



Legislative Instrument

Goods and Services Tax: Recipient Created Tax Invoice Determination (No. 20) 2016 for Labour Services relating to Primary Production Activities

I, Timothy Dyce, Deputy Commissioner of Taxation, make this determination under subsection 29-70(3) of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act).

Timothy Dyce

Deputy Commissioner of Taxation

Dated: 24 February 2016

Name of determination

1. This determination is *Goods and Services Tax: Recipient Created Tax Invoice Determination (No. 20) 2016 for Labour Services relating to Primary Production Activities*.

Commencement

2. This determination commences on the day after registration.

Repeal of previous determination

3. *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 43) 2000* (the previous determination) - F2005B02791, registered on 29 November 2005, is repealed on the commencement of this determination.

Determination (Who is covered under the determination)

4. This determination applies to a recipient of a taxable supply of labour services relating to primary production activities, provided the requirements of this determination are satisfied.
5. A recipient who satisfies the requirements of the previous determination will satisfy the requirements of this determination.

Class of tax invoices that may be issued by a recipient of a taxable supply under this determination

6. A recipient of a taxable supply of labour services relating to primary production activities may issue a tax invoice called a recipient created tax invoice (RCTI) for the taxable supply if the recipient:
 - (a) establishes the value of the taxable supply after the supply is made using a method agreed between the recipient and the supplier based on a qualitative and/or quantitative process; and
 - (b) satisfies the requirements set out in Clause 7.

Requirements that must be satisfied by a recipient of a taxable supply

7. A recipient must satisfy the following requirements when issuing a RCTI under this determination:
 - (a) be registered for GST;
 - (b) set out the ABN of the supplier on the RCTI;
 - (c) issue the original or a copy of the RCTI to the supplier within 28 days of making, or determining, the value of a taxable supply and retain the original or the copy;
 - (d) the recipient must issue the original or a copy of an adjustment note to the supplier within 28 days of any adjustment and must retain the original or the copy;
 - (e) reasonably comply with its obligations under the taxation laws; and
 - (f) have either a written agreement with the supplier that meets the requirements of Clause 8, or a written agreement embedded in the RCTI that meets the requirements of Clause 9.

Requirements of a written agreement with the supplier

8. The written agreement the recipient has with the supplier must:
 - (a) specify the supplies to which it relates;
 - (b) be current and effective when the RCTI is issued; and
 - (c) have the following conditions:
 - (i) the recipient can issue RCTIs in respect of the supplies;
 - (ii) the supplier will not issue tax invoices in respect of the supplies;
 - (iii) the supplier acknowledges that it is registered for GST when it enters into the agreement and that it will notify the recipient if it ceases to be registered for GST; and
 - (iv) the recipient acknowledges that it is registered for GST when it enters into the agreement and that it will notify the supplier if it ceases to be registered for GST.

Requirements of a written agreement embedded in the tax invoice

9. The embedded agreement in the RCTI that the recipient has with the supplier must contain the following statement:

The recipient and the supplier declare that this agreement applies to supplies to which this tax invoice relates. The recipient can issue tax invoices in respect of these supplies. The supplier will not issue tax invoices in respect of these supplies. The supplier acknowledges that it is registered for GST and that it will notify the recipient if it ceases to be registered. The recipient acknowledges that it is registered for GST and that it will notify the supplier if it ceases to be registered for GST. Acceptance of this RCTI constitutes acceptance of the terms of this written agreement.

Both parties to this supply agree that they are parties to a RCTI agreement. The supplier must notify the recipient within 21 days of receiving this document if the supplier does not wish to accept the proposed agreement.

Definitions

10. The following expressions are defined for the purposes of this determination:

labour services means services provided to the recipient by the supplier and include the supply of incidental goods that are necessarily supplied with those services.

Example

A farmer is engaged by a land owner to grow a grain crop on the land. The agreement is that the farmer receives 45% of the proceeds from the sale of the grain for his labour services including any incidental goods that are necessarily supplied with those services. The land owner makes a taxable supply of grain to a grain board. The grain board undertakes qualitative and/or quantitative analysis to determine the value of the grain. It is on the basis of this analysis that the value of the labour services is determined. The labour service provider is unable to determine the value of the services.

method agreed between the recipient and the supplier means:

$$\text{percentage} \times \text{value of supply}$$

where:

percentage means the percentage as agreed between the recipient and the supplier.

value of supply means the value as determined by an entity other than the supplier. This includes but is not limited to the price paid for:

- the weight of livestock;
- the products from fishing operations; or
- the produce at market.

primary production activities includes:

- (a) the cultivation of land;

- (b) the maintenance of animals or poultry for the purpose of selling them or their bodily produce, including natural increase;
 - (c) fishing operations;
 - (d) forest operations;
 - (e) horticulture; or
 - (f) the manufacture of dairy produce by the person who produced the raw material used in that manufacture;
- but does not include mining operations.

qualitative and/or quantitative process means a process by which the supplied product is assessed on criteria such as quality or weight in determining its value.

11. Other expressions in this determination have the same meaning as in the GST Act.