



# ***Foreign exchange dealings and travellers cheques -***

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 This publication is extracted from the Tourism and Hospitality Industry Partnership - issues register. See travel agents issue 17 of that register. This publication should be read in conjunction with the related content of that register where further context is required.



## Tourism and Hospitality Industry Partnership

### Foreign exchange dealings and travellers cheques

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This publication (excluding appendixes) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

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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.

### Foreign exchange dealings and travellers cheques

1. Some operators in the tourism industry (such as hotels) provide a foreign currency exchange service. The operator may be acting in their own right or may be acting on behalf of an exchange bureau.

#### **Issue**

2. Is the service of exchanging foreign currency or travellers' cheques input taxed?

#### **Decision**

3. A foreign currency transaction is a financial supply under item 9 of sub-regulation 40-5.09(3) of the A New Tax System (Goods and Services Tax) Regulations 1999 (GST Regulations). Some examples are traveller's cheques and foreign currency in cash form or drafts. Financial supplies are input taxed under Div 40.

4. GST does not apply to dealing in foreign currency and travellers' cheques itself as it is input taxed.

5. The GST implications for the fee or commission charged on travellers' cheques and foreign currency transactions will depend on whether you are acting as a principal or an agent as follows.

#### *As a principal*

6. No GST is payable on the commission or fee when you buy or sell travellers' cheques or foreign currency and you are acting in your own right, and not as an agent of someone else. This is because you are a financial supply provider and have a direct interest in the financial supply.

*As an agent*

7. If you buy or sell travellers' cheques or exchange foreign currency on behalf of someone else, and are acting as an agent, GST is payable on the fee or commission you receive for those agency services. This is because you are a financial supply facilitator and are making a taxable supply.