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## Explanatory Statement

# Goods and Services Tax: Recipient Created Tax Invoice Determination (No. 27) 2016 for Referrers, Spotters, Sub-intermediaries or Sub-agents for General Insurance

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### General outline of determination

1. This determination is made under subsection 29-70(3) of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).
2. The determination allows a recipient of a taxable supply of a defined commission service and/or fee based service provided by a referrer, spotter, sub-intermediary or sub-agent in relation to general insurance to issue recipient created tax invoices (RCTIs) if the recipient determines the value of the taxable supply.
3. The determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

### Date of effect

4. The determination commences on the day after registration.

### What is this determination about:

5. Generally, tax invoices are issued by the entity that makes the supply under the GST Act.
6. The purpose of this determination is to outline a class of tax invoices that the Commissioner has determined may be issued by recipients of taxable supplies (called RCTIs). The Commissioner makes the determination by taking into account a number of factors including the type of industry, the taxable supply, the GST turnover of the recipient and certain requirements for issuing RCTIs. The factors reflect a balance between facilitating the practical use of RCTIs by businesses and maintaining the integrity of the GST system.
7. In accordance with this determination, a recipient of a taxable supply of defined commission service and/or fee based service provided by a referrer, spotter, sub-intermediary or sub-agent in relation to general insurance may issue a RCTI for the supply if the recipient:
  - establishes the value of the taxable supply; and
  - satisfies the requirements set out in Clause 7 of the determination.

## **What is the effect of this determination**

8. The determination allows a recipient of a taxable supply of a defined commission based service and/or fee based service provided by a referrer, spotter, sub-intermediary or sub-agent in relation to general insurance, to issue a RCTI for the supply provided the requirements of the determination are satisfied. As the recipient has the information to establish the value of the supply, issuing RCTIs for such supplies will simplify payment and invoicing processes.
9. This determination is substantially the same as the previous determination that it replaces. Therefore, a recipient who satisfied the previous determination will satisfy this determination and can continue to issue RCTIs under this determination.
10. Compliance cost impact: minor- there will be no or minimal impacts for both implementation and ongoing compliance costs. The determination is minor or machinery in nature.

## **Background**

11. This determination replaces *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice (RCTI) in relation to a referrer, spotter, sub-agent, or sub-intermediary in respect of general insurance business Determination (No. 64) 2000*. The replaced instrument is repealed on commencement of this determination.

## **Consultation:**

12. Section 18 of the *Legislative Instruments Act 2003* specifically provides for circumstances where consultation may not be necessary or appropriate. One of those circumstances is where the instrument is considered minor or machinery in nature, and does not substantially change the law.
13. In this case, no further consultation has been undertaken in the development of this determination because there is no substantive change from the previous determination and it is considered minor or machinery in nature.

### *Legislative references:*

*A New Tax System (Goods and Services Tax) Act 1999*

*Legislative Instruments Act 2003*

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**Timothy Dyce**  
**Deputy Commissioner of Taxation**  
26 February 2016

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## **Statement of compatibility with Human Rights**

This statement is prepared in accordance with *Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*.

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

#### **Overview of the Legislative Instrument**

Generally, tax invoices are issued by a supplier under the basic rules for GST. This Legislative Instrument allows a recipient of a taxable supply of commission based service and/or fee based service provided by a referrer, spotter, sub-intermediary or sub-agent in relation to general insurance to issue the tax invoice (called recipient created tax invoice) to the supplier, if the recipient determines the value of the taxable supply and satisfy and all other requirements of the Instrument. This will simplify the invoicing and payment processes for such transactions.

#### **Human rights implications**

This Instrument does not engage any of the applicable rights or freedoms. It allows for the streamlining of invoicing and payment practices.

#### **Conclusion**

This Instrument is compatible with human rights as it does not raise any human rights issues.