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')?

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Goods and Services Tax Ruling

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')?

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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.]

What this Ruling is about

1. This Ruling clarifies what is an invoice for the purposes of the *A New Tax System (Goods and Services Tax) Act 1999* ('GST Act').

2. This Ruling applies to you **if you account for GST on a basis other than cash**.

3. The Ruling explains the difference between an invoice and a tax invoice.

4. The Ruling discusses whether different types of documents are invoices for the purposes of the GST Act.

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

Date of effect

6. This Ruling applies both before and after its date of issue. However, this Ruling 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 Ruling (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).

6A. Changes made to this Ruling by Addenda that issued on 11 July 2007, 31 October 2012 and 30 October 2013 have been incorporated into this version of the Ruling.[1A]

Context

7. GST is accounted for in tax periods. The GST payable and entitlement to input tax credits are attributed to a tax period in which certain requirements are met.

8. The GST payable on a taxable supply is attributable to the earlier of the tax periods in which:

- any of the consideration for the supply is received; or
- an invoice is issued for the supply (subsection 29-5(1)).

9. The input tax credit for a creditable acquisition is attributable to the earlier of the tax periods in which:

- you provide any consideration; or
- an invoice is issued for the acquisition (subsection 29-10(1)).

10. To claim an input tax credit for a particular tax period, you are required to hold a tax invoice when you give to the Commissioner a GST return for the period (subsection 29-10(3)). If the GST exclusive value of the taxable supply is $75 or less, then you will not need a tax invoice (section 29-80). For a detailed explanation of what constitutes a tax invoice, refer to Goods and Services Tax Ruling GSTR 2013/1.

11. For GST purposes, it is important to identify an invoice that meets the definition of invoice in section 195-1 of the GST Act. In practice, some documents not referred to as invoices will meet the definition and result in attribution occurring when the document is issued.

[1A] Refer to each Addendum to see how that Addendum amends this Ruling.

Ruling

12. An 'invoice' is defined in section 195-1 of the GST Act to mean 'a document notifying an obligation to make a payment'. For the purposes of this definition:

> A **document** may be in the form of paper, a computer system, tapes, or computer disks and may be in an electronic form.
>
> **Notifying an obligation to make a payment** is the essential characteristic of a document which is an invoice. This characteristic exists where the document informs the parties that there is a presently existing obligation to make a payment and the amount of that payment.

Explanations (this forms part of the Ruling)

What is an invoice?

13. In a commercial environment, an invoice is prepared by a seller (supplier) and issued to a buyer (recipient) as the document against which payment of the debt is made.[1]

14. An invoice is defined in section 195-1 of the GST Act to mean 'a document notifying an obligation to make a payment'.

Document

15. In the absence of a definition of the word 'document' in the GST Act, the definition of 'document' in section 2B of the *Acts Interpretation Act 1901* is applicable:

document means any record of information, and includes:

(a) anything on which there is writing; and

(b) anything on which there are marks, figures, symbols or perforations having a meaning for persons qualified to interpret them; and

(c) anything from which sounds, images or writings can be reproduced with or without the aid of anything else; and

(d) a map, plan, drawing or photograph.

[1] Macquarie Dictionary of Business

16. An invoice need not be issued in paper form and may be conveyed solely through electronic means.

Notifying an obligation to make a payment

17. . The definition of 'invoice' in the GST Act is similar to the definition of 'invoice' in section 2 of the *Goods and Services Act 1985* (NZ) which defines invoice to be 'a document notifying an obligation to make payment'.

18. The New Zealand Court of Appeal in *Shell NZ Holding Company Ltd v. CIR*[2] held that the term 'invoice' imports the essence of a commercial invoice, the essential feature of which is the notification of an obligation to pay. We believe that the approach of the New Zealand Court of Appeal is consistent with the meaning of the term invoice as defined in section 195-1.

19. The Court in the *Shell case* was asked to determine which of two competing documents, an import entry form or a deferred duty statement, was an invoice for GST purposes. The taxpayer sought to deduct credits on imported petroleum goods before GST payments were made to Customs. The taxpayer's argument was based on the import entry form being an invoice for GST purposes.

20. The Commissioner of Inland Revenue argued that the input tax credit was not deductible until Customs had sent the taxpayer a deferred duty statement requiring payment. The Commissioner also argued that the deferred duty statement was an invoice for GST purposes, not the earlier import entry form.

21. The New Zealand Court of Appeal held that the import entry form was an invoice for GST purposes. In reaching this decision, the court commented as follows:

> 'Invoices are rendered in commercial transactions where goods are supplied or work is done by one party for another. Invoices record what was done and the charge. It may be a cash or credit transaction and in the latter case it is common for a monthly or other periodic statement to be issued subsequently. Whether payable on delivery or under the credit arrangement the invoice states the price or charge involved. And it is both unnecessary and uncommon in practice for commercial invoices to specify the time for payment.

[2] *Shell NZ Holding Company Ltd v CIR* (1994) 16 NZTC 11,163

> In our view the GST obligation is in the same position. The statutory definition of "invoice" recognises that it is not a commercial two party transaction. It uses the central feature of an invoice which is "a document notifying an obligation to make payment". The time for payment is not part of the definition. "Notify" has its ordinary dictionary meaning of "to give notice to -, to inform". Certainly when completed by the Customs officer it is the Customs document and a copy is furnished to the importer. It is the signing of the document by the Customs officer which under the statute is the entry of the goods. It is that act which constitutes the duty as a debt due to the Crown. At that point the document is notice to the importer of the obligation to make payment'.[3]

22. The New Zealand Court of Appeal considered that the GST obligation is the same as the obligation in commercial invoices. The central feature of both documents is a notice of an obligation to pay.

23. The ordinary meaning of an 'obligation' is defined in the Macquarie Dictionary (5th ed) as 'a legal relationship between two persons, such that one person's right entails the other person's duty'.

24. In considering the meaning of 'obligation' in the definition of invoice in the New Zealand legislation, Heron J, in the *Shell case* at the New Zealand High Court, commented:

> 'The Act does not speak in terms of future obligation or conditional obligation or contingent obligation. It speaks of obligation. It is an obligation to make payment'.[4]

25. The words 'obligation to make a payment' refer in our view to a legal obligation which is analogous to being 'required to pay'. A party can only be regarded as under an obligation to make a payment if '…there is a requirement for either an actual payment or, at least, a present obligation to pay a sum certain at some future date'.[5]

26. The existence of an obligation to pay will depend on the terms of the contract which govern the supply. In some circumstances, an obligation to pay may arise at a point in time preceding the time of supply, however, this will depend on the intention of the parties[6]. A supplier who has completed all that is required under the contract to demand payment of some or all of the contract price may issue a document notifying the recipient of an obligation to pay that part of the supply consideration. A document of this nature is an invoice for the purposes of the GST Act.

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[3] *Shell NZ Holding Company Ltd v. CIR* (1994) 16 NZTC 11,163, at 11,168
[4] *Shell NZ Holding Company Ltd v. CIR* (1993) 15 NZTC 10,136, at 10,139
[5] *Dingwall v FC of T* 95 ATC 4345, at 4351
[6] *McDonald v Dennys Lascelles Ltd* (1933) 48 CLR 457, at 476

Example

27. *Michael purchases an exotic sports car which is currently unavailable. The dealer informs him that delivery will be made in three months. Michael agrees with the dealer that he will pay the full purchase price in 30 days. The dealer gives Michael a document which shows the amount to be paid and the due date for payment. The document is an invoice for GST purposes.*

28. A document will be an invoice if it notifies a presently existing obligation. In the *Shell case*[7], the word 'notify' was taken to mean its ordinary dictionary meaning of 'to give notice to-, to inform'.

29. It is not sufficient that the obligation exists and that the document merely evidences the existence of the liability. The document must also inform the recipient of the obligation to make a payment and the amount of that payment.

30. A contract creates a contractual obligation to make a payment. If the obligation created is a presently existing one, a copy of the executed contract, which is returned to the recipient of the supply, will be a document which notifies that obligation, if it specifies the amount due by the recipient to the supplier. The copy of the contract will be an invoice. However, many contracts do not create an immediate obligation to pay. This will depend on the terms of the contract and the intention of the parties.

31. The amount notified by an invoice must be a sum certain. It is not enough that an amount might become payable in the future upon the happening of some contingency.[8]

32. 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. For example, the certificate issued by an independent quantity surveyor who assesses the amount due in relation to each progress claim under a construction contract will be an invoice.

When is an invoice issued?

33. An invoice is issued when the supplier sends a document which notifies the recipient of the obligation to pay. The actual date when the invoice issues may not be the preparation date. The actual date is the date when the invoice is electronically transmitted, posted,

[7] (1994) 16 NZTC 11,163
[8] *Dingwall v. FC of T* 95 ATC 4345, at 4351

couriered, hand delivered or similar. This date determines the tax period to which the GST payable and input tax credits are attributed.

Contents of an invoice

34. In commercial practice, many documents may be referred to as an invoice. An invoice may include:

- date of issue;
- date of supply;
- names and addresses of the suppliers and recipients;
- description of the goods or services supplied including quality, quantity and unit prices;
- terms of sale, due date for payment and whether any discount is available; and
- amount payable.

35. Although the date of issue of an invoice is a question of fact and can be ascertained by reference to records of the enterprise, it will assist you to identify the attribution date if the issue date is recorded on the invoice. For GST purposes, it is desirable that an invoice contains sufficient information to identify or ascertain:

- date of issue;
- the supplier;
- the recipient; and
- the amount payable.

The recipient is entitled to rely on the date of issue stated on the invoice in the absence of any evidence to the contrary.

36. It is accepted that documents used in commercial practice that are not referred to as an 'invoice' may satisfy the definition of invoice under the GST Act.

Other Examples

Example: Delivery docket

37. *Frank, a baker, purchases flour from Milling Ltd, a flour miller. At the time of each delivery, Frank is presented with Milling Ltd's delivery docket. It contains the date of issue, date of delivery, name of the supplier, name of the recipient and the amount payable.*

38. *This delivery docket is an invoice for GST purposes because the supplier, Milling Ltd, has completed all that is required to be done*

and the delivery docket notifies a current obligation to make a payment.

Example: Supplies on account

39. *Stan's print shop has a business account with a paper supplier. Stan, from time to time, orders further supplies of paper. At the time of each delivery of paper, a delivery docket is presented. It states only the date of issue, date of delivery, name of the supplier, name of the recipient, description of the goods and quantity of the goods supplied. As the amount payable is not specified, there is no notification of an obligation to pay. The delivery docket is not an invoice for GST purposes.*

40. *The paper supplier sends a monthly statement which contains the date of issue of the statement, the name of the supplier, the name of the recipient and the amount payable. This statement is an invoice for GST purposes. The date of issue of this statement determines the tax period for attribution purposes.*

Example: Sale of goods

41. *Mark purchases an outboard motor for delivery in 30 days. He signs a contract of purchase and is given a copy. The contract is a standard sale of goods contract under which no liability to pay arises until property in the outboard passes. A copy of the contract will not be an invoice because it does not notify a presently existing obligation to make a payment.*

Example: Progress claim

42. *Miller and Son provides supplies of concreting services to the building industry. It enters into a contract for the construction of a parking station with a projected completion date of 2 years. Under the contract, Miller and Son may submit claims in writing on a monthly basis for work done.*

43. *The contract expressly provides that no obligation to pay arises on the presentation of the claim and any progress payment which is ultimately made is on account of the agreed contract price. The obligation to pay any progress claim only arises upon certification by an independent third party. Miller and Son does not issue a further document after the third party assesses the amount due in relation to each claim.*

44. *On certification, a copy of the certificate which specifies the amount due is provided to each party. The certificate is an invoice. The initial claim submitted by Miller and Son is not an invoice.*

Example: Insurance renewal notice

45. *Cheryl receives a renewal notice for a house and contents insurance policy. The policy sets out the details of sums insured, the period of insurance and the amount payable. This document is not an invoice as it is only an offer to enter into a new contract with the insurance company. Cheryl accepts the offer by making a payment. The GST payable by the insurance company on the supply is attributable to the tax period in which Cheryl makes the payment.*

Example: Job quote

46. *City Plaza , a company that owns and leases commercial accommodation to tenants, requests City View Curtains Co to provide it with a price for the supply and installation of vertical blinds to all windows in the 20 storey building it owns.*

47. *City View Curtains attends the premises, measures the windows for size and quantity of vertical blinds and sends a written document to City Plaza. The document specifies the type of blinds City View Curtains will supply and install, the date by which all work will be completed and the total price. This document is generally known as a quote. City Plaza is not obliged to make any payment or accept the quote. It is not an invoice for GST purposes.*

Example: Deferred payment plan

48. *John purchases an air conditioner for his business on a plan under which he pays no deposit, no interest and no repayments for 6 months. John receives immediate possession of the air conditioner.*

49. *The retailer has arranged the deferred payment plan with an unrelated financial services company. Under this arrangement, the financial services company makes a payment to the supplier for the supply of the air conditioner upon acceptance of the finance agreement.*

50. *John receives a receipt for this purchase from the supplier. This receipt is not an invoice because it does not notify an obligation to pay. The obligation to pay is satisfied by a payment made on behalf of John by the finance provider.*

Example: Standard land contract

51. *Brian enters into a contract with Desiree for the purchase of the freehold interest in a 5 acre property owned by her. The purchase price is $220 000 (GST inclusive). A deposit of $22 000 is paid by Brian on entering into the contract and is held by Desiree's real estate agent as stakeholder. Settlement occurs in 30 days. The balance of the purchase price ($198 000) is paid at settlement in exchange for a transfer in Brian's name and the certificate of title.*

52. *This standard land contract is not an invoice because it does not notify an existing obligation to make a payment as the obligation to pay is contingent upon a range of matters, including title passing*[9].

Example: Lease

53. *Dale offers to enter into an agreement to lease a shop from Generous Life Insurance, the owner of a large suburban shopping centre. The lease document is signed by Dale and forwarded to Generous Life Insurance. A duplicate copy of the lease is returned to Dale after the lease is executed by Generous Life Insurance.*

54. *The lease is for a nominal period of three years with rent payable monthly in advance. The terms of the lease expressly provide that the right to occupy is contingent upon rent being paid on the due date each month and a schedule of monthly payments is annexed to the lease document.*

55. *The duplicate lease document may be an invoice in respect of the rent for the first month of the lease period, because the liability to pay rent arises monthly in advance. The lease is not an invoice for the balance of the lease period because it is not notice of an obligation to pay a currently existing liability to pay rent in respect of the subsequent monthly periods.*[10]

What is the difference between an invoice and a tax invoice?

56. An invoice notifies a recipient of an obligation to pay. The effect of an invoice is to allow you to attribute the GST payable and input tax credits to the correct tax period. A tax invoice will enable you to claim input tax credits on your GST return. You cannot claim an input tax credit unless you hold a tax invoice. You do not have to hold a tax invoice when the GST exclusive value of the taxable supply is $75 or less.[10A]

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[9] Refer to Goods and Services Tax Ruling GSTR 2000/28
[10] Refer to Goods and Services Tax Ruling GSTR 2000/35
[10A] Subsection 29- 80(1).

57. Subsection 29-70(1) of the GST Act outlines the information requirements for a document to be a tax invoice. Some of the requirements of an invoice and a tax invoice are:

ATTRIBUTES	**INVOICE**	TAX INVOICE **(Supplies where total price is less than $1000)**	**TAX INVOICE (Supplies where total price is at least $1000)**
• Date of issue	X*	X	X
• Identity of the supplier	X	X	X
• ABN of the supplier		X	X
• Identity or ABN of the recipient	X*		X
• What is supplied, including the quantity		X	X
• The price of what is supplied	X	X	X
• The extent to which supplies are taxable		X	X
• The amount of GST payable and, if the document is a recipient created tax invoice, that the GST is payable by the supplier		X	X

* Recommended for attribution purposes

58. A tax invoice may be an invoice for the purposes of sections 29-5 and 29-10 of the GST Act. An invoice will be a tax invoice if it satisfies the requirements of subsection 29-70(1). An entity may treat a document issued by another entity as a tax invoice where the requirements of subsection 29-70(1A) are met. The Commissioner may also use the discretion under subsection 29-70(1B) to treat a document as if it were a tax invoice.[10B]

59. If a tax invoice is issued after payment, it cannot be an invoice as the obligation to make a payment has been satisfied by the earlier payment.

[10B] Refer to Goods and Services Tax Ruling GSTR 2013/1

60. For attribution purposes, if more than one tax invoice issues in relation to a supply, it is the first tax invoice which establishes the entitlement to claim input tax credits. An input tax credit entitlement in relation to a supply arises only once, even if more than one tax invoice issues.

Example

61. *Ross operates a panel beating business and accounts on a basis other than cash. He lodges his activity statement quarterly. On 28 September 2010, Ross receives an invoice for paint supplied to him by Aussie Paints for an amount of $2,200. The invoice has the date of issue, the identity of the supplier and recipient and the total price of the supply including the amount of GST payable but does not include the ABN of the supplier. The invoice does not satisfy the requirements of a tax invoice.*

62. *As Ross does not hold a tax invoice at the date of lodgement, he cannot claim an input tax credit of $200 in his activity statement which he lodges on 24 October 2010.*

63. *On 25 October 2010, Ross contacts Aussie Paints and requests a tax invoice which he receives on 1 November 2010. Ross can claim an input tax credit of $200 in his activity statement for the December quarter.*

Detailed contents list

64. Below is a detailed contents list for this Ruling:

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Commissioner of Taxation
6 September 2000

Previously released:

GSTR 2000/D16;

Related Rulings/Determinations:

TR 2006/10; GSTR 2000/35;
GSTR 2003/12; GSTR 2013/1

Subject references:

- attribution
- cash basis
- consideration
- contracts
- GST payable
- input tax credits
- invoice
- on a basis other than cash
- standard land contract
- taxable supply
- tax invoice

Legislative references:

- ANTS(GST)A99 29-5
- ANTS(GST)A99 29-5(1)
- ANTS(GST)A99 29-10
- ANTS(GST)A99 29-10(1)
- ANTS(GST)A99 29-10(3)
- ANTS(GST)A99 29-70(1)
- ANTS(GST)A99 29-70(1A)
- ANTS(GST)A99 29-70(1B)
- ANTS(GST)A99 29-80
- ANTS(GST)A99 29-80(1)
- ANTS(GST)A99 195-1
- Acts Interpretation Act 1901 2B
- TAA 1953 Sch 1 Div 358
- Goods and Services Act 1985 (NZ) 2

Case references:

- Dingwall v. FC of T 95 ATC 4345
- McDonald v. Dennys Lascelles Ltd (1933) 48 CLR 457
- Shell NZ Holding Company Ltd v. CIR (1993) 15 NZTC 10,136;
- Shell NZ Holding Company Ltd v. CIR (1994) 16 NZTC 11,163

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