

# ***GSTR 2003/5A1 - Addendum - Goods and services tax: vouchers***

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## Addendum

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### Goods and Services Tax Ruling

#### Goods and services tax: vouchers

This Addendum amends Goods and Services Tax Ruling GSTR 2003/5 to reflect the legislative changes introduced by the *Tax Laws Amendment (2006 Measures No. 1) Act 2006*. That legislation amended the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act) to ensure that prepaid phone cards or facilities are treated as vouchers for the purposes of Division 100 of that Act. The amendments also clarified that goods and services tax (GST) should be calculated on the stated monetary value of the voucher. A further amendment simplified accounting for GST on commissions and similar payments on a supply of a voucher through a distribution chain.

#### **GSTR 2003/5 is amended as follows:**

**1. Preamble**

Omit 'section 37 of'; substitute 'section 105-60 of Schedule 1 to'.

**2. Paragraph 2**

- (a) At the end of the third dot point omit 'and'.
- (b) At the end of the fourth dot point omit the full stop; substitute '; and'.
- (c) After the fourth dot point, insert:
  - explains the GST implications of a commission or similar payment in an arrangement covered by section 100-18.

**3. Paragraph 5**

Omit 'section 37 of the *Taxation Administration Act 1953*'; substitute 'section 105-60 of Schedule 1 to the *Taxation Administration Act 1953* (TAA)'.

#### 4. Paragraph 6

Omit the paragraph; substitute:

6. Changes made to this Ruling by the Addendum that issued on 10 September 2008 have been incorporated into this version of the Ruling. You can rely on the changes made to the Ruling by the Addendum for the purposes of section 105-60 of Schedule 1 to the TAA on and from the date of issue of the Addendum. If the Addendum conflicts with a previous private ruling that you have obtained or a previous public ruling, the Addendum prevails.

6A. 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 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 Addendum or the date the legislative change takes effect, as 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.

#### 5. Paragraphs 9, 52, 56, 59, 61, 64, 65, 66 (including heading), 79, 110, 111, 112, 113, 114, 115, 117, 118, 132, 134, 135, 136, 141, 147, 148, 156, 173, 180

Omit 'face value'; substitute 'stated monetary value'.

#### 6. Footnote 2

Omit text; substitute:

GSTR 2003/5 prior to Addendum GSTR 2003/5A refers to the consideration provided for a supply upon redemption of a face value voucher (FVV) as being the 'face value' of the voucher. This term referred to the monetary value stated on the voucher. This Ruling now refers to the defined term 'stated monetary value', reflecting amendments to Division 100 made by *Tax Laws Amendment (2006 Measures No. 1) Act 2006*. The change in terminology does not represent a change in the Tax Office view.

#### 7. Footnote 3

Omit 'Section'; substitute 'Subsection'.

**8. Paragraph 13**

Omit the last sentence; substitute:

A Case Study on the application of Division 100 is provided as Appendix 2 and a further Case Study on the application of Division 100 to prepaid phone cards or facilities is provided as Appendix 3.

**9. Paragraph 16**

Omit '83'; substitute '83F'.

**10. Paragraph 20**

Omit the paragraph; substitute:

20. Under section 100-25:

(1) A **voucher** is any:

(a) voucher, token, stamp, coupon or similar article; or

(b) \*prepaid phone card or facility;

the redemption of which in accordance with its terms entitles the holder to receive supplies in accordance with its terms. However, a postage stamp is not a voucher.

(2) A **prepaid phone card or facility** is any article or facility supplied for the primary purpose of enabling the holder:

(a) to use, on a prepaid basis, telephone or like services supplied by a supplier of \*telecommunications supplies; or

(b) to make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by such a supplier.

**11. Paragraph 21**

Omit the paragraph.

**12. Paragraph 22**

Omit 'section 100-25'; substitute 'subsection 100-25(1)'.

**13. Paragraph 23**

Omit the paragraph.

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## 14. Paragraph 26

Omit the paragraph; substitute:

26. For a voucher to fall within subsection 100-25(1):
- it must satisfy either paragraph 100-25(1)(a) or (b);
  - the presentation of the voucher must be integral to supplies on redemption; and
  - upon redemption, the voucher must entitle the holder to receive supplies.

### ***‘Voucher’ for the purposes of paragraph 100-25(1)(a)***

26A. Under paragraph 100-25(1)(a) the definition of voucher includes a voucher, token, stamp, coupon or similar article. In determining whether an article is similar to a voucher, token, stamp or coupon its characteristics, function and purpose need to be taken into consideration.

26B. In the context of vouchers, tokens, stamps, coupons or similar articles, the right or entitlement to receive supplies must cease to exist on the exercise of that right or entitlement by redemption or on expiry. On cessation of the right, the voucher or any part of the voucher performs no other function nor does any other function continue to exist.

26C. As the GST Act does not define ‘voucher’, ‘token’, ‘coupon’, ‘stamp’ or ‘article’ these terms take their ordinary meaning.

26D. Some relevant dictionary definitions for voucher, token and coupon are listed in the table below:

Term	<i>Macquarie Dictionary</i> <sup>3A</sup>	<i>The Australian Oxford Dictionary</i> <sup>3B</sup>
voucher	‘... <b>2.</b> a document, receipt, stamp, or the like, which proves the truth of a claimed expenditure. <b>3.</b> a ticket used as a substitute for cash, as a gift voucher, luncheon voucher, etc.’	‘ <b>1</b> a document which can be exchanged for goods or services as a token of payment made or promised by the holder or another. <b>2</b> a document establishing the payment of money or the truth of accounts... ‘

<sup>3A</sup> *Macquarie Dictionary*, 2005, 4<sup>th</sup> edn, The Macquarie Library Pty Ltd, NSW.

<sup>3B</sup> *The Australian Oxford Dictionary*, 2004, 2<sup>nd</sup> edn, Oxford University Press, Melbourne.

Term	<i>Macquarie Dictionary</i> <sup>3A</sup>	<i>The Australian Oxford Dictionary</i> <sup>3B</sup>
token	'... <b>5.</b> a ticket, metal disc, etc., certified as having a particular value, for payment or exchange, as for ferry fares, at a nominal value much greater than its commodity value. <b>6.</b> anything of only nominal value similarly used, as paper currency.'	'... <b>3</b> a voucher exchangeable for goods (often of a specified kind), given as a gift. <b>4</b> anything used to represent something else, especially a metal disc etc. used instead of money in coin-operated machines etc. ...'
coupon	' <b>1.</b> a separable part of a certificate, ticket, advertisement, etc., entitling the holder to something. ...'	'... <b>3</b> a voucher given with a retail purchase, a certain number of which entitle the holder to a discount etc. <b>4 a</b> a detachable ticket entitling the holder to a ration of food, clothes, etc., especially in wartime. b a similar ticket entitling the holder to payment, goods, services, etc.'

**15. Paragraph 27**

Omit the paragraph (including the heading); substitute:

27. These ordinary meanings share a common characteristic of referring to things that are exchangeable for goods or services. When they are redeemed, the right or entitlement to receive goods or services ceases to exist. These things have no further function, such as being able to be topped up.

**16. Paragraph 28**

(a) At the beginning of the paragraph insert:

In this Ruling a voucher that has only one function is referred to as a single function voucher.

(b) At the end of the first dot point insert:

<sup>4</sup> However, see paragraphs 74 to 79 of this Ruling for discussion on reasonable choice and flexibility of supplies.

(c) At the end of the second dot point insert:

<sup>4A</sup> A voucher of this type may also be a prepaid phone card or facility under paragraph 100-25(1)(b).

**17. Paragraph 29**

Omit 'section 100-25'; substitute 'paragraph 100-25(1)(a)'.

**18. Paragraph 30**

Omit the heading.

**19. Paragraph 31**

Omit the fourth sentence; substitute:

A multi function voucher is not a voucher as referred to in paragraph 100-25(1)(a) for the purposes of section 100-25.

**20. Paragraph 32**

Omit the paragraph; substitute:

32. *A small business sells paper vouchers which can be redeemed for goods or services at its shop and cannot be recharged. These paper vouchers are vouchers for the purposes of paragraph 100-25(1)(a). Over time the business grows and it installs a new computer system incorporating point of sale (POS) control over sales recording, cash and stock levels as well as enabling it to update its vouchers to a disposable plastic card with a magnetic strip. The card cannot be topped up. This type of voucher is also a voucher for the purposes of paragraph 100-25(1)(a). Some time later the business installs new software that permits the holder of the card to top it up when the remaining value is low. The card's functions entitle the holder to supplies up to a certain value, and to recharge the card when the value remaining is low. The card does more than entitle the holder to supplies on redemption. The card itself has another function. This type of card is not a voucher for the purposes of paragraph 100-25(1)(a). The card does not have the single function to receive supplies on redemption. In these circumstances the application of the basic rules in section 9-5 would need to be considered in relation to the card.<sup>5A</sup>*

**'Voucher' for the purposes of paragraph 100-25(1)(b)**

32A. Paragraph 100-25(1)(b) includes as a voucher a 'prepaid phone card or facility'. This term is described in subsection 100-25(2) as any article or facility supplied for the primary purpose of enabling the holder to:

- use, on a prepaid basis, telephone or like services supplied by a supplier of telecommunication supplies; or

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<sup>5A</sup> The entity would also need to consider whether the card establishes a credit to an account. For further discussion see paragraphs 49 to 54 of this Ruling.

- make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by a supplier of telecommunication supplies.

32B. In this context, the right or entitlement to receive supplies may be represented by an account facility with credit on it on which the holder is entitled to draw as consideration for future supplies.

32C. The Explanatory Memorandum to the Tax Laws Amendment (2006 Measures No. 1) Bill 2006 (the 2006 Explanatory Memorandum) notes that:

4.16 The definition of 'prepaid phone card or facility' is intended to cover:

- phone cards sold with an initial store of value for use on payphones or home phones, which may or may not be rechargeable or topped up; and
- prepaid mobile phone cards which are sold with a subscriber identity module (SIM) card or as a bundled kit (eg, mobile handset and SIM card – although it is a mixed supply).

32D. These two types of prepaid phone cards or facilities may be topped up. This can often be done in a number of ways, for example, by a customer:

- purchasing a top-up card or docket through a retailer or similar merchant and following the instructions relevant to the card or docket;
- using a credit card to top-up through the Internet or by phone; or
- using electronic bill payment facilities.

32E. The single function characteristic that is evident in paragraph 100-25(1)(a) is not present in paragraph 100-25(1)(b). Additionally, the explanation of a prepaid phone card or facility in subsection 100-25(2) states that it is any article or facility supplied for the primary purpose of enabling the holder to do a number of things. The reference in subsection 100-25(2) to a primary purpose, together with the absence of any evident requirement for a single function in paragraph 100-25(1)(b), indicates that a prepaid phone card or facility can have an additional function (such as the ability to be topped up) and still be a voucher for the purposes of section 100-25.

### *Article or facility*

32F. The terms 'article' and 'facility' in subsection 100-25(2) are not defined in the GST Act. The dictionary definition of 'article'<sup>5B</sup> is 'any thing'. Definitions of the term 'facility' include 'something that makes possible the easier performance of any action; advantage'<sup>5C</sup> and 'the equipment, or the resources for doing something'.<sup>5D</sup> The ordinary meanings of the terms 'article' and 'facility' are broad. However, because an article or facility needs to be supplied primarily for the purpose stated in subsection 100-25(2), the context in which the terms are used in defining a 'prepaid phone card or facility' indicates that their meaning is limited to articles or facilities which are prepaid phone cards or prepaid phone facilities.<sup>5E</sup>

32G. The Commissioner considers that the words 'article or facility', in the context of 'prepaid phone card or facility', include any or all of a phone card, the subsequent topping up process and the account maintained by the supplier for the account holder. Further, a top-up card or docket and the means for using it through such an account is an 'article or facility' as these are things used in accessing a right to make, for example, telephone calls.

### *Primary purpose*

32H. Subsection 100-25(2) provides that any article or facility supplied for the primary purpose of enabling the holder to do any of the things described in paragraph 100-25(2)(a) or (b) is a prepaid phone card or facility. This indicates that an article or facility can be supplied for other purposes as long as it is supplied for the primary purpose of enabling the holder to do any of the things described in paragraph 100-25(2)(a) or (b). An example is provided in the 2006 Explanatory Memorandum:

A prepaid phone card for a mobile phone includes a facility which allows soft drink products to be purchased through a vending machine by making a phone call. The cost of the soft drink is deducted from the prepaid phone card account. Even though the prepaid phone card may also be used to acquire supplies other than telephone or like services it is an eligible Division 100 voucher if its primary purpose is to enable the holder to use it on a prepaid basis to acquire telecommunications supplies.<sup>5F</sup>

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<sup>5B</sup> *Macquarie Dictionary*, 2005, 4<sup>th</sup> edn, The Macquarie Library Pty Ltd, NSW.

<sup>5C</sup> *Macquarie Dictionary*, 2005, 4<sup>th</sup> edn, The Macquarie Library Pty Ltd, NSW.

<sup>5D</sup> *The Australian Oxford Dictionary*, 2004, 2<sup>nd</sup> edn, Oxford University Press, Melbourne.

<sup>5E</sup> See paragraph 4.16 in the Explanatory Memorandum to the Tax Laws Amendment (2006 Measures No. 1) Bill 2006 (the 2006 Explanatory Memorandum) quoted above in paragraph 32C of this Ruling.

<sup>5F</sup> Paragraph 4.15 and Example 4.1.

*To use, on a prepaid basis, telephone or like services supplied by a supplier of telecommunications supplies – paragraph 100-25(2)(a)*

32I. Paragraph 100-25(2)(a) refers to the primary purpose of the holder being able to use, on a prepaid basis, telephone or like services supplied by a supplier of telecommunication supplies. The phrase 'telephone or like services' refers to two types of services to which a prepaid phone card or facility holder is entitled. 'Telephone' services includes a range of services such as the provision of local calls, national long distance calls, international calls and calls to mobile phones. 'Like services' includes a range of services which are accessed using a mobile phone handset such as mobile phone messaging services (short message service (SMS) or multimedia messaging service (MMS)), text, graphics, images, sound, video, information, software content and data transmission services (including email) and Internet access services.<sup>5G</sup>

32J. The telephone or like services referred to in paragraph 100-25(2)(a), which the prepaid phone card or facility enables the holder to use, must be supplied by a supplier of telecommunication supplies for the article or facility to be able to satisfy the requirements of that paragraph. A supplier of telecommunication supplies is an entity that makes telecommunication supplies within the meaning given by section 85-10.

*Example 1A: primary purpose*

32K. *Telco Ltd, a supplier of telecommunication supplies, provides a prepaid mobile phone card product (the card) that allows customers to access a number of different services. The card is designed to allow customers to make telephone calls including calls to fixed lines and calls to mobile phones. The card also allows customers to send SMS messages and graphics and images to other capable mobile phones, and to access sound and software content provided by third party suppliers. Considering the range of purposes the facility is intended to perform, the primary purpose of the card is to enable customers to use, on a prepaid basis, telephone or like services supplied by Telco Ltd. Even though the card also has a secondary purpose of enabling customers to access sound and software content provided by third party suppliers, it is a prepaid phone card or facility in accordance with subsection 100-25(2).*

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<sup>5G</sup> See paragraph 4.15 of the 2006 Explanatory Memorandum.

*To make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by such a supplier – paragraph 100-25(2)(b)*

32L. An article or facility that is supplied for the primary purpose of enabling the holder to make acquisitions that are facilitated by using telephone or like services is also a prepaid phone card or facility. The process for the holder to make such acquisitions may involve the use of a telephone service such as making a call using a mobile phone which enables the holder to acquire certain goods. Alternatively it may involve the use of like services such as sending an SMS from a mobile phone to a particular number. For example, a prepaid phone card for a mobile phone may include a facility which allows soft drink products to be purchased through a vending machine by making a phone call or sending an SMS as indicated above at paragraph 32H.

#### *Prepaid phone card or facility and topping up*

32M. A person may purchase a top-up card or docket, which they can attach to an existing prepaid phone card or facility. Such a top-up card or docket is an article or facility in its own right as it enables the holder to use specified types of services after it is attached to a holder's prepaid phone card or phone account. The article or facility operates as a combination of the top-up card or docket and the account which underlies its use. A top-up card or docket will be a prepaid phone card or facility under subsection 100-25(2) and therefore a voucher for the purposes of Division 100 if it has the primary purpose of enabling the holder to use, on a prepaid basis, telephone or like services or to make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by a supplier of telecommunications supplies. The attaching of the top-up card's value to an existing prepaid phone card or facility does not involve the redemption of the top-up card, because the top-up card has not been redeemed for any supply.

32N. In contrast, an existing prepaid phone card or facility may be topped up directly, for example by using a credit card through the Internet or an electronic bill payment facility. In such cases the customer may not be issued with any thing that constitutes a separate article or facility. Rather, the top-up provides additional consideration for the previous supply of a prepaid phone card or facility and it forms part of the stated monetary value of the voucher rather than being a new voucher in its own right.<sup>5H</sup> If the original voucher is a FVV, there will be no GST payable when the voucher is topped up but GST will be payable when the voucher is redeemed for taxable supplies.

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<sup>5H</sup> See paragraphs 80 to 83F for further information on the stated monetary value of the voucher.

32O. Whether the top up is a voucher in its own right or the top-up is part of the underlying prepaid phone card or facility, the sale of the top-up will not be a taxable supply, provided the requirements of sections 100-25 and 100-5 are otherwise satisfied.

**21. Paragraph 33**

Omit 'section 100-25' (first occurring); substitute 'subsection 100-25(1)'.

**22. Paragraph 46**

Omit the last two sentences.

**23. Paragraph 47**

At the end of the paragraph insert:

<sup>8A</sup> For an explanation of the treatment of top-ups or recharges for prepaid phone cards or facilities under subsection 100-25(2), see paragraphs 32A to 32O of this Ruling.

**24. Paragraph 52**

At the end of the first sentence insert:

<sup>9A</sup> This card is not a prepaid phone card or facility under subsection 100-25(2).

**25. Paragraph 53**

At the end of the first sentence insert:

<sup>9B</sup> This facility is not a prepaid phone card or facility under subsection 100-25(2).

**26. Paragraph 56**

Omit the fourth dot point; substitute:

- the voucher must have a stated monetary value (discussed at paragraphs 80 to 83F); and

## 27. Paragraph 62

Omit the last sentence (other than the footnote); substitute:

*There will be no GST on the supplies on redemption of the voucher unless consideration is given in addition to the voucher by the holder and the other requirements for a taxable supply are satisfied.*

## 28. Paragraph 74

Omit the first sentence; substitute:

The supplies to which the holder is to be entitled under section 100-5 are supplies *up to* the stated monetary value, not supplies *of* a stated monetary value.

## 29. Paragraph 75

Omit '(sic)' wherever occurring.

## 30. Paragraph 80

Omit the paragraph (including the heading); substitute:

### ***The stated monetary value of the voucher***

80. Paragraph 100-5(1)(a) requires that a voucher have a 'stated monetary value'.

80A. Subsections 100-5(2A) and 100-5(2B) define 'stated monetary value' as follows:

(2A) The ***stated monetary value***, in relation to a \*voucher other than a \*prepaid phone card or facility, means the value stated on the voucher or in documents accompanying the voucher.

(2B) The ***stated monetary value***, in relation to a \*voucher that is a \*prepaid phone card or facility, means the sum of:

- (a) in any case – the monetary value stated on the voucher or in documents accompanying the voucher; and
- (b) if the voucher is topped up after it is supplied – the monetary value of the top-up stated on the voucher or in documents accompanying the top-up.

However, disregard the monetary value stated on the voucher (or in documents accompanying the voucher) or top-up (as the case requires), of any bonus supplies covered by the voucher or top-up (as the case requires).

80B. Subsections 100-5(2A) and 100-5(2B) indicate that the stated monetary value is intended to be different depending on whether or not the article is a prepaid phone card or facility.

80C. A voucher other than a prepaid phone card or facility satisfies section 100-5 if the stated monetary value is explicitly set out on the voucher or in documents accompanying the voucher.

80D. A voucher which exists partly in a physical form and partly in an electronic or machine readable form, can still satisfy this requirement.

### **31. Paragraph 83**

After the paragraph, insert:

83A. A voucher which is a prepaid phone card or facility under subsection 100-25(2) and which is able to be topped up or recharged can satisfy the requirement of having a stated monetary value in section 100-5 and may therefore be a FVV.<sup>19A</sup>

83B. If a voucher that is a prepaid phone card or facility is topped up, the stated monetary value of the voucher is the sum of the unredeemed amount of the voucher and the top-up amount. If the voucher or top-up includes an entitlement to any bonus supplies such as extra credits, additional call time or additional text messages, the value of these supplies is not included in the stated monetary value.<sup>19B</sup>

83C. In ascertaining the consideration for a supply of a thing acquired in wholly or partially redeeming a voucher, section 100-12 should be taken into account.<sup>19C</sup> Broadly, this section confirms that when a supply is made on full or partial redemption of a voucher, the consideration is calculated by reference to the extent to which the redemption represents the stated monetary value of the voucher. In this context, where the supply is a bonus supply, and therefore there is no redemption of the voucher, there is no consideration under section 100-12.

83D. In determining the extent, if any, to which a voucher is redeemed, the facts and circumstances of the particular supply including the arrangements between the supplier and the holder of the voucher and the way in which the stated monetary value is reduced need to be taken into account. If the facts and circumstances provide no indication, it may be that the stated monetary value is first reduced in full when

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<sup>19A</sup> In contrast, an article other than a prepaid phone card or facility which is able to be topped up does not meet the requirements of section 100-25 as it is a multi function voucher. See paragraphs 30 to 32 of this Ruling.

<sup>19B</sup> Subsection 100-5(2B).

<sup>19C</sup> See paragraphs 89 and 90 of this Ruling for further discussion.

supplies are made on redemption of the voucher prior to accessing the bonus supplies.<sup>19D</sup>

*Example 16A: Stated monetary value for a prepaid phone card or facility*

*83E. Trent purchases a rechargeable prepaid phone card which has a stated monetary value of \$100. In the relevant tax period, Trent uses the prepaid phone card to make calls within Australia, resulting in a debit to his card of \$60. In the same period the telecommunication supplier remits the GST based on consideration of \$60. In the following tax period, Trent recharges the card with a further \$40. The stated monetary value of the card is now \$80 and comprises the \$40 remaining on the voucher which has not been redeemed and the \$40 top-up.*

*83F. As part of a marketing strategy the telecommunication supplier provides Trent with bonus credits of \$150 if the card is topped up for an additional \$50. Trent accepts this offer and tops up the card. The stated monetary value of Trent's prepaid phone card is now \$130 comprising the unredeemed stated monetary value of \$80 and the top-up of \$50. The bonus credits of \$150 are disregarded in determining the stated monetary value of the voucher.*

## 32. Paragraphs 89 and 90

Omit the paragraphs (including the heading); substitute:

### ***Consideration for the supply on redemption***

89. Section 100-12 clarifies that when a voucher is redeemed for a taxable supply, the consideration for the supply is the stated monetary value on the voucher less any amounts refunded, plus any additional consideration provided for the supply. If a voucher is partly redeemed for a taxable supply, the consideration for the supply is the amount of the stated monetary value of the voucher that the redemption represents and any additional consideration for the supply.<sup>22A</sup>

90. Section 100-12 applies to supplies made on or after 11 May 2005<sup>22B</sup> and is a clarifying amendment as noted in paragraph 4.7 of the 2006 Explanatory Memorandum:

Division 100 is intended to apply so that, on redemption of a voucher, the supplier of the goods or services is required to remit GST calculated on the stated monetary value on the voucher. The monetary value may be stated on the voucher or in documents accompanying the voucher. If, on redemption of

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<sup>19D</sup> See paragraph 4.24 and Example 4.5 of the 2006 Explanatory Memorandum.

<sup>22A</sup> See paragraph 4.19 of the 2006 Explanatory Memorandum.

<sup>22B</sup> For the Tax Office view on supplies made before 11 May 2005, refer to paragraphs 89 to 109 of GSTR 2003/5 as it stood prior to the changes made by Addendum GSTR 2003/5A.

the voucher, the supplier of the goods and services did not remit GST based on the stated monetary value, any value added by distributors of vouchers, initially supplied to them at an amount less than the value stated on the voucher, would not be subject to GST.

**33. Paragraphs 91 to 109**

Omit the paragraphs.

**34. Paragraph 110**

Omit 'its face value'; substitute 'the stated monetary value of the voucher'.

**35. Paragraph 111**

At the end of the third sentence insert 'of the FVV'.

**36. Paragraph 112**

In the first sentence omit 'stated on'; substitute 'of'.

**37. Paragraph 112**

At the end of the paragraph insert:

<sup>32A</sup> Section 100-12 and paragraph 4.19 of the 2006 Explanatory Memorandum.

**38. Paragraph 115**

Omit the words '\$20 FVV'; substitute 'FVV with a stated monetary value of \$20'.

**39. Paragraph 119**

Omit the paragraph; substitute:

119. A voucher may be partially redeemed in a transaction and still be a FVV. If a FVV is only partially redeemed, the consideration for the supplies on redemption is taken to be the sum of the stated monetary value of the voucher that the redemption represents and any additional consideration provided for the supply.<sup>32B</sup>

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<sup>32B</sup> Subsection 100-12(2) and see paragraph 4.19 of the 2006 Explanatory Memorandum.

## 40. Paragraph 121

Omit the third dot point; substitute:

- the voucher has not been fully redeemed; and

## 41. Paragraph 122

Omit the paragraph; substitute:

122. A FVV that is unredeemed, in full or in part, when it expires may be subject to section 100-15, but only to the extent that it is not redeemed.

## 42. Paragraph 125

After the paragraph insert:

125A. The amount of the adjustment is 1/11 of the stated monetary value of the voucher to the extent to which it has not been redeemed.<sup>34A</sup>

## 43. Paragraph 132

Omit '(refer to paragraphs 89 to 109).'; substitute '(refer to paragraphs 89 to 90).<sup>35A</sup>'

## 44. Paragraph 134

Omit 'stated on'; substitute 'of'.

## 45. Paragraph 145

At the end of the second sentence insert:

(unless section 100-18 applies as discussed in paragraphs 157 to 158E)

## 46. Paragraph 149

At the end of the paragraph insert:

<sup>41A</sup> Section 100-18 does not apply because the third party in this example has issued the FVV which the retailer merely accepts redemption of. That is, the third party is neither selling the voucher as agent for the retailer, nor is there a distribution chain in which the retailer sells the voucher to the third party which then on-sells the voucher.

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<sup>34A</sup> Subsection 100-15(2).

<sup>35A</sup> Section 100-12.

**47. Paragraphs 157 and 158**

Omit the paragraphs (including the heading); substitute:

***Arrangement for supply of a voucher under section 100-18***

157. The GST treatment of a commission or similar payment made by a supplier of a voucher to another entity will depend on whether section 100-18 applies. That is, if a supplier of a voucher enters into an arrangement in writing with another entity (who may or may not be an agent of the supplier) to supply a voucher to a third party, section 100-18 applies to simplify accounting for GST.<sup>43A</sup>

158. For the purposes of section 100-18 the arrangement must:

- be in writing;
- be one under which the other entity supplies (whether or not as an agent on the supplier's behalf) a voucher to a third party; and
- require the supplier to pay, or be liable to pay, an amount as a commission or similar payment.

158A. If, under such an arrangement, the supplier pays or is liable to pay to the other entity a commission or similar payment, the supply of services to which that payment relates is treated under section 100-18 as if it were not a taxable supply.<sup>43B</sup>

158B. The effect of treating a commission or similar payment as not being consideration for a taxable supply is that it is not necessary for the entity supplying the services to remit GST in respect of its supply. It follows that the supplier of the voucher cannot claim a corresponding input tax credit for its acquisition of services.

***Example 30: Section 100-18 arrangements***

158C. *Ian and Claire enter into a written arrangement where Ian engages Claire to sell his FVVs to third parties for a commission.*

158D. *Under this arrangement, Ian makes a supply of the FVV, which is not a taxable supply, to Claire. Claire does not make a creditable acquisition of the FVV from Ian. Claire later makes a supply of the FVV, which is not a taxable supply, to a third party.*<sup>43C</sup>

<sup>43A</sup> Section 100-18 applies in relation to supplies of FVVs made on or after the date of the Royal Assent of the *Tax Laws Amendment (2006 Measures No. 1) Act 2006*, 6 April 2006.

<sup>43B</sup> Subsection 100-18(2).

<sup>43C</sup> Section 100-5.

158E. *Because Ian and Claire have entered into an arrangement that meets the requirements of section 100-18, the supply of services from Claire to Ian, for which the commission is consideration, is treated as if it were not a taxable supply.*

## 48. Paragraph 159

Before the paragraph, insert:

158F. As discussed above, section 100-18 applies to simplify accounting for GST on commission and similar payments in vouchers scenarios. While Subdivision 153-B also applies to simplify accounting for GST between principals and agents, it is not applicable to supplies of an agent's services to a principal for a commission or similar payment in relation to supplies of FVVs.

## 49. Paragraph 161

Omit the last sentence; substitute:

Therefore, the principal and agent must account for the commission the principal pays, or is liable to pay, the agent as consideration for a separate taxable supply of the agent's services, if section 100-18 does not apply and the requirements of section 9-5 are met.

## 50. Paragraphs 162 to 164

Omit the paragraphs.

## 51. Paragraph 165

Omit the heading; substitute:

*Alternative view on Subdivision 153-B arrangements*

## 52. Paragraph 176

Omit the second sentence; substitute:

*This is not a FVV as it entitles Jana to a specified supply rather than supplies up to the stated monetary value of the voucher.*

**53. Paragraph 191**

- (a) Omit:
- |   |     |
|---|-----|
| <i>Single function vouchers</i>   | 27  |
| <i>Multi function vouchers</i>  | 30  |
| <i>Example 17: value of a FVV</i>   | 96  |
| <i>Alternative view to face value</i>   | 97  |
| <i>Example 18: ATO treatment of FVVs compared to treatment under the Argos decision</i> | 108 |
| <i>Subdivision 153-B arrangements</i>   | 159 |
- (b) Insert:
- |  |      |
|--|------|
| <i>'Voucher' for the purposes of paragraph 100-25(1)(a)</i>  | 26A  |
| <i>'Voucher' for the purposes of paragraph 100-25(1)(b)</i>  | 32A  |
| <i>Article or facility</i>   | 32F  |
| <i>Primary purpose</i>   | 32H  |
| <i>To use, on a prepaid basis, telephone or like services supplied by a supplier of telecommunications supplies – paragraph 100-25(2)(a)</i>                   | 32I  |
| <i>Example 1A: primary purpose</i>   | 32K  |
| <i>To make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by such a supplier – paragraph 100-25(2)(b)</i> | 32L  |
| <i>Prepaid phone card or facility and topping up</i>   | 32M  |
| <i>Example 16A: Stated monetary value for a prepaid phone card or facility</i>   | 83E  |
| <i>Example 30: Section 100-18 arrangements</i>   | 158C |
| <i>Subdivision 153-B arrangements</i>  | 158F |
- (c) Omit *'Example 11: consideration exceeding face value of a FVV'*; substitute *'Example 11: consideration exceeding stated monetary value of a FVV'*
- (d) Omit *'Monetary value stated on the voucher'*; substitute *'The stated monetary value of the voucher'*
- (e) Omit *'Consideration for the supply on redemption is the face value'*; substitute *'Consideration for the supply on redemption'*
- (f) Omit *'Supply of FVVs and agency arrangements'*; substitute *'Arrangement for supply of a voucher under section 100-18'*
- (g) Omit *'Alternative view on Division 153-B arrangements'*; substitute *'Alternative view on Subdivision 153-B arrangements'*
- (h) After **'Appendix 2: Case Study Diagram'**; insert **'Appendix 3: Case Study – the application of Division 100 to prepaid phone cards or facilities'**

## 54. Legislative references

Omit:

- ANTS(GST)A 99 9-15
- ANTS(GST)A 99 9-70
- ANTS(GST)A 99 9-75(1)
- ANTS(GST)A 99 9-75(1)(a)
- ANTS(GST)A 99 9-75(1)(b)
- ANTS(GST)A 99 100-5(3)
- ANTS(GST)A 99 100-10(2)
- TAA 1953 37

Insert:

- ANTS(GST)A 99 Div 29
- ANTS(GST)A 99 Div 38
- ANTS(GST)A 99 Div 40
- ANTS(GST)A 99 40-5(1)
- ANTS(GST)A 99 85-10
- ANTS(GST)A 99 100-5(2A)
- ANTS(GST)A 99 100-5(2B)
- ANTS(GST)A 99 100-12
- ANTS(GST)A 99 100-12(2)
- ANTS(GST)A 99 100-18
- ANTS(GST)A 99 100-18(2)
- ANTS(GST)A 99 100-25(1)
- ANTS(GST)A 99 100-25(1)(a)
- ANTS(GST)A 99 100-25(1)(b)
- ANTS(GST)A 99 100-25(2)
- ANTS(GST)A 99 100-25(2)(a)
- ANTS(GST)A 99 100-25(2)(b)
- ANTS(GST)A 99 153-55(3)(b)
- TAA 1953 Sch 1 105-60
- Tax Laws Amendment (2006 Measures No. 1) Act 2006

## 55. Case references

Omit:

- *Argos Distributors Ltd v. Commissioners of Customs and Excise* [1997] BVC 64
- *Commission of the European Communities v. Federal Republic of Germany Case C-427/98*
- *Elida Gibbs v. Commissioners of Customs and Excise* [1997] BVC 80

## 56. References section

After the Case references insert:

*Other references*

- Explanatory Memorandum to the Tax Laws Amendment (2006 Measures No. 1) Bill 2006
- *The Australian Oxford Dictionary*, 2004, 2nd edn, Oxford University Press, Melbourne

- Macquarie Dictionary, 2005, 4th edition, The Macquarie Library Pty Ltd, NSW
- Supplementary Explanatory Memorandum to the A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999

**57. Appendix 1**

- (a) In the first box of the decision tree omit the text; substitute:
- Is there a supply of a 'voucher, token, stamp, coupon or similar article' or of a 'prepaid phone card or facility' which satisfies s.100-25?
- (b) Omit each reference to 'monetary value stated on the voucher'; substitute 'stated monetary value of the voucher'

**58. Appendix 2**

- (a) Paragraphs 1, 2, 3, 5 and 6(g)  
Omit 'face value'; substitute 'stated monetary value'.
- (b) Paragraph 6(b)  
Omit 'a monetary value stated on the voucher'; substitute 'the stated monetary value of the voucher'.
- (c) Case Study Diagram  
Otherwise than in the 'Legend' box, omit 'face value'; substitute 'stated monetary value'.
- (d) Insert after the Appendix 2: Case Study Diagram:

**Appendix 3: Case Study – the application of Division 100 to prepaid phone cards or facilities**

1. Telco Ltd is a telecommunication supplier that is registered for GST. Telco Ltd offers a broad range of telecommunication products including prepaid phone products and services.

**Prepaid phone cards**

2. One of Telco Ltd's phone card products is a prepaid phone card, the CooEee card, which can be used to make local calls, national long distance calls, international calls and calls to mobiles. The CooEee card can be used from any touchtone phone in Australia. The CooEee cards are sold in \$30 and \$50 denominations and link the customer to an underlying account. Each time a customer chooses to make a call the stated monetary value on the CooEee card is redeemed by dialling a phone number set out on the card, entering a PIN and then dialling the phone number which they wish to call. The unredeemed stated monetary value expires

after twelve months and is not transferable. The CooEee card may also be topped up.

3. Through one of its retail outlets Telco Ltd sells a CooEee card to Paul with a \$50 stated monetary value printed on it. The primary purpose of this CooEee card is to enable Paul to use the CooEee card to make telephone calls within its terms. As these telephone services are supplied by Telco Ltd, a supplier of telecommunications supplies, the CooEee card, in conjunction with its underlying account, is a prepaid phone card or facility and as it must be presented to obtain supplies on redemption, it is a voucher under section 100-25.

4. In order for the CooEee card to be a FVV, the requirements of section 100-5 must also be met. The supply of the CooEee card meets the requirements of section 100-5 as:

- the supply of the CooEee card is made for consideration and would otherwise be a taxable supply under section 9-5;
- Paul, as the holder of the CooEee card, is entitled to use the card to acquire telephone or like services;
- Paul has access to a reasonable choice of supplies including local calls, national long distance calls, international calls and calls to mobiles;
- the CooEee card has a stated monetary value of \$50 on it; and
- the CooEee card entitles Paul to redeem it for a range of calls up to the stated monetary value of \$50.

5. As the CooEee card satisfies the requirements of sections 100-25 and 100-5, the supply of the CooEee card to Paul is the supply of a FVV and is not a taxable supply.

6. Paul uses the CooEee card to make a number of calls, each time redeeming part of the stated monetary value of the CooEee card. When Paul makes a national long distance phone call, for instance, Telco Ltd makes a supply to Paul. The consideration for the supply is the amount by which the voucher is redeemed (section 100-12). If the other requirements of section 9-5 are satisfied the supply is a taxable supply.

7. Customers can top-up the value on the CooEee card by purchasing a top-up docket from Telco Ltd retailers and a number of supermarkets, petrol stations and other retailers. The monetary value on the top-up docket is attached to the customer's CooEee card by dialling a phone number on the top-up docket, entering the unique number on the top-up

docket and then entering the identifying number of the CooEee card. Attaching the monetary value of the top-up docket to the CooEee card is not a redemption of the top-up docket. The CooEee card can also be topped-up in other ways, for instance, by internet or phone by the customer using a credit card or electronic bill payment facility.

8. After a few weeks, \$40 of Paul's CooEee card has been redeemed. Paul decides to top-up his CooEee card. Paul goes to his local Retailer Ltd supermarket which sells Telco Ltd top-up dockets. Paul purchases a top-up docket with a stated monetary value of \$30 and attaches the monetary value from the top-up docket to his CooEee card account by dialling a phone number on the top-up docket and then entering the identifying number of his CooEee card.

9. The top-up docket operates in conjunction with the account that underlies the CooEee card. Like the CooEee card itself, the primary purpose of this top-up facility is to enable Paul to make telephone calls within its terms. As these telephone services are supplied by Telco Ltd, a supplier of telecommunications supplies, and as the top-up docket must be presented to obtain supplies on redemption, the top-up docket is a prepaid phone card or facility within the meaning of subsection 100-25(2) and therefore a voucher under section 100-25.

10. As with the CooEee card itself, the supply of the top-up docket meets the requirements of section 100-5 as:

- the supply of the top-up docket is made for consideration and would otherwise be a taxable supply under section 9-5;
- Paul, as the holder of the top-up docket and the account infrastructure which underlies its use, is entitled to use it to acquire telephone or like services;
- Paul has access to a reasonable choice of supplies including local calls, national long distance calls, international calls and calls to mobiles;
- the top-up docket has a stated monetary value of \$30 on it; and
- on redemption Paul's top-up docket entitles him to make calls up to the stated monetary value of \$30.

11. As the top-up docket satisfies the requirements of sections 100-25 and 100-5, the supply of the top-up docket to Paul is the supply of a FVV and is not a taxable supply. Any supply made by Telco Ltd when redeeming the top-up docket

from the underlying account will be a taxable supply if the requirements of section 9-5 are satisfied.

12. Telco Ltd has an arrangement in writing with Retailer Ltd under which Telco Ltd's customers can purchase top-up docket for their CooEee cards. Under the arrangement Telco Ltd pays Retailer Ltd a commission of \$5. The arrangement between Telco Ltd and Retailer Ltd satisfies the requirements in section 100-18. Therefore, Retailer Ltd's supply of commission services to Telco Ltd is treated as if it were not a taxable supply. Retailer Ltd is not required to remit GST on the \$5 commission and Telco Ltd is not able to claim a corresponding input tax credit.

## **Prepaid mobile phones**

13. Telco Ltd also sells prepaid mobile phone products. Through one of its retail outlets Telco Ltd sells a mobile phone handset, SIM card and a prepaid mobile phone card to Alison as a bundled package.

14. Alison can use her mobile phone to make phone calls, send SMS or use MMS, or access services such as email, Internet and video downloads. Alison can also use the prepaid mobile phone to make purchases of soft drinks and bottled water through a vending machine by making a phone call. When such a phone call is made an amount equal to the cost of the drink is deducted from the prepaid phone card account (which is established when Alison purchases her prepaid mobile phone product) and the vending machine dispenses the drink.

15. The prepaid mobile phone card is sold with a monetary value of \$50. Alison calls a phone number set out on the card and enters an access number. When this is done the monetary value is attached to the prepaid phone account for Alison. The prepaid phone account can be topped-up by Alison if she purchases a top-up docket directly from Telco Ltd or through one of its distributors such as a supermarket or service station.

16. After Alison initially activates the prepaid mobile phone card she is not required to enter any PIN or other identifying number each time she makes a phone call or otherwise redeems the stated monetary value for supplies. The stated monetary value expires after twelve months. If Alison tops up her prepaid phone account before its expiry the topped up amount then has an expiry date of 12 months from the date of top-up.

17. The prepaid mobile phone card in conjunction with its underlying account is a prepaid phone card or facility under subsection 100-25(2). Its primary purpose is to enable Alison to use the prepaid mobile phone card to make telephone calls

and access like services within its terms. As these telephone services are supplied by Telco Ltd, a supplier of telecommunication supplies, the facility to access these services is a prepaid phone card or facility in the terms of subsection 100-25(2). As Alison must effectively present the prepaid mobile phone card each time she makes a call, thereby redeeming the phone card, the prepaid mobile phone card is a voucher under section 100-25.

18. For this voucher to be a FVV, the requirements of section 100-5 must also be met. The supply of the voucher meets the requirements of section 100-5 as:

- the supply is made for consideration and would otherwise be a taxable supply under section 9-5;
- Alison, as the holder of the voucher is entitled to use it to acquire telephone or like services;
- Alison has access to a reasonable choice of supplies including local calls, national long distance calls, international calls and calls to mobiles and other like services;
- the voucher has a stated monetary value of \$50; and
- on redemption the voucher entitles Alison to a range of telephone calls and like services up to the stated monetary value of \$50.

19. As the voucher satisfies the requirements of sections 100-25 and 100-5, its supply to Alison is the supply of a FVV and is not a taxable supply.

20. Because Alison has purchased the voucher as part of a bundled kit including a handset and SIM card, the supply of the kit is a mixed supply. The consideration for the supply of the kit needs to be apportioned between its taxable (mobile handset and SIM card) and non-taxable (prepaid mobile phone card which is a FVV) components.<sup>52</sup>

21. Alison makes telephone calls to other mobiles which involves Telco Ltd making these supplies to her. As she makes each call or acquisition, Telco Ltd deducts the consideration for each supply from the stated monetary value. If the other requirements of section 9-5 are satisfied such a supply is a taxable supply by Telco Ltd.

22. After a month of accessing the telecommunication services, Alison's stated monetary value has reduced to \$5.

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<sup>52</sup> For further detail on how to apportion between taxable and non-taxable components refer to Goods and Services Tax Ruling GSTR 2001/8 Goods and services tax: apportioning the consideration for a supply that includes taxable and non-taxable parts.

# GSTR 2003/5

Telco Ltd is advertising a special promotion under which a person purchasing an \$80 electronic top-up over the Internet for their prepaid mobile phone receives bonus supplies of an additional \$15 worth of calls. Alison purchases one of these top-ups with a value of \$80 on 1 August 2006. The \$80 automatically attaches to Alison's account when she enters her credit card details.

23. This electronic top-up provides additional consideration for the supply of the voucher Alison purchased previously. However, under subsection 100-5(2B) only the \$80 is included in the stated monetary value of the voucher. As the original voucher is a FVV, there is no GST payable when the additional consideration is received by Telco Ltd but GST will be payable when the FVV is redeemed for taxable supplies.

24. The stated monetary value of the voucher is now \$85 being the sum of the \$5 remaining from Alison's initial purchase of the prepaid phone card or facility and the \$80 top-up amount. The \$15 of bonus calls is not included in the stated monetary value of the voucher (subsection 100-5(2B)).

25. Alison uses the phone for three months and the stated monetary value of the voucher has reduced to \$33. On 1 November 2006 Alison departs for an extended holiday travelling around South America for 12 months. She leaves her phone at home and the stated monetary value expires on 31 July 2007. When Telco Ltd writes back the unredeemed stated monetary value of \$33 to current income, there is an increasing adjustment of \$3 ( $1/11 \times \$33$ ) being  $1/11$  of the stated monetary value to the extent that it was not redeemed.

This Addendum explains our view of the law as it applies both before and after its date of issue. You can rely upon this Addendum on and from its date of issue for the purpose of section 105-60 of Schedule 1 to the *Taxation Administration Act 1953*. If this Addendum conflicts with a previous private ruling that you have obtained or a previous public ruling, this Addendum prevails. However, 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 this 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 earlier ruling and have underpaid an amount of GST, you are not liable for the shortfall prior to either the issue date of this Addendum or the date the legislative change takes effect, as appropriate. Similarly, if you have relied on the earlier ruling you are not liable to repay an amount overpaid by the Commissioner as a refund.

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**Commissioner of Taxation**

10 September 2008

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ATO references

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ATOlaw topic: Goods and Services Tax ~~ Miscellaneous rules ~~  
vouchers