



GSTR 2009/3A4 - Addendum - Goods and services tax: cancellation fees

 This cover sheet is provided for information only. It does not form part of *GSTR 2009/3A4 - Addendum - Goods and services tax: cancellation fees*

 View the [consolidated version](#) for this notice.



Addendum

Goods and Services Tax Ruling

Goods and services tax: cancellation fees

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953* (TAA). It amends Goods and Services Tax Ruling GSTR 2009/3 to take account of the new Division 142 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act), which is about restricting refunds on excess GST. In particular, it looks at how section 142-20 applies to reduce an increasing or decreasing adjustment for a cancelled supply where the GST has been passed on to the customer but not reimbursed. Division 142 replaces section 105-65 of Schedule 1 to the TAA and applies to tax periods starting on or after 31 May 2014.

GSTR 2009/3 is amended as follows:

1. Paragraph 76A

Omit the paragraph, insert:

76A. If a supplier does not fully reimburse a customer, or only reimburses part of the GST paid for a cancelled supply, any decreasing adjustment as a result of the cancelled supply, or corresponding increasing adjustment for the customer, is reduced to the extent the GST amount is not reimbursed.^{21A} This ensures that the supplier does not get a windfall gain.

Example 7A: decreasing adjustment reduced for amount not reimbursed

76B. Sue Sand orders and pays for a new laptop from Dan Office Supplies Pty Ltd for \$1,100 which includes GST payable of \$100. Dan Office Supplies despatches the order to the distributor and accounts for the GST of \$100 in the tax period ending 31 March.

^{21A} For rules relating to reduced adjustments for GST passed on but not reimbursed, see section 142-20.

GSTR 2009/3

76C. *The laptop arrives but Dan Office Supplies is unable to contact Sue for collection. After several attempts over a three month period, Dan Office Supplies cancels the supply and includes the laptop as part of its sales stock in June. Dan Office Supplies has a decreasing adjustment of \$100 for the tax period ending 30 June, but the amount is reduced to nil as Dan Office Supplies does not reimburse Sue for any of the GST she had previously paid.*

76D. When an intended supply is cancelled and the supplier makes a facilitation or cancellation supply that forms part of the cancelled supply, an adjustment only arises if there is a change in consideration. That is, the supplier has accounted for too much GST or the recipient has overclaimed input tax credits in a previous tax period.

76E. If the facilitation or cancellation supply forms a separate supply, the supplier must make a decreasing adjustment to account for the cancelled supply and account for the GST on the separate taxable facilitation or cancellation supply in the appropriate tax period. If applicable, the recipient must also account for the corresponding increasing adjustment and claim the input tax credit for the separate taxable acquisition in the appropriate tax period.

Example 7B: cancellation supply as a separate supply

76F. *Using the facts of the last example, Dan Office Supplies manages to contact Sue in June. Sue changed her mind and requests a refund. Dan Office Supplies agrees to the refund less a cancellation fee of \$55. Under its returns and cancellation policy, a cancellation fee of \$55 applies to cancellation of merchandise specifically ordered by a customer.*

76G. *In the June tax period, Dan Office Supplies has a decreasing adjustment of \$100. It must also account for the GST of \$5 on the taxable cancellation supply.*

2. Detailed contents list

Insert:

Example 7A: decreasing adjustment reduced for amount not reimbursed 76B

Example 7B: cancellation supply as a separate supply 76F

3. Legislative references

Insert:

- ANTS(GST)A 1999 142-20

This Addendum applies to tax periods starting on or after 31 May 2014.

Commissioner of Taxation

14 January 2015

ATO references

NO: 1-5WZUZXM

ISSN: 1443-5160

ATOlaw topic: Goods and services tax ~~ General rules and concepts ~~
Adjustments ~~ Other

**© AUSTRALIAN TAXATION OFFICE FOR THE
COMMONWEALTH OF AUSTRALIA**

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).