



GSTR 2002/4 - Goods and services tax: recipient created tax invoices and foreign currency conversions

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Goods and Services Tax Ruling

Goods and services tax: recipient created tax invoices and foreign currency conversions

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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.

What this Ruling is about

1. This Ruling explains a Determination that the Commissioner has made under subsection 29-70(3) of the *A New Tax System (Goods and Services Tax) Act 1999* ('GST Act'). The Determination is about how recipient created tax invoices ('RCTIs') are issued when the consideration for a taxable supply is expressed in foreign currency and needs to be converted to Australian currency for GST purposes. A copy of the Determination is attached at Schedule 1.

2. The Ruling also:

- explains a requirement that a recipient needs to satisfy when issuing RCTIs where the consideration for a supply is expressed in foreign currency;

- explains how the Determination affects suppliers and recipients of taxable supplies for which RCTIs may be issued; and
 - explains an exception for holding an advice where the recipient's computer system is set up in a way that does not enable the recipient to use the supplier's conversion information.
3. This Ruling does not apply to taxable importations.
4. Goods and Services Tax Rulings GSTR 2000/10: recipient created tax invoices, and GSTR 2001/2: foreign exchange conversions, are extensively referred to in this Ruling. Certain terms defined or explained in those Rulings appear in **bold** when first mentioned in this Ruling.
5. All legislative references in this Ruling are to the GST Act, unless otherwise stated.

Date of effect

6. This Ruling explains our view of the law as it applies from the date of the Determination. You can rely upon this Ruling as and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

Background

7. The Commissioner released Goods and Services Tax Ruling GSTR 2000/10 on 10 May 2000. A copy of the Determination of three broad classes of RCTIs is attached at Schedule 1 to that Ruling. The Commissioner has subsequently determined a number of additional classes of RCTIs.¹

8. Goods and Services Tax Ruling GSTR 2001/2 was released on 2 February 2001. A copy of the Commissioner's foreign exchange conversion Determination is attached at Schedule 1 to that Ruling.

¹ The Commissioner's Determinations of classes of RCTIs can be found at <http://law.at0.gov.au/atolaw/index.htm>.

9. GSTR 2001/2 discusses how the Commissioner has determined that amounts of consideration expressed in foreign currency are to be converted into Australian currency so that the supplier may calculate the GST payable on the supply. The recipient is entitled to an input tax credit equal to the GST payable in Australian currency where the acquisition is a creditable acquisition (the credit is reduced where the acquisition is only partly creditable).²

10. To prepare the RCTI, the recipient has to be provided with the information that the supplier would use to convert the foreign currency into Australian currency and to calculate the GST payable. Specifically, the recipient needs to know **your particular exchange rate**³ and the **conversion day**⁴ that are to be used.

Ruling with explanation

The requirement in the RCTI Determination

11. The Commissioner has made a Determination under subsection 29-70(3) varying all previous RCTI Determinations. A copy of the Determination is attached at Schedule 1 of this Ruling. The Determination requires the recipient to hold information to be used for converting foreign currency to Australian currency.

12. The requirements for issuing RCTIs are varied by the Determination. The additional requirement to be satisfied by recipients is to be inserted into all previous RCTI Determinations at paragraph 4(c)⁵ or 5(c)⁶ as follows:

- ‘(ii) where the consideration for the supply is expressed in foreign currency, the recipient must hold a written advice stating:
 - (A) your particular exchange rate; and
 - (B) the conversion day,

² Section 11-25.

³ ‘Your particular exchange rate’ is explained in paragraphs 20 to 26 of GSTR 2001/2.

⁴ ‘Conversion day’ is explained in paragraphs 27 to 36 of GSTR 2001/2.

⁵ *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 1) 2000* and the *Determination A New Tax System (Goods and Services Tax) Act Class of Recipient Created Tax Invoice (RCTI) for supplies of reinsurance or supplies of retrocession*.

⁶ All other Determinations of classes of RCTIs made before the date of the Determination.

to be used for converting foreign currency to Australian currency before issuing the tax invoice, except where the computer system of the recipient is set up in a way that does not enable the recipient to use the conversion information of the supplier;’.

13. The recipient must issue the RCTI to the supplier within 28 days of the taxable supply being made, or within 28 days from determining the value of the supply.

Written advice

14. If you are a supplier who makes taxable supplies for which the consideration is expressed in foreign currency, you need to give your recipient written advice stating:

- your particular exchange rate; and
- the conversion day.

15. You need to give the advice to the recipient after you make your first taxable supply after the date of the Determination where the consideration for the supply is expressed in foreign currency. You may provide the advice by means of a document, including one in an electronic form such as an e-mail or fax.⁷ It needs to be given within enough time to enable the recipient to issue the RCTI within 28 days of the taxable supply being made, or within 28 days from determining the value of the supply.⁸

Example 1 – written advice

16. *Smith makes taxable supplies to Jones. They have an RCTI agreement under which Jones issues RCTIs for the supplies. The contract for the supplies expresses the consideration in foreign currency.*

17. *Smith needs to give written advice to Jones after making the first taxable supply (after the date of the Determination). It needs to be given within enough time to enable Jones to issue the RCTI within 28 days of the supply being made.*

⁷ See section 25 of the *Acts Interpretation Act 1901*.

⁸ Suppliers and recipients should not forward originals or copies of advices to the ATO.

Agreed rate

18. If your particular exchange rate is an **agreed rate**⁹ and you have also agreed on the conversion day in writing, then you do not have to give a new written advice to the recipient. If the recipient holds the original or a copy of the agreement it will satisfy the requirement in the Determination to hold an advice. However, if there is an implied agreement about using an agreed rate you need to send a written advice to the recipient. Alternatively, you and the recipient may decide that the recipient can give you a written advice confirming the agreed rate and conversion day.

19. The original or a copy of the advice needs to be held by the recipient before the RCTI for the taxable supply is issued.

20. If the agreed rate and conversion day are contained in a written agreement (and a new written advice has not issued), the recipient needs to hold the original agreement, or a copy, before the RCTI for the taxable supply is issued.

Example 2 – agreed rate in a written agreement

21. *In Example 1, if Smith and Jones had agreed in writing on a method of foreign currency conversion there would be no need to give a written advice. Jones needs to hold a copy of the written agreement which contains details of the agreed rate and conversion day before issuing RCTIs for the supplies.*

What happens if you do not meet the requirement?

22. If you (as the recipient) fail to satisfy the requirement to hold a written advice to be used for converting foreign currency when issuing a document intended as an RCTI, the document you issue will not (other than in the exception explained in paragraph 24) be an RCTI. This is because it will not be within a class of tax invoices determined as being RCTIs.

23. If this happens, even if you have made a creditable acquisition, you cannot attribute an input tax credit for the acquisition to a tax period until you hold a tax invoice issued by your supplier.¹⁰ To obtain the input tax credit, you can request a tax invoice for the taxable supply from your supplier who must give it to you within 28 days after your request.¹¹

⁹ 'Agreed rate' is explained in paragraphs 24 to 26 of GSTR 2001/2.

¹⁰ Subsection 29-10(3).

¹¹ Subsection 29-70(2).

24. An exception to the requirement to hold a written advice to be used for converting foreign currency is where a recipient's computer system is set up in a way that does not enable the recipient to use the supplier's conversion information. Instead, the system calculates the amount of GST shown on the RCTI using the recipient's own conversion information. In such a limited circumstance, a recipient can make a reasonable estimation of the GST payable (and input tax credit) in Australian currency and show the amount on the RCTI. The method the recipient uses to make the estimation needs to reflect a relevant exchange rate on a relevant conversion day.¹² The supplier may use the amount of GST shown on the RCTI as a reasonable estimation of the GST payable for the supply, or the supplier may calculate the GST payable using its own conversion information.¹³

Record keeping

25. In addition to the record keeping requirements for suppliers and recipients discussed in paragraph 42 of Goods and Services Tax Ruling GSTR 2000/10, the recipient is required to keep written advices and foreign currency conversion agreements for five years.¹⁴

26. If you are the supplier, keeping originals or copies of the advices and agreements for five years is one way of retaining records of your transactions. These records will help to show that you have followed the Commissioner's foreign exchange conversion Determination and that you have used your particular exchange rate consistently.

Detailed contents list

27. Below is the detailed contents list for this Ruling:

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¹² See *A New Tax System (Goods and Services Tax) Foreign Exchange Conversion Determination (No.1) 2001* for relevant exchange rates and conversion days. GSTR 2001/2 explains that Determination.

¹³ The supplier's own conversion information needs to be in accordance with *A New Tax System (Goods and Services Tax) Foreign Exchange Conversion Determination (No.1) 2001*.

¹⁴ Section 70 *Taxation Administration Act 1953*.

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Commissioner of Taxation

9 October 2002

*Previous Ruling:*Previously issued in draft form as
GSTR 2001/D8

- exchange rate
- foreign currency
- goods and services tax
- GST payable

*Related Rulings/Determinations:*GSTR 1999/1; GSTR 2000/10;
GSTR 2001/2Legislative Determination
RCTI 2000/1Legislative Determination
RCTI 2000/30Legislative Determination
FOREX 2001/1

- input tax credit
- recipient created tax invoice
- tax invoice
- taxable supply
- value

*Legislative references:**Subject references:*

- Australian currency
- class of tax invoices
- Commissioner's Determination
- consideration
- creditable acquisition

- AIA 1901 25
- ANTS(GST) A99 11-25
- ANTS(GST) A99 29-10(3)
- ANTS(GST) A99 29-70(2)
- ANTS(GST) A99 29-70(3)
- TAA 1953 37
- TAA 1953 70

ATO references:

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Schedule 1**COMMONWEALTH OF AUSTRALIA*****A NEW TAX SYSTEM (GOODS AND SERVICES TAX) ACT 1999*****A NEW TAX SYSTEM (GOODS AND SERVICES TAX) ACT 1999 CLASSES OF
RECIPIENT CREATED TAX INVOICE (VARIATION) DETERMINATION 2002**

Under subsection 29-70(3) of the *A New Tax System (Goods and Services Tax) Act 1999* I make the following determination:

Citation

1. This Determination is the *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice (Variation) Determination 2002*.

Commencement

2. (a) This Determination commences on 9 October 2002.
- (b) This Determination does not revoke any previous Determination made by the Commissioner.
- (c) This Determination varies all previous Determinations made by the Commissioner under subsection 29-70(3).

Application of Determination

3. This Determination applies to entities able to issue a tax invoice belonging to a class of tax invoices that may be issued by a recipient as determined in any previous Determinations made by the Commissioner under subsection 29-70(3).

Variation of classes of tax invoices that may be issued by the recipient of a taxable supply

4. All previous Determinations made are varied in the requirements that must be satisfied by a recipient of a taxable supply as follows.
 - (a) In *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 1) 2000* and *A New Tax System (Goods and Services Tax) Act Class of Recipient Created Tax Invoice (RCTI) for supplies of reinsurance or supplies of retrocession*,

omit paragraph 4(c), and **substitute** the following paragraph:

- (c) (i) the recipient must issue the original or a copy of the tax invoice to the supplier within 28 days of the taxable supply being made, or within

28 days from determining the value of the supply, and must retain the original or the copy; and

(ii) where the consideration for the supply is expressed in foreign currency, the recipient must hold a written advice stating:

(A) your particular exchange rate; and

(B) the conversion day,

to be used for converting foreign currency to Australian currency before issuing the tax invoice, except where the computer system of the recipient is set up in a way that does not enable the recipient to use the conversion information of the supplier;’.

(b) In all other Recipient Created Tax Invoice Determinations made before the date of this Determination,

omit paragraph 5(c), and **substitute** the following paragraph:

‘(c) (i) the recipient must issue the original or a copy of the tax invoice to the supplier within 28 days of the taxable supply being made, or within 28 days from determining the value of the supply, and must retain the original or the copy; and

(ii) where the consideration for the supply is expressed in foreign currency, the recipient must hold a written advice stating:

(A) your particular exchange rate; and

(B) the conversion day,

to be used for converting foreign currency to Australian currency before issuing the tax invoice, except where the computer system of the recipient is set up in a way that does not enable the recipient to use the conversion information of the supplier;’.

Definitions

5. The following expressions are defined for the purposes of this Determination:

your particular exchange rate has the same meaning as in the *A New Tax System (Goods and Services Tax) Act Foreign Exchange Conversion Determination (No.1) 2001*;

conversion day has the same meaning as in the *A New Tax System (Goods and Services Tax) Act Foreign Exchange Conversion Determination (No.1) 2001*.

6. Other expressions in this Determination have the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999*.

Signed this 9th day of October 2002.

John Fitzgerald

Senior Tax Counsel

Delegate of the Commissioner