
- ANTS(GST)A 195-1
- ANTS(GSTT)A 1999 Pt 3 Div 2
- ANTS(GSTT)A 1999 15C
- ANTS(GSTT)A 1999 15H(4)
- ITAA 1997 995-1
- TAA 37
- TAA 44(2)
- TAA 45(b)
- TAA 70
- TAA 70(2)
- Tax Laws Amendment (Long-term Non-reviewable Contracts) Act 2005

Case references:

- International Harvester Co. of Australia Pty Ltd v. Carrigan's Hazeldene Pastoral Co (1958) 100 CLR 644;
- Sargent v. ASL Developments Ltd (1974) 131 CLR 634;
- Tooheys Ltd v. Commissioner of Stamp Duties (NSW) (1961) 105 CLR 602;

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Schedule 1

COMMONWEALTH OF AUSTRALIA

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

DETERMINATION

Under paragraph 29-75(1)(c) 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) Adjustment Note Information Requirements Determination (No. 1) 2000.*

Commencement

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

Information requirements - Adjustment Notes other than Recipient Created Adjustment Notes

3. An adjustment note other than an adjustment note referred to in Clauses 4 and 5 must contain the following information:

(a) the following words must be shown in a prominent place on the document:

(i) where the adjustment to the price is shown:

(A) as a positive or debit amount to either the supplier or the recipient - the words "Adjustment Note" stated prominently; or

(B) as a negative or credit amount to the supplier - the words "Adjustment Note" stated prominently; or

(ii) where the adjustment to the price is shown as a negative or credit amount to the recipient - the words "Tax Invoice" or "Adjustment Note" stated prominently;

(b) the name of the supplier or the agent of the supplier;

(c) the name of the recipient or the agent of the recipient;

(d) the address or ABN of the recipient or the agent of the recipient;

(e) the issue date of the adjustment note;

(f) the difference between the price of the supply before the adjustment event and the price of the supply after the adjustment event;

(g) a brief explanation of the reason for the adjustment;

(h) the amount of the adjustment to the GST payable or a statement to the effect that the difference in the price of the supply includes GST;

(ha) if the adjustment note relates to a supply that is partly a taxable supply:

(i) the amount of the adjustment to the GST payable; and

(ii) the difference between the price of the supply (to the extent that it is a taxable supply) before the adjustment event and the price of the supply (to the extent that it is a taxable supply) after the adjustment event;

(j) if the adjustment note relates to a supply that has an amount of GST payable that is less than $1/11^{th}$ of the price (other than a supply of insurance):

(i) the amount of the adjustment to the GST payable; and

(ii) the difference between the GST exclusive price of the supply before the adjustment event and the GST exclusive price of the supply after the adjustment event;

(k) if the adjustment note relates to a supply of insurance that has an amount of GST payable that is less than $1/11^{th}$ of the price:

(i) the amount of the adjustment to the GST payable; and

(ii) either:

(A) the difference between the GST exclusive price of the

supply before the adjustment event and the GST exclusive price of the supply after the adjustment event; or

(B) a statement to the effect that if an entity is registered for GST, the adjustment for that entity is either the GST amount shown in the adjustment note or based on the GST amount shown in the adjustment note and the GST amount may be less than 1/11th of the total amount payable.

4. An adjustment note which:

(a) relates to a tax invoice showing a total amount payable of less than $1000; or

(b) arises out of an adjustment event where a supply that was not taxable becomes taxable and the price of the supply was less than $1000;

must contain the following information:

(c) the following words must be shown in a prominent place on the document:

(i) where the adjustment to the price is shown:

(A) as a positive or debit amount to either the supplier or the recipient - the words "Adjustment Note" stated prominently; or

(B) as a negative or credit amount to the supplier - the words "Adjustment Note" stated prominently; or

(ii) where the adjustment to the price is shown as a negative or credit amount to the recipient - the words "Tax Invoice" or "Adjustment Note" stated prominently;

(d) the name of the supplier or the agent of the supplier;

(e) the issue date of the adjustment note;

(f) the difference between the price of the supply before the adjustment event and the price of the supply after the adjustment event;

(g) a brief explanation of the reason for the adjustment;

(h) the amount of the adjustment to the GST payable or a statement to the effect that the difference in the price of the supply includes GST;

(ha) if the adjustment note relates to a supply that is partly a taxable supply:

(i) the amount of the adjustment to the GST payable; and

(ii) the difference between the price of the supply (to the extent that it is a taxable supply) before the adjustment event and the price of the supply (to the extent that it is a taxable supply) after the adjustment event;

(j) if the adjustment note relates to a supply that has an amount of GST payable that is less than $1/11^{th}$ of the price (other than a supply of insurance):

(i) the amount of the adjustment to the GST payable; and

(ii) the difference between the GST exclusive price of the supply before the adjustment event and the GST exclusive price of the supply after the adjustment event;

(k) if the adjustment note relates to a supply of insurance that has a GST amount payable that is less than $1/11^{th}$ of the price:

(i) the amount of the adjustment to the GST payable; and

(ii) either:

(A) the difference between the GST exclusive price of the supply before the adjustment event and the GST exclusive price of the supply after the adjustment event; or

(B) a statement to the effect that if an entity is registered for GST, the adjustment for that

entity is either the GST amount shown in the adjustment note or based on the GST amount shown in the adjustment note and the GST amount may be less than 1/11th of the total amount payable.

Information requirements - Recipient Created Adjustment Notes

5. A recipient created adjustment note must contain the following information:

(a) the following words must be shown in a prominent place on the document:

(i) where the adjustment to the price is shown:

(A) as a positive or debit amount to either the supplier or the recipient - the words "Recipient Created Adjustment Note" stated prominently; or

(B) as a negative or credit amount for the supplier - the words "Recipient Created Adjustment Note" stated prominently; or

(ii) where the adjustment to the price is shown as a negative or credit amount for the recipient - the words "Recipient Created Tax Invoice" or "Recipient Created Adjustment Note" stated prominently;

(b) the name of the supplier or the agent of the supplier;

(c) the ABN of the supplier or the agent of the supplier;

(d) the name of the recipient or the agent of the recipient;

(e) the issue date of the adjustment note;

(f) the difference between the price of the supply before the adjustment event and the price of the supply after the adjustment event;

(g) a brief explanation of the reason for the adjustment;

(h) the amount of the adjustment to the GST payable or a statement to the effect that the difference in the price of the taxable supply includes GST;

(ha) if the adjustment note relates to a supply that is partly a taxable supply:

(i) the amount of the adjustment to the GST payable; and

(ii) the difference between the price of the supply (to the extent that it is a taxable supply) before the adjustment event and the price of the supply (to the extent that it is a taxable supply) after the adjustment event;

(j) if the adjustment note relates to a supply that has an amount of GST payable that is less than $1/11^{th}$ of the price (other than a supply of insurance):

(i) the amount of the adjustment to the GST payable; and

(ii) the difference between the GST exclusive price of the supply before the adjustment event and the GST exclusive price of the supply after the adjustment event;

(k) if the adjustment note relates to a supply of insurance that has an amount of GST payable that is less than $1/11^{th}$ of the price:

(i) the amount of the adjustment to the GST payable; and

(ii) either:

(A) the difference between the GST exclusive price of the supply before the adjustment event and the GST exclusive price of the supply after the adjustment event; or

(B) a statement to the effect that if an entity is registered for GST, the adjustment for that entity is either the GST amount shown in the adjustment note or based on the GST amount shown in

the adjustment note and the GST amount may be less than 1/11th of the total amount payable.

Definitions

6. (1) The following expression is defined for the purpose of this determination:

recipient created adjustment note means an adjustment note issued by a recipient in the circumstances referred to in subsection 29-75(2).

(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 14th day of June 2000.

Peter Chochula
Senior Tax Counsel
Goods and Services Tax Program
Delegate of the Commissioner

Schedule 2

COMMONWEALTH OF AUSTRALIA

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

DETERMINATION

Under subsection 29-20(3) 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) Waiver of Adjustment Note Requirement Determination (No. 1) 2000.*

Commencement

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

Waiver of Adjustment Note Requirement

3. The circumstances set out in the following paragraph are circumstances of a kind in which the requirement for an adjustment note under subsection 29-20(3) of the Act does not apply:

(a) where the decreasing adjustment relates to a supply that is a taxable supply because of section 84-5 of the Act.

Definitions

4. (1) The following expression is defined for the purposes of this determination:

the Act means the *A New Tax System (Goods and Services Tax) Act 1999*.

(2) Other expressions in this determination have the same meaning as in the Act.

Dated this 14th day of June 2000.

Peter Chochula
Senior Tax Counsel
Goods and Services Tax Program
Delegate of the Commissioner