GSTR 2002/3 - Goods and services tax: prizes

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This ruling is being reviewed as a result of a recent court/tribunal decision. Refer to Decision Impact Statement: International All Sports v Commissioner of Taxation Sportsbet Pty Ltd v Commissioner of Taxation (Published 30 September 2011).

This document has changed over time. This is a consolidated version of the ruling which was published on *25 August 2010*

Goods and Services Tax Ruling
Goods and services tax: prizes

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

2. Part A of this Ruling explains when giving a prize is a taxable supply and when a prize is consideration for a supply made by the recipient. Part A includes an explanation of how GST applies where a prize is provided by a sponsor.[1]

3. Part A explains how to value consideration for taxable supplies in a prizes context, where the consideration is not expressed as an amount of money (that is, non-monetary consideration). It also

[1] Paragraph 17 of this Ruling explains the meaning of the term 'sponsor' for the purposes of this Ruling.

explains how GST payable and input tax credits may be attributed in transactions involving the supply and acquisition of a prize.

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

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

6. The Ruling adopts interpretations of the GST Act expressed in other public rulings issued by the Australian Taxation Office. In particular, Part A of the Ruling adopts interpretations expressed in Goods and Services Tax Ruling GSTR 2001/6, which is about non-monetary consideration.

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

Date of effect

8. This Ruling applies from its date of issue. You can rely on this Ruling on and from its date of issue for the purposes of section 105-60 of Schedule 1 to the *Taxation Administration Act 1953* (TAA). Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and the Commissioner's view of when you can rely on this interpretation of the law in GST public and private rulings.

8A. Changes made to this Ruling by Addenda that issued on 11 July 2007, 18 June 2008 and 18 August 2010 have been incorporated into this version of the Ruling.[1A] You can rely on the changes made to the Ruling by the addenda that issued on 11 July 2007 and 18 June 2008 for the purposes of section 105-60 of Schedule 1 to the TAA from the date of issue of the relevant Addendum. If the Addendum conflicts with a previous private ruling that you have obtained or a previous public ruling, the Addendum prevails.

8B. If you have relied on a previous ruling (including the public ruling that the Addendum amends), you are protected in respect of what you have done up to the date of issue of the relevant Addendum or, if there is a change to the legislation, you are protected in respect of what you have done up to the date the legislative change takes effect. This means that if you have relied on the previous ruling and have underpaid an amount of GST, you are not liable for the shortfall prior to either the issue date of the relevant Addendum or the date the legislative change takes effect, as

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

appropriate. Similarly, if you have relied on the previous ruling you are not liable to repay an amount overpaid by the Commissioner as a refund.

Context

Part A of this Ruling

9. Part A deals with prizes other than those resulting from gambling (the GST consequences of which are explained in Part B). Part A commences at paragraph 22 and concludes at paragraph 173 of this Ruling.

10. As noted at paragraph 3 of this Ruling, taxable supplies involving prizes may be made for non-monetary consideration. Because of this, Part A adopts interpretations explained in GSTR 2001/6. Paragraphs 10 to 131 of GSTR 2001/6 explain the concepts of supply and consideration in the context of transactions involving non-monetary consideration.

11. Part A also draws on explanations contained in GSTR 2001/6 in explaining how to value non-monetary consideration. Paragraphs 138 to 165 of GSTR 2001/6 provide guidance for determining a reasonable market value of non-monetary consideration.

What is a prize?

12. 'Prize' is not defined in the GST Act.[2] In this Ruling, a prize may be either:

(a) in the form of money (that is, prize money);

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

- a medal, ribbon, trophy or similar prize representing success in a particular endeavour;[3]
- goods or services that a recipient would generally be able to acquire elsewhere (for example, a car or a car detailing service); or

(c) a combination of the above.

Other frequently used terms in Part A of this Ruling

13. 'Event' includes a race, a tournament, an exhibition or other competition or activity where a prize may be provided based on success, performance or participation in the competition or activity.

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[2] Although the meaning of the term 'monetary prize' for GST purposes is provided in section 195-1, it does not expand on the meaning of the term 'prize'.

[3] Paragraphs 44 to 54 of this Ruling explain the GST consequences of giving and receiving a medal, ribbon, trophy or similar prize.

14. 'Event holder' refers to an entity that is responsible for the administration, organisation and giving of prizes in relation to an event.

15. 'Winner', in relation to an event, refers to any recipient of a prize in the event.

16. 'Contesting' and 'participating' refer to the entry into an event and competing against other entrants or participants in an event.

17. 'Sponsor' refers to an entity that supports an event by providing things to the event holder such as money, goods or services.[4]

Events where prizes may be given

18. Event holders may give prizes, for example, to:

- the successful participant in an event of physical, intellectual or artistic prowess, such as:
  - an owner of a racehorse or greyhound that wins a race;
  - a sporting club member who is chosen as the club's best and fairest player for the season;
  - a winner of a quiz show; or
  - an artist for the best painting;
- a caller to a radio station;
- a finder of a winning symbol under a bottle cap;
- a winner of a lottery or raffle; or
- a salesperson for achieving the highest number of sales in a period.

19. Prizes may also be provided in other situations not directly related to a competitive event, such as:

- a school's encouragement prize; or
- to a volunteer collector for a charitable cause in recognition of their community spirit.

Giving prize money is not making a supply

20. When an event holder gives prize money to a winner, it is not making a supply for GST purposes, as a supply does not include a

[4] The application of GST to providers and recipients of prizes in sponsorship arrangements is explained in more detail at paragraphs 73 to 84 of this Ruling.

supply of money unless the money is provided as consideration for a supply that is itself a supply of money.[5] However, prize money, as well as prizes of goods or services, may be consideration for a supply made by the winner.

Part B of this Ruling

21. Part B, dealing with Division 126 and prizes resulting from gambling, commences at paragraph 174. Division 126 defines several terms for its purposes. In particular, Division 126 (and, therefore, Part B) uses the term 'monetary prize', which is defined in section 195-1.

Ruling with explanations

Part A

Taxable supplies in an event

22. The supply of a thing made in the course of an event is a taxable supply if the elements of section 9-5 are satisfied. That section states:

> '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;[6] and
>
> (d) you are registered, or required to be registered.
>
> However, the supply is not a taxable supply to the extent that it is GST-free or input taxed.'

23. The value of a taxable supply is 'Price x 10/11'.[7] The amount of GST on a taxable supply is 10% of the value of the taxable supply,[8] or 1/11 of its price. The price of a taxable supply is equal to the sum of monetary consideration[9] and the GST inclusive market value of non-monetary consideration for that supply.[10]

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[5] Subsection 9-10(4).
[6] All supplies discussed in this Ruling are assumed to be connected with Australia.
[7] Subsection 9-75(1).
[8] Section 9-70.
[9] 'Consideration' is explained further at paragraphs 31 to 33 of this Ruling.
[10] Subsection 9-75(1). GST inclusive market value of non-monetary consideration is discussed at paragraphs 106 to 141 of this Ruling.

24. A recipient of a taxable supply is entitled to an input tax credit if the acquisition is a creditable acquisition.[11] Entitlement to input tax credits is not discussed in detail in this Ruling but some examples, for completeness, include input tax credit outcomes. GST payable and input tax credits are brought to account by attributing them to tax periods.[12]

Supplies made in the course of an event

25. 'Supply' is defined very broadly in section 9-10, which provides that 'a supply is any form of supply whatsoever' and includes a supply of goods or services. An event where a prize is awarded to a winner may involve several stages, with supplies that are identifiable for GST purposes at each stage.[13]

Supply by the event holder – the right to participate in the event

26. By accepting an entry into an event, an event holder is supplying a right to participate in the event. Intending participants may be required to formally enter the event by completing an entry form and paying an entry fee.

27. The supply that is made by the event holder may include other things in addition to the right to participate, such as use of facilities, entry to functions or items of clothing.

28. The supply of a right to participate in an event includes a contingent right to a prize. In order to claim the prize however, a participant must provide something additional to the entry fee, that is, participation or performance to a standard required by the conditions of the event.

Supply by the participant – participating in, or contesting an event

29. All participants make a supply to the event holder by participating in the event, although the event holder may give a prize only to the winner of the event. Other participants may receive nothing despite having also supplied their participation.

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[11] Division 11 is about creditable acquisitions.

[12] The basic rules of attribution are contained in Division 29. Goods and Services Tax Ruling GSTR 2000/29 explains the basic rules on attribution. Paragraphs 142 to 173 of this Ruling explain how to attribute GST payable and input tax credits in a prizes context.

[13] See the diagram in the Appendix to this Ruling.

Supply by the event holder to the winner – the non-monetary prize

30. By giving a prize to the winner of the event, the event holder makes a supply that is separate from the supply of the right to participate in the event.

Consideration for supplies in an event

Consideration and sufficient nexus

31. Consideration is defined in section 195-1 to mean 'any consideration within the meaning given by section 9-15, in connection with the supply or acquisition.'

32. Subsection 9-15(1) provides that a payment, or any act or forbearance is consideration for a supply if it is 'in connection with', 'in response to' or 'for the inducement of' a supply. A payment, act or forbearance may be consideration for a supply even though it is made voluntarily, and regardless of whether it is made by persons other than the recipient of a supply.[14]

33. Paragraphs 49 to 72 of GSTR 2001/6 are about consideration. They explain that a payment, act or forbearance is consideration for a supply where there is a sufficient nexus between the payment, act or forbearance and the supply. [15] The test as to whether there is a sufficient nexus is an objective test.[16]

Taxable supply of the right to participate in the event

Entry fee as consideration

34. An entry fee paid by a participant is consideration for the supply of the right to participate in an event.[17] However, this supply is made for no consideration if no entry fee is charged and there is no other payment, act or forbearance provided in connection with, in response to or for the inducement of the supply.

Example 1: Supply of right to participate in the event[18]

35. *Rod is a professional golfer and is registered for GST. He enters a tournament being run by event holder, Golfers Unlimited (GU). He completes an entry form and pays an entry fee of $55. GU's supply to Rod of a right to participate in the event is a taxable*

[14] Subsection 9-15(2).
[15] Paragraph 68 of GSTR 2001/6.
[16] Paragraph 72 of GSTR 2001/6.
[17] See paragraphs 26 to 28 of this Ruling.
[18] All event holders in this Ruling are assumed to be registered for GST and making supplies in the course or furtherance of an enterprise they carry on.

supply for consideration of $55. The price of the supply is the consideration of $55. GU accounts for $5 GST payable, being 1/11 of the price. Rod is entitled to an input tax credit of $5 for the creditable acquisition of GU's supply.

Taxable supply of winner's participation

Prizes as consideration

36. A registered winner of a prize in an event, having participated in the event in the course or furtherance of an enterprise they carry on, has a GST liability for the supply of their participation where there is a sufficient nexus between the prize and the supply.

37. An event holder offers prizes in an event as an inducement and reward for a winning performance in the event. As these prizes are in the nature of rewards for services rendered, we consider that there is a sufficient nexus between a prize given to the winner and the supply of the winner's participation.[19]

38. Where a prize is consideration for a supply of participation and the other requirements of section 9-5 are satisfied in relation to the supply, the supply is a taxable supply. For example, where a registered owner of a racehorse starts the horse in a race in the course of an enterprise the owner carries on, and the horse wins a prize, the owner is liable for GST of 1/11 of the prize.[20]

39. The price of the supply of the horse's participation in the race is the amount of prize money (if any) together with the GST inclusive market value of non-monetary prizes.[21]

Example 2: Supply of participation in the event

40. *Rod (from Example 1) makes a supply to GU by participating in the event. Rod wins the event and receives a non-monetary prize with a market value of $2,200, which is consideration for the supply of his participation. As Rod is registered for GST and is supplying his participation in the course or furtherance of an enterprise he carries on, the supply is a taxable supply.*

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[19] Support for this view is found in *McCarthy & Ors v. Australian Rough Riders Association & Anor* (1988) ATPR 49 017. Justice Spender observed (at 49 028) that "the local organising rodeo acquires the 'services' of the rough rider" which "include his participation in the particular event and thereby the provision of entertainment to the spectators at the rodeo. These services are provided by the rodeo rider in exchange for the prize-money he earns."

[20] See paragraph 6.215 of the Explanatory Memorandum to the *A New Tax System (Goods and Services Tax) Bill 1998*.

[21] Subsection 9-75(1). The valuation of non-monetary prizes is explained at paragraph 108 of this Ruling.

41. *The price of the taxable supply is the GST inclusive market value of the prize, which is $2,200.*[22] *Rod accounts for the GST payable on his taxable supply of $200, being 1/11 of $2,200. GU is entitled to an input tax credit of $200 for the creditable acquisition of Rod's participation.*

Unregistered winners

42. Regardless of whether a prize is consideration for the supply of the winner's participation, if the winner is not registered (nor required to be registered), or is registered but has not supplied the participation in the course or furtherance of an enterprise, the supply is not a taxable supply and the winner has no GST liability in relation to the supply.

GST-free or input taxed supply of a prize[23]

43. A supply of a non-monetary prize that is a GST-free or input taxed supply by an event holder, may still be consideration for a supply of a winner's participation.[24] Where the winner of such a prize is registered for GST and has participated in the event in the course or furtherance of an enterprise, the supply of the winner's participation is a taxable supply, even though the supply of the prize by the event holder is not. The event holder has made a creditable acquisition of the winner's participation, but the winner has not made a creditable acquisition of the prize.

Medals, ribbons, trophies and similar prizes

44. A non-monetary prize in the form of a symbolic recognition of achievement (such as a medal, ribbon, trophy or similar prize) is not consideration for the winner's participation if the prize is merely symbolic, having no value other than its personal or sentimental value to the winner. We consider that such a prize has a GST inclusive market value of nil ('no market value'), and as such, it will not add to the price of the supply of the winner's participation.[25]

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[22] Valuation of non-monetary prizes is explained at paragraphs 108 of this Ruling.

[23] Division 38 is about GST-free supplies and Division 40 is about input taxed supplies.

[24] Paragraph 130 of GSTR 2001/6 explains that the GST treatment of non-monetary consideration (when it is viewed as a supply itself) is not relevant to its status as consideration.

[25] This is consistent with the Commissioner's view for income tax purposes – see TR 1999/17 titled 'Income tax: sportspeople – receipts and other benefits obtained from involvement in sport' - paragraphs 65 and 66.

45. The cost to an event holder of purchasing a prize of this kind is not reflective of its market value when presented to the winner. At presentation, the prize has only personal or sentimental value to the winner.

46. An exception to this is a medal, ribbon, trophy or similar prize that has a market value based on an intrinsic quality, such as content of valuable metal or gems, quality of artistic design or craftsmanship, or uniqueness. A prize with a market value based on these characteristics represents more than merely a symbolic recognition of the winner's achievement and its market value is included in the price of the supply of the winner's participation.

47. In some circumstances, a medal, ribbon, trophy or similar prize with no market value, may subsequently acquire a market value that is linked entirely to the identity of the winner. Market value based on the identity of the winner is not included in the price of the supply of the winner's participation.

48. A non-monetary prize that is designed for a practical use is not a mere symbol of recognition. For example, a prize of a crystal decanter, a computer or an item of sporting equipment has a market value that is included in the price of the supply of the winner's participation even though it may be described by an event holder as a 'trophy'.

Supply of a medal, ribbon, trophy or similar prize is not a taxable supply

49. Where a medal, ribbon, trophy or similar prize does not add to the price of the supply of a winner's participation, we consider that the supply of the prize by the event holder is not a taxable supply.

Example 3: Trophy given in symbolic recognition of achievement

50. *Harvey is a GST registered owner of a stud cattle property and exhibits his prime Hereford bull in the beef cattle competition of the Outback Regional Agricultural Show (ORAS). ORAS has purchased a trophy for $110 to give to the winner of the competition.*

51. *Harvey's bull wins and ORAS gives Harvey the trophy. The trophy is taken to have no market value, as it is merely a symbolic recognition of achievement that has no market value based on intrinsic qualities. If there is no other consideration for the supply Harvey has made, he has no GST liability for the supply.*

52. *ORAS is entitled to an input tax credit of $10 on its acquisition of the trophy, but it has no GST liability for its supply of the trophy to Harvey.*

Perpetual trophies

53. Perpetual trophies are given to winners on a custodial basis for a period of time. As ownership of a perpetual trophy does not pass to the winner, the trophy's market value is not included in the price of the supply of the winner's participation.

54. However, a replica of a perpetual trophy that is given to the winner to keep, is treated for GST purposes the same way as other medals, ribbons, trophies or similar prizes.

Taxable supply of a prize

Winner's participation as consideration

55. As stated in paragraph 32, consideration may include any payment, or any act or forbearance in connection with a supply.

56. Consideration for the supply of a prize is more likely to be the 'act' of participating in an event than a payment or a forbearance. Where the winner's act of participation in an event has a sufficient nexus with the supply of the prize, the participation is provided in connection with or for the inducement of the supply of the prize.

57. Where participants enter events for which prizes are provided, we consider that the participation of the eventual winner has a sufficient nexus with the supply of the prize. This may also apply where there is no formal entry into an event.[26]

Additional consideration – Paragraph 9-15(3)(a)

58. Paragraph 9-15(3)(a) is about consideration for a supply, where the supply is made on the exercise of a right or option already granted. Paragraph 9-15(3)(a) states:

> 'if a right or option to acquire a thing is granted, then:
>
> (i) the consideration for the supply of the thing on the exercise of the right or option is limited to any additional consideration provided either for the supply or in connection with the exercise of the right or option; or
>
> (ii) if there is no such additional consideration – there is no consideration for the supply…'

No additional consideration

59. Prizes in an event may be given without any act of participation by the winner. An example of this is a raffle or lottery, where the winner does not provide any additional consideration

[26] See paragraphs 66 to 72 of this Ruling.

beyond the purchase of a ticket, as the outcome is decided purely on the basis of chance. Raffles and lotteries are discussed further at paragraphs 100 to 105 and 184 to 188 of this Ruling.

60. Prizes are commonly given as part of a product promotion campaign, where an entitlement to a prize may be stated on some part of the product packaging. Purchasers may, for example, be required to look for a winning symbol under a soft drink bottle top, to see if a prize has been won. Winners may then have to return the bottle top to the store or the product distributor to claim the prize.

61. The act of returning the bottle top in this example is not additional consideration for the supply of the prize. In returning the bottle top, the winner is merely evidencing an entitlement to the prize.

Participation is additional consideration

62. As explained at paragraph 34, an entry fee is consideration for the supply of the right to participate in an event. However, the entry fee is not consideration for the subsequent supply of the prize to the winner. The winner has to provide something additional in order to claim the prize.

63. Paragraph 9-15(3)(a) applies to limit the consideration for the supply of the prize on the exercise of the right to the prize, to the additional consideration (that is, the participation) provided by the winner.

Example 4: Giving the non-monetary prize

64. *By giving Rod (from Examples 1 and 2) the prize, GU makes a supply to Rod. As Rod's participation in the event is consideration for the supply, GU makes a taxable supply. The price of the taxable supply is the non-monetary consideration, being Rod's participation in the event.*

65. *GU accounts for GST payable of 1/11 of the GST inclusive market value of Rod's participation, which may be valued by reference to the market value of the prize.*[27] *Using the figures from Example 2, Rod's participation may be valued at $2,200. GU accounts for $200 GST payable on the supply of the prize. Rod is entitled to claim an input tax credit of $200 on the acquisition of the prize, provided he holds a tax invoice*[28] *and it is a creditable acquisition.*

[27] Valuation of winner's participation is explained at paragraphs 109 to 141 of this Ruling.
[28] Tax invoices are explained at paragraphs 168 to 170 of this Ruling.

Participation without formal entry into an event

66. Participants are sometimes considered for prizes in an event even though they have not formally entered the event. For example, a sportsperson may win an end-of-season award or a prize may be provided for a superior business or commercial achievement.

67. Where a prize is provided to a winner in these circumstances, the participation of the winner is consideration for the supply of the prize, if there is a sufficient nexus between the participation and the supply of the prize.

68. We consider there is a sufficient nexus, where the terms and conditions under which the participation is provided make it clear that a prize may be awarded in recognition of some aspect of the participation. This is because the winner provides participation in connection with or for the inducement of remuneration or reward from the event holder.

Example 5: Prize for sales result - contractor

69. *Lisa's Travel Pty Ltd (LT) is a travel agency that is registered for GST. LT sells flights for various airlines and supplies its services for commissions and additional rewards that any of the airlines may provide for superior performance in selling their flights.*

70. *Jumbuk Airlines (Jumbuk) gives a prize to the travel agency making the most sales of its flights in each quarter. LT made the highest number of sales of tickets for Jumbuk in the three months to 30 June and receives a non-monetary prize from Jumbuk in July.*

71. *Though LT did not formally enter the event, its participation in the form of services it provided to Jumbuk was provided in connection with and for the inducement of the prize.*

72. *Jumbuk has made a taxable supply of the prize to LT.*[29]

Sponsorship arrangements

73. In running their events, event holders may obtain support in the form of money, goods or services provided by other entities, such as local businesses. As noted at paragraph 17, we refer to an entity that supports an event holder in this way as a sponsor.

[29] Examples 18 (paragraphs 158 to 160) and 20 (paragraphs 166 and 167) illustrate how Jumbuk might attribute GST payable on its taxable supply and also how LT attributes its increasing adjustment on receipt of the prize.

Supply from sponsor to event holder

74. Where goods or services are provided by a sponsor to an event holder for the purpose of being presented to a winner as a prize, the supply of the thing from the sponsor to the event holder is a separate supply for GST purposes from the supply of the prize to the winner of the event.

75. If nothing more than a mere acknowledgment of the sponsor's support, such as a brief mention of thanks in the event's program, is provided by the event holder in return for the support, (and if no consideration is received from any other entity), the supply of the goods or services by the sponsor to the event holder is not a taxable supply.[30]

76. However, if the event holder provides something to the sponsor, such as advertising, signage rights, naming rights or some other type of benefit in return for goods or services provided, the transaction has the character of a barter or 'contra' transaction. The agreement between the sponsor and the event holder will indicate whether the sponsor is to receive some benefit in return for the support provided. How the transaction is described by the parties is not necessarily determinative of this.

77. Both entities need to account for the GST consequences of this transaction. Guidance on how to do this is provided in GSTR 2001/6.

Sponsor presents prize to winner

78. Where a sponsor provides the goods or services to be given as a prize in the event and, in addition, presents the prize directly to the winner of the event, the GST consequences depend on the relevant contractual arrangements.

79. Where there are contractual arrangements between the sponsor and the event holder for the supply of the goods or services to be given as a prize, and between the participants and the event holder, we consider that for GST purposes, the sponsor is supplying the goods or services to the event holder, which the event holder then supplies to the winner. The fact that the sponsor may actually present the prize directly to the winner does not alter this situation.

[30] See paragraphs 119 to 121 of GSTR 2001/6 for a discussion on 'mere acknowledgment of a gift'.

Example 6: Benefits in return for sponsorship

80. *Rusty Motors agrees to supply a new car with a market value of $33,000 to Tennis Forever Inc. (TFI) for presentation to the winner of their tournament. In return, TFI will:*

- *name the event after the sponsor;*
- *grant the sponsor advertising rights; and*
- *display the sponsor's logo on programs and shirts.*

81. *Rusty Motors and TFI account for the GST consequences of this barter transaction. Using the valuation guidelines contained in GSTR 2001/6, it is reasonable to value the non-monetary consideration for the supplies TFI makes and the supply Rusty Motors makes at $33,000 each.*

82. *When TFI provides the vehicle to the winner, it makes a taxable supply for which the winner's participation is the consideration. Valuation of the participation may be reasonably based on the value of the prize itself, that is, $33,000.*[31]

Example 7: Mere acknowledgment

83. *Bazza's Discount Electrical Warehouse (BDEW) agrees to sponsor an event run by the local agricultural show society (the Society). It provides a DVD player (valued at $330) to the Society to be presented to the winner of the Equestrian Show Jumping Event. BDEW receives mere acknowledgment for providing the prize. There is no GST payable on the transaction between BDEW and the Society.*

84. *Lauren, who is registered for GST and is participating in the course of her enterprise, wins the event. The supply of the prize by the Society to Lauren is a supply made for consideration, being her participation. It is reasonable to value Lauren's participation at $330.*

Prize given to an employee

85. A non-monetary prize may be given to an employee by their employer, by an associate of the employer or by an unrelated third party. An employee may become the winner of a prize in an event based on participation that takes the form of services performed in the capacity of employee.

[31] Valuation of winner's participation is explained at paragraphs 109 to 141 of this Ruling.

86. Giving a prize to an employee is a supply for GST purposes and is a taxable supply if all the requirements of a taxable supply are satisfied.[32]

A prize as a fringe benefit

87. A non-monetary prize that is given to an employee may be a fringe benefit. A fringe benefit is defined for GST purposes in section 195-1.[33] How GST applies to supplies of fringe benefits is explained in Goods and Services Tax Ruling GSTR 2001/3.

88. GSTR 2001/3 explains that a 'benefit' is widely defined to include any right (including property right), privilege, service or facility. The benefit can be provided to the employee or employee's associate, by their employer, an associate of their employer or a third party under an arrangement with their employer (or associate).[34]

Consideration for supply of a prize that is a fringe benefit

89. Where a prize given to an employee is a fringe benefit, the participation of the employee, being the services provided in the capacity of employee, can be consideration for the supply of the prize.

90. GSTR 2001/3 explains that the services of an employee can be consideration for the supply of a fringe benefit to that employee.[35] However, these services are not taken into account in determining the price of the supply of the fringe benefit for GST purposes.

91. This is because of a special rule in subsection 9-75(3), which applies to limit the price of the supply. Price, in this provision, is limited to the amount the employee contributes to the particular fringe benefit provided. GSTR 2001/3 explains the application of subsection 9-75(3).[36]

Consideration for supply of a prize that is not a fringe benefit

92. Where a prize given to an employee is not a fringe benefit, the participation of the winner is not consideration for the supply of a prize.

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[32] Section 9-5.
[33] As defined in section 195-1, '***fringe benefit*** has the meaning given by section 995-1 of the *Income Tax Assessment Act 1997* but includes a benefit within the meaning of subsection 136(1) of the *Fringe Benefits Tax Assessment Act 1986* that is an exempt benefit for the purposes of that Act.'
[34] See paragraph 7 of GSTR 2001/3.
[35] See paragraph 19 of GSTR 2001/3.
[36] See paragraphs 21 to 24 of GSTR 2001/3.

93. The employee's participation is not consideration for the supply of the prize because employee services are provided to their employer only. Employee services are not provided for the inducement of any benefit outside of their employee entitlements.

94. Where the employee's participation involves the provision of services that is not within the capacity of their employment, the participation is consideration for the supply of the prize. As the special rule in subsection 9-75(3) does not apply in these circumstances, the price of the supply is determined by reference to the market value of the participation.

Prize in recognition of special personal qualities

95. A prize may be awarded to a winner as a gesture of thanks rather than as consideration for a supply. This situation may arise where the winner has provided participation on a voluntary basis, with no expectation of, or entitlement to payment of any kind.

96. The event holder may decide only after the event is concluded to award a prize in appreciation of the assistance the winner has provided. Where the prize has a value that reasonably reflects this purpose, it is not consideration for the supply of the winner's participation.

97. The participation of the winner is not provided in connection with or for the inducement of the supply of the prize and is not consideration for the supply.

Example 8: Prize in recognition of personal attributes

98. *Bill volunteers to assist the Jones Hospital Foundation (the Foundation) in its special street collections day. He does this out of a sense of community spirit, with no expectation of, or entitlement to payment of any kind, regardless of how successful he should be. Bill proves to be a very effective collector, taking more in the day than any other volunteer. The following day, the Foundation decides to make a gesture of thanks to Bill. Bill is presented with a prize of two CDs valued at $60, which is reasonable and commensurate with a gesture of thanks.*

99. *As Bill's participation was not provided in connection with, or for the inducement of a prize, Bill has not provided consideration for the supply of the prize. As such, the Foundation does not make a taxable supply of the prize. No GST is payable either by Bill or the Foundation.*

Non-monetary lottery prizes - no consideration

100. A taxable supply of a ticket in a lottery, raffle or similar undertaking is a gambling supply. Gambling supplies are explained in more detail in Part B of this Ruling, commencing at 174**.**

101. The amount paid for a ticket in a lottery is consideration for the supply of the ticket. It is not consideration for the supply of a non-monetary prize awarded on the outcome of the lottery.

102. The purchase of the lottery ticket provides the holder with a right to be placed in a draw for a prize. A ticket holder has no right to a prize unless and until their ticket number is determined to be the winning number, which is purely on the basis of chance. A ticket holder does not provide any separate or additional consideration for the supply of the prize.[37] As the supply of the prize is made for no consideration, it is not a taxable supply.

Example 9: Non-monetary lottery prize

103. *The Merry Bowls Club (the Club) conducts a raffle where the prize is a motor vehicle, with a GST inclusive market value of $33,000. The tickets are $10 each and 5,000 tickets are sold.*

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

105. *As she does not provide any separate or additional consideration for the prize, the Club does not make a taxable supply of the car*.[38]

Valuation of non-monetary consideration

106. Where consideration for a taxable supply includes non-monetary consideration, the price of the taxable supply includes the GST inclusive market value of that consideration.[39] GSTR 2001/6 provides guidelines on how to determine the GST inclusive market value of non-monetary consideration.

107. GSTR 2001/6 explains that the GST inclusive market value of non-monetary consideration for a taxable supply may be determined by applying a method that produces a reasonable GST inclusive market value of the consideration.

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[37] Paragraph 9-15(3)(a).
[38] See Example 21 commencing at paragraph 185 of this Ruling for a discussion of the GST consequences for the Merry Bowls Club.
[39] Paragraph 9-75(1)(b).

Valuation of non-monetary prizes

108. GSTR 2001/6 explains several methods of determining the GST inclusive market value of non-monetary consideration that may be used to determine the market value of a non-monetary prize. The methods explained in GSTR 2001/6 (which are not exhaustive) are:

- the market value of an identical good, service or thing;
- the market value of a similar good, service or thing;
- the market value of the supply; or
- a professional appraisal.[40]

Valuation of winner's participation

109. We consider that a winner's participation has a market value where the winner is registered for GST and participates in the event in the course or furtherance of an enterprise the winner carries on. Whether the participation of a winner who is not registered for GST, or is registered but is not participating in the course or furtherance of an enterprise they carry on, has a market value, is a matter of fact and degree. This is discussed in more detail in paragraphs 118 to 141.

110. Where a winner's participation has a market value, the market value is determined in accordance with the guidelines provided in GSTR 2001/6. GSTR 2001/6 provides a method of determining market value of non-monetary consideration that is difficult to value. This is explained as follows:

> 'Where the consideration is difficult to value (for example, an intangible) and where the market value of the supply is readily ascertainable, you may determine the market value of the consideration by reference to the market value of the supply.'[41]

111. Consistent with GSTR 2001/6, we consider that where the consideration for the taxable supply of a prize is the winner's participation in an event, a reasonable method to value the participation is by reference to the value of the prize.

Example 10: Fund raising quest prize

112. *The Smith Medical Research Centre (the Centre) runs a fund raising quest. The participants pay a fee to participate and the quest involves participants raising money through various activities. The Centre is offering a prize of a motor vehicle, with a GST inclusive market value of $33,000 to the participant raising the most money.*

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[40] Paragraph 144 of GSTR 2001/6.
[41] Paragraph 151 of GSTR 2001/6.

113. *Professional Fundraising Services (PFS) enters competitions to win prizes. PFS raises the highest amount of funds for the Centre and the Centre gives the prize to PFS.*

114. *The Centre has made a taxable supply of the prize. The participation provided by PFS is consideration for the taxable supply. Determining the GST inclusive market value of the participation by reference to the value of the prize is a reasonable method. Applying this method, the GST inclusive market value of the participation is $33,000.*

Using the value of the supply plus prize money

115. Where the winner of an event receives a non-monetary prize plus prize money, we consider it reasonable to determine the value of the winner's participation as being equal to the GST inclusive market value of the non-monetary prize plus the amount of the prize money.

Example 11: Value of participation equal to value of prize plus prize money

116. *At its annual sailing regatta, Sailing United Inc. (SUI) offers, as first prize for the "Around the buoys" event, a non-monetary prize valued at $2,200 and prize money of $1,100. The total value of the winner's participation in the event is $3,300.*

117. *The taxable supply made by SUI is the supply of the non-monetary prize only. To determine the GST inclusive market value of the consideration for the taxable supply, it is reasonable to subtract the amount of the prize money from the total value of the winner's participation. Determined this way, the GST inclusive market value of the participation, as consideration for the supply of the non-monetary prize is $2,200.*

Participation by unregistered winners may have no market value

118. We consider that some acts of participation, which are provided in connection with, or for the inducement of the supply of a prize have a GST inclusive market value of nil ('no market value') and, therefore, do not form part of the price of the supply. This will be the case in some circumstances where a winner is not registered, or is registered but is not participating in the course or furtherance of an enterprise they carry on. This may be because the act itself is trivial or insignificant, or because of the facts and circumstances surrounding the event.

Trivial or insignificant acts of participation

119. Prizes may be given to winners of events on the basis of participation that is provided spontaneously, requiring little intellectual, physical or artistic ability. Success in these events may depend as much on chance as on the act of participation.

120. We consider that acts of participation of this kind, which are often associated with simple events that are intended, for example, to market a particular product or to promote a particular radio program, have no market value.

121. Examples of trivial or insignificant acts of participation that we consider have no market value include:

- filling in your contact details on an entry coupon found on the product's packaging and entering the free prize draw;
- being the 'fifth caller' through to a radio program and answering a trivial question(s) while on air;
- hopping on the spot at a club social function when the function compere announces a prize goes to whoever can do so for the longest time; and
- being amongst the first 20 people to arrive at a promotional vehicle parked at an advertised location.

Indicators of market value

122. We consider that the facts and circumstances surrounding the holding of an event provide indicators of whether a winner's participation in the event has a market value. Examples of these indicators include:

- commerciality of the event – the event is organised and administered in a business like way. The event holder selects participants carefully, with a view to maximising public appeal and thereby enhanced media coverage, gate takings, advertising revenue or sponsorship;
- media profile of the event – the event is a news item and participants' performances are covered by electronic and print media;
- identity and public profile of the winner – the winner is a well known performer in this kind of event, with the potential for attracting a following in the event, either through improved gate takings or media audiences; and

- how the winner's participation is to be used by the event holder – the event holder uses a participant's performance to advertise the event, or a future event, or for some other marketing purpose.

123. No one of these indicators will necessarily determine definitively whether the participation has a market value. It is a matter of fact and degree whether there are sufficient indicators present to determine if the participation has a market value.

Applying these indicators – where participation has no market value

124. In some events, an absence of the above indicators suggests that the participation of a winner has no market value. We consider that participation in children's events or local community events that are typically of interest only to the participants themselves and to family and friends has no market value.

125. Examples of this kind include participation by:

- a child in an under age event at a local athletics association meet;
- a student in a quiz event run by the student's school;
- a member of a local community club in a speaking competition run for members only; and
- a supermarket customer describing in a sentence or short paragraph why a particular product is the best.

Example 12: Quiz event – winner's participation has no market value

126. *Gembrook College conducts a general knowledge quiz for its final year students. The College holds the quiz annually and parents may attend, but it is not advertised beyond the College newsletter and there is no media coverage of it.*

127. *Jim wins the quiz. The College gives him a prize of sporting equipment worth $200. The event is of interest only to people within the College community and Jim is one of the College students. As none of the market value indicators are evident, Jim's participation has no market value.*

Example 13: Amateur golf event - winner's participation has no market value

128. *Adam is a GST registered builder who is a member of his local golf club. He regularly plays in the club's Saturday competition, which is open to members and guests. One Saturday, Adam wins the event and receives a non-monetary prize.*

129. *Adam is registered for GST, but is not participating in the course or furtherance of his enterprise. While the event may have some elements of commerciality, there is no media coverage of the event, the contestants have no public profile and the winner is only of interest to the local golfing community. As such, Adam's participation in the event is regarded as having no market value and there is no GST payable on the club's supply of the prize to Adam.*

Applying these indicators – where participation has a market value

130. In other events, we consider that applying the market value indicators suggests that the participation of an unregistered winner does have a market value. Where the participation of an unregistered winner has a market value, the event holder has a GST liability for the taxable supply of the prize to the winner. However, as the supply of the winner's participation is not a taxable supply, the event holder is not entitled to an input tax credit on the acquisition of the participation.

131. Examples of the participation of an unregistered winner having a market value would include a contestant winning prizes in a national television quiz show and an amateur sportsperson winning a prize in a major professional tournament.

Example 14: Quiz event – winner's participation has a market value

132. *A major TV network televises, in prime time, a popular game show where contestants compete for a range of prizes. The participation of the contestants is an integral part of the entertainment the show provides and depends on for its commercial success.*

133. *Mary, who is not registered for GST, has not appeared on television before, but following a series of auditioning processes that test prospective contestants for intelligence and entertainment value, she is selected to appear on the show. Mary is successful and wins several non-monetary prizes.*

134. *The show's appeal and success is based on the performances of the participants in the show. Mary's participation is regarded as having a market value. It is reasonable to value Mary's participation by reference to the GST inclusive market value of the prizes she wins. The network makes a taxable supply of the prizes to Mary, but as Mary has not made a taxable supply of her participation, the network is not entitled to an input tax credit on its acquisition of her participation.*

Example 15: Professional golf event – winner's participation has a market value

135. *Jack is an amateur golfer who is not registered for GST. Because he is a highly ranked amateur, he is invited to play in a professional golf event held by the National Golf Association (NGA). Jack finishes the event as runner-up and NGA gives him a prize of a set of golf clubs.*

136. *NGA planned and operated the event in a highly professional way, with sponsorship and media coverage, and expected a large spectator following. Because of the nature of the event and the profile of all the participants, Jack's participation is regarded as having a market value. It is reasonable to value his participation by reference to the GST inclusive market value of the prize.*

137. *NGA makes a taxable supply of the clubs to Jack, but as Jack has not made a taxable supply of his participation, NGA is not entitled to an input tax credit on its acquisition of his participation.*

Insignificant acts - further conditions to collect prize

138. A participant may win a prize in an event that requires an insignificant act of participation with no market value, but be subjected to further requirements by the event holder in order to collect the prize. Where the further requirements are limited to, for example, the winner's name and photograph appearing in media coverage of the presentation of the prize, these requirements are not additional consideration for the supply of the prize.

139. However, where a winner is required, for example, to endorse a product in an ongoing advertising campaign, we consider that the further obligation entered into by the winner to meet these requirements is part of the winner's act of participation. As such, the act of participation is not trivial or insignificant.

Example 16: Further conditions to collect prize

140. *Bert enters a free prize draw competition by putting his name and address on an entry form and placing the form in a barrel. The entry form contains the following wording under the heading, 'Details of Participation:'*

> *'The prize winner agrees to appear in promotional activities at the direction of the promoter (including attending shopping centres, appearing on television shows and being involved in commercials) and allows the promoter to use the winner's name, pictures and statements to endorse the product for future promotional purposes without further payment or consideration.'*

141. *Bert wins the prize of a boat valued at $40,000. While Bert's acts of filling out the form and placing it in the barrel are insignificant acts, his participation in the event includes the additional requirements to claim the prize. Because of this, his participation is not trivial or insignificant.*

The attribution rules

142. The basic attribution rules are set out in Division 29. These rules are about when to account for GST payable on taxable supplies, input tax credits for creditable acquisitions and adjustments.[42]

143. The basic attribution rules apply whether the consideration that is received or provided for a taxable supply or creditable acquisition is monetary or non-monetary. How the attribution rules apply to transactions involving non-monetary consideration is explained in GSTR 2001/6.[43]

144. GSTR 2001/6 explains that to apply the basic attribution rules to transactions where the consideration is wholly or partly non-monetary, suppliers and recipients need to identify when the consideration is received or provided. This is a question of fact and depends on the terms of the agreement and all the circumstances. The basic attribution rules differ depending on whether the supplier and recipient account for GST on a cash or non-cash basis.[44]

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[42] Goods and Services Tax Ruling GSTR 2000/29 explains the basic rules on attribution.
[43] Paragraphs 166 to 227 of GSTR 2001/6.
[44] Paragraph 173 of GSTR 2001/6.

Accounting on a non-cash basis

GST payable

145. An entity that accounts for GST on a non-cash basis attributes GST payable on a taxable supply to the earlier of the tax period in which:

- any of the consideration is received for the supply; or
- an invoice is issued.[45]

GSTR 2001/6 explains that an agreement providing for consideration to be paid in kind can be an invoice that triggers attribution of the GST payable and input tax credits.[46]

146. Where consideration for the taxable supply of a prize is the participation of the winner, and no invoice is issued prior to any of the consideration being received for the supply, GST payable on the supply is attributable to the tax period when the participation occurs.

147. Where the participation extends over two or more tax periods, attribution is triggered fully in the tax period that *any* of the winner's participation is received. The event holder receives part of the winner's participation in the tax period the event commences, even though the event holder may not know in that tax period which participant will be the eventual winner of the prize.

148. Where the supply of the winner's participation is a taxable supply, the winner attributes GST payable in accordance with the same basic attribution rules. Where the prize is the only consideration for the supply of the participation, attribution is not triggered until the tax period in which the prize is received.

Input tax credits

149. As noted at paragraph 24, a recipient of a taxable supply is entitled to claim an input tax credit if the acquisition is a creditable acquisition.[47] As with GST payable, input tax credits are attributed to tax periods in accordance with the basic attribution rules contained in Division 29.

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[45] Under section 195-1, ***invoice*** means a document notifying an obligation to make a payment. Paragraph 12 of GSTR 2001/6 explains that a 'payment' is not limited to a payment of money.
[46] See paragraph 170 of GSTR 2001/6.
[47] Division 11 contains the creditable acquisition provisions.

Example 17: Participation spread over more than one tax period – non-cash basis

150. *Rally Drivers Down Under Inc. (RDDU) conducts a rally over a 4 day period commencing on 30 May and finishing on 2 June. All drivers are registered for GST. Both RDDU and Anne, who wins the event, account for GST on a non-cash basis and attribute on a monthly basis. All of the drivers participate each day. By presenting the prize to Anne on 2 June, RDDU makes a taxable supply.*

151. *RDDU attributes GST payable on the taxable supply of the prize when any consideration is received for the supply. As all of the drivers commence their participation on 30 May, RDDU is in receipt of 'any' consideration for the taxable supply in the tax period ending 31 May, even though the winner is not known on that date. Anne is entitled to an input tax credit for the same amount and in the same tax period, provided she holds a tax invoice[48] and the acquisition of the prize is a creditable acquisition.*

152. *Anne attributes GST payable on the taxable supply of her participation in the tax period ending 30 June, as that is the tax period in which 'any' consideration is received. RDDU is entitled to an input tax credit for the same amount and in the same tax period, provided it holds a tax invoice.*

153. Attributing GST payable may present some difficulties where the participation of the winner has been provided over two or more tax periods. Depending on the nature of the event, it may be that the ultimate winner does not commence participating in the event until the second, or later, tax period that the event spans.

154. Since it is the participation of the winner that is consideration for the supply of the prize, in events of this kind the event holder may not know in which tax period the winner's participation in the event commences.

155. In these circumstances, the event holder needs to attribute GST payable in the first tax period in which they know that participation by the winner is received. If this occurs in the same tax period as the supply of the prize is made, GST payable needs to be attributed in that tax period.

156. Where the winner of the prize receives other consideration for the taxable supply of their participation, attribution is triggered fully in the tax period that any of the consideration is received.

[48] Tax invoices are explained at paragraphs 168 to 170 of this Ruling.

157. Receiving further consideration in the form of a prize in a later tax period has the effect of changing the consideration for the supply of their participation and as such is an adjustment event.[49] As a result, the winner has an adjustment for their supply.[50] Where the winner is not aware of winning the prize prior to the tax period in which it is given to them, the adjustment is attributable to that tax period.[51]

Example 18: Winner's participation commences in later tax period – non-cash basis

158. *Jumbuk Airlines (Jumbuk, from Example 5) accounts for GST on a monthly basis. The event which Lisa's Travel Pty Ltd (LT) eventually won, was run over a three month period, and was in its second month when LT's enterprise commenced selling Jumbuk's tickets. However, Jumbuk will still not be aware at that point whether the ultimate winner has already commenced participation or will commence its participation in the final month of the event.*

159. *Jumbuk accounts for GST on a non-cash basis and needs to attribute GST payable on the taxable supply of the prize in the tax period in which any consideration is received. Because of the nature of the event, Jumbuk does not know in which month the ultimate winner commenced its participation. As the month in which it awards the prize is the first month it knows the winner has provided participation in the event, it attributes GST payable on the taxable supply of the prize in the tax period ending at the end of the month in which the prize is awarded.*

160. *LT also attributes on a monthly basis and has been attributing GST payable on the taxable supply of its participation, based on consideration received in the form of commission. LT is not aware of its success in winning the prize until the tax period in which it receives the prize. LT attributes this adjustment to the tax period in which it receives the prize.*

Accounting on a cash basis

161. An entity that accounts for GST payable on a cash basis attributes GST payable and input tax credits to the tax period in which the non-monetary consideration for the taxable supply is received or provided. However, GST payable and input tax credit are attributable only to the extent that the consideration is received or provided.[52]

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[49] Section 195-1 and paragraph 19-10(1)(b).
[50] Section 19-40.
[51] Subsection 29-20(1).
[52] Subsection 29-5(2), which is explained in the context of non-monetary consideration at paragraph 177, GSTR 2001/6.

162. Where the consideration is the winner's participation, it is necessary to work out the extent to which the consideration is received or provided in each tax period. Where the extent to which the winner's participation has been received or provided in a tax period cannot be quantified exactly, a reasonable estimate, supported by documentary evidence where appropriate, may be made.[53]

Example 19: Participation spread over more than one tax period – cash basis

163. *If RDDU in Example 17 accounts for GST on a cash basis and attributes monthly, it attributes GST payable on the taxable supply of the prize to the extent that it receives consideration for the supply in that tax period.*

164. *It is reasonable for RDDU to estimate the consideration received on the basis of the percentage of the participation provided. The winner's participation is provided over 4 successive days. As the first two days are provided in the tax period ending 31 May, it is reasonable to attribute GST payable on one-half of the total consideration received.*

165. *Assume Anne also accounts for GST on a cash basis and attributes monthly. If Anne receives no consideration for the supply of her participation other than the prize when she wins, she needs to attribute GST payable in the tax period ending 30 June.*

Example 20: Winner's participation commences in later tax period – cash basis

166. *Jumbuk Airlines (Jumbuck, from Example 5) accounts for GST on a cash basis. As Jumbuk doesn't know whether any participation has been received from the eventual winner until the tax period the prize is given, GST payable on the supply of the prize is attributed to that tax period.*

167. *Lisa's Travel Pty Ltd (LT) also attributes on a cash basis. LT attributes GST payable on the supply of its participation in a tax period to the extent that it receives consideration in that tax period. As LT receives the prize in the tax period ending 31 July, it attributes GST payable to the extent of the market value of the prize as consideration in that tax period.*

[53] See paragraph 182 of GSTR 2001/6.

Tax invoices

168. An input tax credit is not attributable to a tax period if the recipient of the creditable acquisition does not have a tax invoice for the acquisition when lodging the Business Activity Statement[54] for that period.[55]

169. Subdivision 29C provides the general rules for tax invoices and adjustment notes. GSTR 2001/6 explains how these rules apply to transactions involving non-monetary consideration.[56] The guidelines provided in GSTR 2001/6 also apply to transactions involving the supply and receipt of a prize in an event.

170. Usually, the supplier of a taxable supply gives the recipient a tax invoice for the supply. However, commercially, invoices are also created by recipients of supplies.[57]

Recipient created tax invoices

171. For GST purposes, a recipient created tax invoice (RCTI) 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.[58] Goods and Services Tax Ruling GSTR 2000/10 deals with RCTIs. In GSTR 2000/10, the Commissioner determined under section 29-70(3) three broad classes of tax invoices that may be issued by a recipient of a taxable supply.[59]

172. GSTR 2000/10 explains that the Commissioner may make further determinations about classes of tax invoices that may be issued by the recipient of a taxable supply.[60] The Commissioner has made determinations of classes of RCTIs relating to:

- event or competition holders;[61]
- horse racing clubs;[62] and
- greyhound racing clubs.[63]

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[54] The GST return is part of the Business Activity Statement.
[55] There is no requirement to hold a tax invoice if the value of the supply was $75 or less (subsection 29-80(1)).
[56] Paragraphs 168 to 172 of GSTR 2001/6.
[57] Paragraph 8 of Goods and Services Tax Ruling GSTR 2000/10, which is about recipient created tax invoices.
[58] Subsection 29-70(3).
[59] Paragraph 10 of GSTR 2000/10.
[60] Paragraph 53 to 55 of GSTR 2000/10.
[61] *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 16) 2000* ('RCTI 2000/16') made on 29 August 2000.
[62] *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 1) 2000* ('RCTI 2000/1') made on 27 September 2000.

173. Where recipients of a taxable supply intend to issue an RCTI, they need to refer to these Determinations to ensure that the description of the class of RCTIs applies to their circumstances and that they satisfy the requirements for issuing RCTIs belonging to the particular class.

Part B

Supply of prizes by the provider of gambling supplies

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

'GST – Input tax credits'.

175. However, Division 126 provides the way of working out an entities net amount by incorporating their net profits from taxable supplies involving gambling.

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

Definition of gambling supplies and gambling events

177. Section 126-35 states:

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

[63] *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 2) 2000* ('RCTI 2000/7') made on 7 July 2000.

178. Examples of gambling events include:

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

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

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

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

Global GST amount and prizes

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

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

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

183. A '***monetary prize***' is defined by the GST Act to mean:

> '(a) any prize, or part of a prize, in the form of money; or
>
> (b) if the prize is given at a casino - any prize, or part of a prize, in the form of money or in the form of gambling chips that may be redeemed for money.'[64]

Whether 'total monetary prizes' includes prizes that have been declared but not yet paid

183A. In calculating the global GST amount, 'total monetary prizes' includes prizes that have been declared in the tax period regardless of when they are paid.[65A] It is not necessary to establish that a winner of a monetary prize has been paid, merely that a liability to pay the prize exists.

Whether 'total amounts wagered' includes bets that are subject to refund

183B. Depending upon the legislation or rules that apply, money wagered may be subject to refund if a gambling event does not take place (for example, the gambling event is cancelled due to adverse weather conditions) or if a contestant on which money has been invested does not take part in the gambling event (for example, withdrawal of a particular horse from a horse race).

183C. The money wagered, that the gambling supply provider is obligated to refund, no longer constitutes consideration for a gambling supply and is therefore excluded from 'total amounts wagered' as defined in subsection 126-10(1).[65B]

Unclaimed monetary prizes and refunds of bets

183D. Monetary prizes or refunds of bets may not be claimed within the time frame prescribed by the rules or legislation that govern the gambling supply provider's treatment of such monies. After the expiration of that specified period of time, the unclaimed monetary prize or refund becomes the property of the gambling supply provider. The gambling supply provider does not take unclaimed prize or refund money into account in working out the global GST amount under section 126-10.[65C]

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[64] Section 195-1.

[65A] *TAB Ltd v. FC of T* [2005] NSWSC 552, 2005 ATC 4512, 59 ATR 430 at [2005] NSWSC 552 paragraph 90.

[65B] *TAB Ltd v. FC of T* [2005] NSWSC 552, 2005 ATC 4512, 59 ATR 430 at [2005] NSWSC 552 paragraph 89.

[65C] *TAB Ltd v. FC of T* [2005] NSWSC 552, 2005 ATC 4512, 59 ATR 430 at [2005] NSWSC 552 paragraph 87.

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

184. A lottery or raffle is a gambling event as defined in paragraph 126-35(2)(a). Money paid as a prize on the outcome of a lottery or raffle is included in total monetary prizes in the calculation of the global GST amount.[65D]

Example 21: Calculating global GST amount

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

186. *The Merry Bowls Club is required to account for GST on the global GST amount. This is determined by taking the total monetary prize ($500) from the total value of the tickets sold ($50,000).*

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

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

Whether 'total monetary prizes' includes monetary prizes paid in relation to a supply that was not a taxable supply

188A. Under the basic rules of the GST, a supply that meets the positive requirements for a taxable supply (under section 9-5) is not a taxable supply to the extent it is GST-free. As a result, a supply that might otherwise be a gambling supply (a taxable supply) may instead be a GST-free supply. For example:

- money wagered by a person outside Australia as a bet on a horse race may be consideration for a supply that is GST-free under section 38-190; or
- money a person pays to participate in a game of bingo conducted by a charitable organisation may be consideration for a supply that is GST-free under section 38-270.

[65D] However, money paid as a prize in relation to a GST-free wager is not included in total monetary prizes in the calculation of the global GST amount – see paragraphs 188A to 188I of this Ruling.

188B. The ATO treatment of monetary prizes payable to non-residents overseas in relation to their GST-free bets, is to exclude them from total monetary prizes in the calculation of the global GST amount.[65E]

188C. The reason for this is that the definition of total monetary prizes at paragraph (a) in section 126-10 makes reference to 'the gambling supplies'.[65F] A gambling supply is by definition a taxable supply.[65G] It is therefore considered that monetary prizes that do not relate to a taxable supply are outside the scope of 'total monetary prizes'.

188D. This is consistent with section 126-1 which explains that the global accounting method 'provides for an alternative way of working out your net amounts by incorporating your net profits from taxable supplies involving gambling'. By excluding GST-free wagers and monetary prizes payable in relation to these wagers, the global GST amount reflects the net profits on taxable gambling supplies.

188E. Subsection 126-10(3) as amended[65H] by *Tax Laws Amendment (2009 GST Administration Measures) Act 2010* provides:

> (3) In working out your total monetary prizes for a tax period, disregard any *monetary prizes you are liable to pay, during the tax period, that relate to supplies that are *GST-free.

188F. This provision expressly confirms that monetary prizes relating to GST-free supplies cannot be included in 'total monetary prizes'. As stated at paragraph 1.17 in the Explanatory Memorandum to the Tax Laws Amendment (2009 GST Administration Measures) Bill 2009:

> The Board of Taxation in its *Review of the Legal Framework for the Administration of the Goods and Services Tax* recommended that the current GST treatment of gambling transactions by 'non-residents' **be confirmed**. The Government accepted this recommendation in its response to the report (then Assistant Treasurer's Media Release No. 042 of 12 May 2009). The amendments provide a general **clarification** of the GST treatment of prize money that gambling operators are liable to pay out on GST-free supplies. [emphasis added]

[65E] At the date of publication of this Addendum, fact sheet GST & gambling (NAT 3018) is current.
[65F] See paragraph 181 of this Ruling.
[65G] See subsection 126-35(1).
[65H] Prior to this amendment, subsection 126-10(3) made express provision only in relation to supplies that are GST-free under section 38-270.

What monetary prizes 'relate' to GST-free supplies?

188G. A monetary prize 'relates' to a GST-free supply if the entitlement to the payment of the prize can be traced to the supply that was GST-free. This is done on a case by case basis.

188H. For example, an Australian gambling supply provider (GSP) accepts bets on horseracing and makes supplies to its customers (punters) in Australia that are taxable under section 9-5. The GSP also accepts wagers on horseracing from persons who are outside Australia. The supplies of gambling opportunities the GSP makes to its customers outside Australia will be GST-free in accordance with section 38-190.[65I]

188I. In calculating its global GST amount for a tax period, the GSP includes in 'total amounts wagered' the consideration for those gambling supplies it makes to its customers in Australia that are attributable to the tax period. Similarly the GSP includes in 'total monetary prizes' the monetary prizes that became payable to the customers who laid those taxable bets. As for the GST-free bets the GSP accepts from its customers outside Australia, the consideration for those bets does *not* form part of 'total amounts wagered'. Similarly, any monetary prizes that become payable to the customers who placed those bets, do *not* form part of 'total monetary prizes' in the GSP's global GST amount.

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

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

190. These points have a monetary value. For example, 30 points may be worth $15. Points may be issued in the following circumstances:

- as a prize or part of the prize on a gambling event or a competition (for example, points are awarded for a win on a gaming machine or a player's success in a card game at a casino);

[65I] See Goods and Services Tax Ruling GSTR 2007/2 Goods and services tax: in the application of paragraph (b) of item 3 in the table in subsection 38-190(1) of the *A New Tax System (Goods and Services Tax) Act 1999* to a supply, when does 'effective use or enjoyment' of the supply 'take place outside Australia'?, and Goods and Services Tax Ruling GSTR 2005/6 Goods and services tax: the scope of subsection 38-190(3) and its application to supplies of things (other than goods or real property) made to non-residents that are GST-free under item 2 in the table in subsection 38-190(1) of the *A New Tax System (Goods and Services Tax) Act 1999*.

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

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

192. When points are awarded for a winning bet, or for participation, and the points are redeemed for money (or redeemable gambling chips if paid by a casino), the money (or chips) is a monetary prize. This monetary prize is included in the total monetary prizes for the purposes of calculating the global GST amounts in section 126-10.

193. However, points awarded for the purchase of meals, beverages and other non-gambling services supplied by an entity, or points purchased by a participating member, are not awarded on the outcome of a gambling event. Where these points are redeemed for money, this amount cannot be included in the calculation of the global GST amount as a monetary prize. These points need to be separated from points awarded for gambling activities as the GST treatments are different. If the points cannot be separately identified they can be apportioned on a reasonable basis.

194. Where points awarded on the outcome of a gambling event are redeemed for a non-monetary prize (which does not include redeemable gambling chips if provided by a casino), the value of that prize cannot be included as a monetary prize for the purposes of calculating the global GST amount.

195. The initial acquisition of the non-monetary prize by the gambling supply provider is a creditable acquisition, providing the acquisition is of a taxable supply. The gambling supply provider is entitled to an input tax credit of 1/11 of the price of the non-monetary prize.

196. In these circumstances, the giving of the non-monetary prize by the gambling supply provider is not a taxable supply, as there is no further consideration provided by the winner of the prize.[65]

[65] This treatment is consistent with the Commissioner of Taxation's 'No GST on loyalty' media release – NAT 2000/14 – that issued on 1 March 2000. It stated that 'there will be no GST applied to the goods or services supplied to members under consumer loyalty programs.'

197. By enabling the gambling supply provider to claim an input tax credit on the acquisition of the non-monetary prize ensures a consistent GST treatment in situations where either a monetary prize or a non-monetary prize is awarded to a participant on the redemption of points which have accrued on the outcome of gambling events.

Example 22: Points awarded on a prize basis

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

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

Example 23: Points awarded on a participation basis

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

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

Example 24: Points awarded for the purchase of non-gambling products

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

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

Example 25: Points redeemed for monetary prizes

204. *Stephen is a member of the Legends Sporting Club (the Club) and is also a member of the Club's rewards points program in which he has accrued 10,000 points. All points have been accrued on the outcome of gambling events. He decides to redeem 5,500 of his accrued points for a monetary prize of $55.*

205. *The redemption of the points by Stephen is not a taxable supply, however, the Club is entitled to claim the value of the points redeemed as a monetary prize in the calculation of their global GST amount. In effect, this reduces their global GST amount by $5 being 1/11 of $55.*

Example 26: Points redeemed for non-monetary prizes

206. *Colleen is also a member of the Legends Sporting Club (the Club), and is also a member of the Club's reward points program in which she has accrued 7,000 points. All points have been accrued on the outcome of gambling events. She decides to redeem 5,500 of her accrued points for a digital clock radio displayed in the Club's lucky prizes cabinet.*

207. *The redemption of the points by Colleen and supply of the digital clock radio by the Club are not taxable supplies, however, the Club is entitled to claim an input tax credit of $5, which is 1/11 of the price of $55 paid by the Club on the initial purchase of the digital clock radio.*

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

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

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

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

Promotional events

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

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

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

Example 27: Increased and additional monetary prizes

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

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

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

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

Lucky membership draws

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

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

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

> 'A contest where the outcome is mainly determined through the operation of chance, the disposition of prizes by lot.'[66]

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

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

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

Example 28: Lucky membership draws

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

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

Contributions to cross-venue jackpots

224. Some gaming machines in licensed clubs and hotels may be linked to provide opportunities to play for larger jackpots. Participating clubs and hotels contribute to a 'jackpot fund' to cover the payment of a cross-venue jackpot that is set up. It is not known when and where the jackpot will be won.

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

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[66] Butterworths Legal Dictionary 1997, p.709.

Example 29: Cross-venue jackpots

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

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Subject references:

- acquisitions
- attribution
- consideration
- creditable acquisitions
- gambling event
- gambling supply
- global GST amount
- GST
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- input tax credits
- input taxed
- lottery
- monetary prize
- prize
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- supplies
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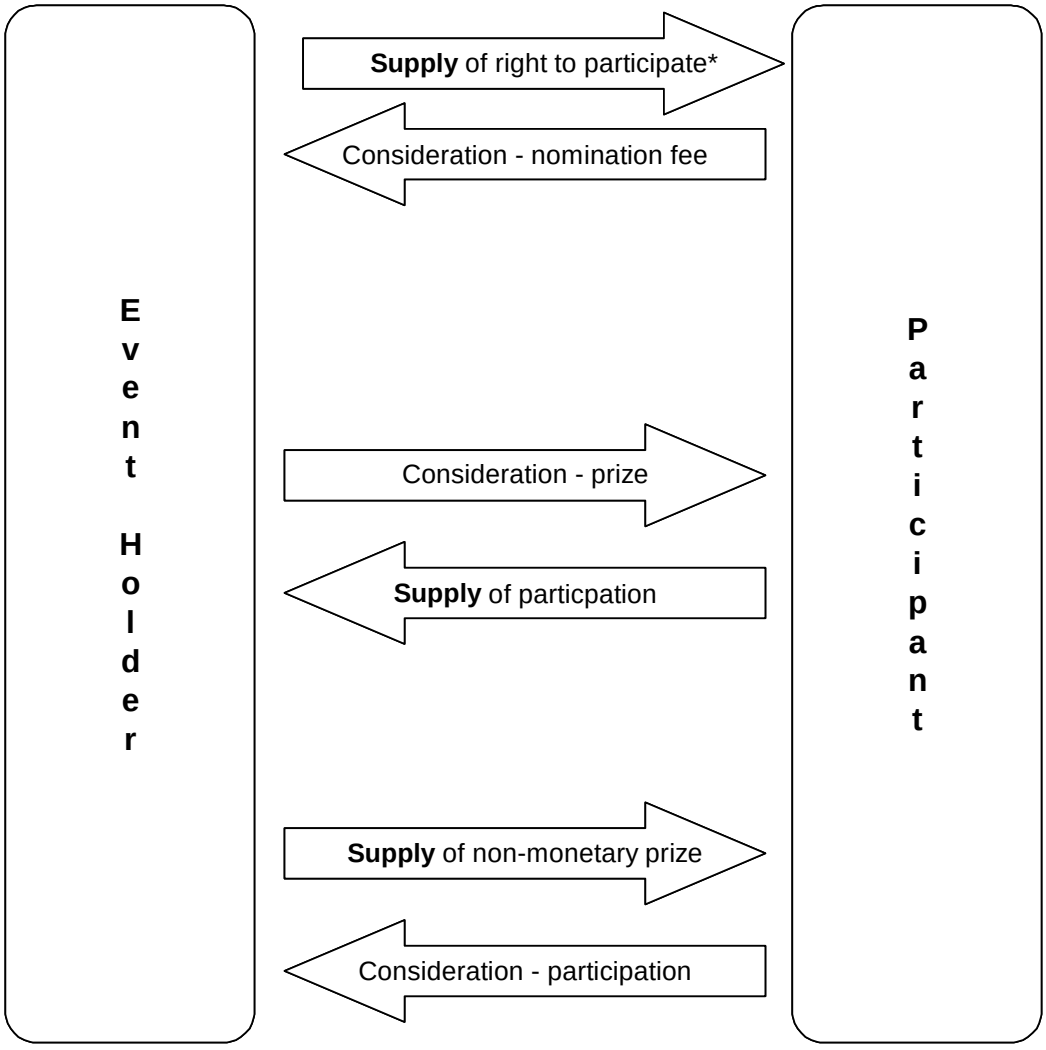
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Appendix

SUPPLIES IN THE ORGANISATION OF AN EVENT



* Paragraphs 26 to 28 of this Ruling explain that the supply of a right to participate in an event includes a contingent right to a prize. It may also include other things, such as use of facilities, entry to functions or items of clothing.