



GSTA TPP 065 - Goods and services tax: Is GST payable on a dishonoured cheque fee?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*



Goods and Services Tax Advice

Goods and services tax: Is GST payable on a dishonoured cheque fee?

Preamble

*This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. It illustrates the principles contained in **Goods and Services Tax Ruling GSTR 2002/2 on financial supplies**. You can rely on the information presented in this document, which provides advice on the operation of the GST system.*

Answer

No, GST is not payable on a dishonoured cheque fee.

Explanation

A dishonoured cheque fee charged by an Australian authorised deposit taking institution (ADI) in the course of its banking business is input taxed under item 1 in the table in subregulation 40-5.09(3) of the A New Tax System (Goods and Services Tax) Regulations 1999 (GST Regulations).

Where a dishonoured cheque fee is on-charged by a supplier to its customer, the payment made in relation to the on-charge is consideration for the supply of an interest under item 2 in the table in subregulation 40-5.09(3) of the GST Regulations, to the extent that the customer has a contractual obligation (express or implied) to make good the loss (the dishonoured cheque fee) incurred by the supplier.

Such a transaction is a financial supply for the purposes of subsection 40-5(2) of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act), to the extent that the further requirements of subregulation 40-5.09(1) of the GST Regulations are met.

This analysis is not altered by the fact that the supplier increases the value of the on-charge over and above that which was originally levied on them.

Where no contractual obligation exists, the payment of the on-charged dishonoured cheque fee is a payment made for no supply.

Application of this GST Advice

This Advice is based on GSTR 2002/2. It explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

Commissioner of Taxation

Date

Subject references:

dishonoured cheque fee
on-charging

Legislative references:

ANTS(GST)A 1999 40-5(2)
ANTS(GST)R 1999 40-5.09
TAA 1953 37

ATO references

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