


***GSTA TPP 076 - Goods and services tax: Are rebates and other trade incentive payments that are bundled into one total amount, treated for GST purposes, as being a rebate or discount that reduces the consideration for the relevant purchases?***

 This cover sheet is provided for information only. It does not form part of *GSTA TPP 076 - Goods and services tax: Are rebates and other trade incentive payments that are bundled into one total amount, treated for GST purposes, as being a rebate or discount that reduces the consideration for the relevant purchases?*

 This document has changed over time. This is a consolidated version of the ruling which was published on 31 October 2012



## Goods and Services Tax Advice

**Goods and services tax:** are rebates and other trade incentive payments that are bundled into one total amount, treated for GST purposes, as being a rebate or discount that reduces the consideration for the relevant purchases?

### Preamble

*This document was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

*A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.*

*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.*

**[Note:** This is a consolidated version of this document. Refer to the Legal Database (<http://law.ato.gov.au>) to check its currency and to view the details of all changes.]

### Answer

No. Rebates and other trade incentive payments that are bundled into one total amount are not treated, for GST purposes, as being a rebate or discount that reduces the consideration for the relevant purchases. The bundling does not change the GST treatment that applies to each of the bundled rebates or payments. How the GST law

applies has to be considered separately for each of the rebates or payments that are bundled.

### Background

The payment and receipt of rebates and other trade incentive payments is common practice in the manufacturing, wholesaling and retailing industries.

In negotiating trade agreements, many purchasers are moving to agreements with bundled terms. Under these agreements the total 'rebate amount' has been increased to incorporate other amounts, for example, volume rebates plus any previous promotional rebate and early settlement discount amounts. For example, the volume rebate may be increased from 3% of purchases to 9% to reflect the previous volume rebate, a 3% promotional rebate and an early settlement discount of 3%.

### Explanation

Rebates take many different forms. Some of these affect the price for which the goods are sold (price adjustments that give rise to an adjustment event) while others do not (consideration for separate taxable supply of services).

For a rebate to reduce the price of goods sold, it must relate to the sale and the selling price of the goods, so as to bring about a reduction in the price of the goods. Examples of rebates that adjust the price of goods or services include:

- volume rebates and deferred credits (suppliers may pay rebates to customers who reach certain levels of purchases); and
- discounts – settlement or trade (after a supply occurs, a discount may be granted for early payment).

Where the intention of the parties, their actions and written documents clearly show that the rebate

relates to a change in the selling price, the rebate is considered an adjustment event.

A rebate that is paid to subsidise, compensate or reimburse a purchaser for advertising or marketing services undertaken on behalf of the supplier, does not reduce the price of goods and therefore does not constitute an adjustment event.

These include payments made by a supplier to a purchaser as reimbursement, compensation or reward for doing things for the supplier, such as; advertising, promotion, warehousing, distribution or other marketing activities, as well as accounting, bookkeeping or debt collection functions, or allowing the supplier a right to use the purchaser's premises or equipment for these activities.

Promotional rebates that provide a commercial advantage to the supplier by maximising sales are treated as consideration for a supply of services by the recipient. The supply of these services by the recipient is made for consideration equal to the amount of the rebate. Despite the form taken by the rebates, they are directed at an end other than the reduction of the selling price and do not vary the consideration for a supply.

The bundling of rebates and other incentive payments, and referring to them collectively by one particular description, such as a volume rebate, does not change the GST treatment that applies to each of the bundled rebates or payments. Neither a contract of sale, by itself, nor the name given to a particular rebate or trade incentive payment, determines the character of the rebate or payment if the actions of the parties or the circumstances surrounding its payment disclose a different character. An objective assessment of the intention of the parties in the light of all of the circumstances is required to determine the correct GST treatment of each rebate and incentive payment.

The bundled rebates and incentive payments cannot be treated as a mixed supply, as a combination of a supply and adjustment event is not considered to be a mixed supply.

**Commissioner of Taxation**  
1 February 2006

***Related Rulings/Determinations/GST Advice:***

TR 2006/10

***Subject references:***

GST net amounts & adjustments  
adjustments  
marketing rebate  
promotional rebates  
settlement & trade discounts  
volume rebate

***Legislative references:***

TAA 1953 Sch 1 Div 358

***Other references:***

Fact sheet – Rebates and GST (NAT 7579-06.2004)

**ATO references**

NO:	05/3095
ISSN:	1833-0053

**Application of this GST Advice**

This Advice applies [to tax periods commencing] both before and after its date of issue. However, this Advice will not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of this Advice (see paragraphs 75 and 76 of Taxation Ruling TR 2006/10).