GSTR 2000/22 - Goods and Services Tax: determining the extent of creditable purpose for providers of financial supplies

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Goods and Services Tax Ruling
Goods and Services Tax: determining the extent of creditable purpose for providers of financial supplies

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Preamble

This document is a ruling for the purposes of section 37 of the ***Taxation Administration Act 1953.*** *You can rely on the information presented in this document which provides advice on the operation of the GST system.*

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

What this Ruling is about

Class of person/arrangement

1. This Ruling provides guidance on apportionment methodologies that can be used for calculating **input tax credits** and adjustments for change in use by providers of **financial supplies** under the *A New Tax System (Goods and Services Tax) Act 1999* ('GST Act'). Unless otherwise stated, all legislative references in this Ruling are to the GST Act.

2. The Ruling also explains the way in which the **reduced input tax credit** provisions in Division 70 of the Act interact with these apportionment methodologies.

3. Certain terms used in this Ruling are defined or explained in the Definitions section of the Ruling. These terms, when first mentioned elsewhere in the body of this Ruling, will appear in **bold** type.

4. This Ruling applies to all entities that are registered or required to be registered, make financial supplies and exceed the **financial acquisitions threshold**, that may be eligible for input tax credits or reduced input tax credits.

5. This ruling does not consider all the other requirements of sections 11-5 and 15-5 for eligibility to input tax credits. For example, the requirement to be registered is not considered in this ruling. This ruling does not examine what is or is not a financial supply. In addition, this ruling does not cover situations where a

supply is made from one entity to another entity within a group, unless those entities are both members of the same GST group.

6. Methods for determining the extent of **creditable purpose** and calculating adjustments for **creditable acquisitions** or **creditable importations** that relate to making taxable supplies or other **input taxed supplies** (such as residential accommodation) are considered in a separate GST ruling.[1] If you do not exceed the financial acquisitions threshold, you may use that ruling to work out the extent of your creditable purpose.

7. This Ruling does not give a detailed explanation of the meaning of the term "enterprise". This will be covered in a separate publication.[2]

Date of effect

8. This Ruling applies, from 8 July 1999 (the date of Royal Assent to the Goods and Services Tax ('GST') legislation) and may be relied on immediately.

Note: The Addendum to this Ruling that issued on 18 December 2002 applies on and from 1 July 2000.

Background

9. An acquisition will be partly creditable under subsection 11-30(1) where:

- the acquisition is only partly for a creditable purpose; or
- you provide or are liable to provide only part of the consideration.

Under subsection 15-25(1), an importation is partly creditable if it is only partly for a creditable purpose. However, partial consideration is not relevant to importations. An acquisition or importation is partly creditable under sections 11-15 and 15-10 where you use it partly in making input taxed supplies or partly for a private or domestic purpose.

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[1] GSTR2000/15 - Determining the extent of creditable purpose for claiming input tax credits and for making adjustments for changes in extent of creditable purpose.

[2] The Commissioner's view on the meaning of the term "enterprise" is explained in MT 2000/1, which deals with the meaning of "enterprise" in the *A New Tax System (Australian Business Number) Act 1999* (ABN Act). The ABN Act definition of "enterprise" is equivalent to that contained in the GST Act.

10. Under subsections 11-15(4) and 15-10(4), if you do not exceed the financial acquisitions threshold, your acquisitions or importations may be fully creditable. However, even if you do not exceed the financial acquisitions threshold you will still need to determine your extent of creditable purpose to the extent you make acquisitions or importations that relate to making other input taxed supplies or are of a private or domestic nature.

11. If you exceed the financial acquisitions threshold, you will not be entitled to input tax credits for acquisitions or importations to the extent that they relate to making financial supplies. However, you may be entitled to reduced input tax credits, where the acquisitions are specified as **reduced credit acquisitions** in regulation 70-5.02 of the **GST Regulations**.[3]

12. After an acquisition or importation is made, the extent to which it is actually applied or used for a creditable purpose may be different from the planned use. This means that the original input tax credit claimed may have been too much or not enough. Adjustments for changes in the extent of creditable purpose are subject to the provisions of Division 129 of the GST Act.

Ruling

13. You acquire or import a thing for a creditable purpose to the extent that you acquire or import it in carrying on your enterprise and it does not relate to making input taxed supplies (such as financial supplies) or is not of a private or domestic nature.

14. There must therefore be a connection between the acquisition and the enterprise, such that you can be said to have made the acquisition 'in carrying on your enterprise'. An acquisition or importation is made in carrying on your enterprise if it is acquired or imported in carrying on the activity or series of activities that constitute your enterprise, including the commencement or termination of that enterprise.

15. Under Divisions 11 and 15, you are not entitled to input tax credits to the extent you acquire or import goods, services or anything else that relate to making input taxed supplies.

16. In order to determine the amount of your input tax credits, you will need to make a reasonable estimate of the extent of creditable purpose for your acquisitions and importations. Where your estimate of the extent of creditable purpose is 100% of the total purpose, no apportionment is necessary. Where your estimate of the extent of creditable purpose is zero, you are not entitled to any input tax credits.

[3] [Deleted]

Where you estimate that the extent of creditable purpose is less than 100% (but greater than zero), you need to apportion the total purpose between that which on your estimate is creditable and that which is not.

17. Where the extent to which an acquisition or importation is subsequently applied for a creditable purpose differs from the planned extent, you will need an appropriate basis for calculating the actual extent of that change of use.

18. The apportionment method you choose for calculating any adjustment under Division 129 should reflect your actual use of the acquisition or importation in carrying on your enterprise. The methodologies outlined in this ruling are useful for this purpose.

19. Input tax credits are denied for acquisitions or importations to the extent that the acquisition or importation relates to making input taxed supplies. However, you may be entitled to reduced input tax credits for acquisitions that relate to making financial supplies if those acquisitions are reduced credit acquisitions as specified in regulation 70-5.02 of the GST regulations.

20. You should retain documentation that explains the basis for your estimate of planned creditable purpose and provides a record of the calculation of input tax credits.

Explanation (this forms part of the ruling)

Input tax credits for acquisitions and importations - Divisions 11 and 15

Calculating input tax credits

21. Formulae are specified in the GST Act for the calculation of input tax credits for acquisitions and importations that are partly creditable. A different formula is specified for importations, as the extent to which consideration is provided is not relevant for importations. The formulae are:

For acquisitions:[4]

Full input tax credit	x	Extent of creditable purpose	X	Extent of consideration[5]

For importations:[6]

Full input tax credit	x	Extent of creditable purpose

[4] Subsection 11-30(3).
[5] Expressed as a percentage of the total consideration for the acquisition.
[6] Subsection 15-25(3).

22. For the purpose of claiming input tax credits, you need to estimate the extent to which the acquisition or importation is for a creditable purpose. This means that at the time of acquisition or importation, it is your planned use of the thing for a creditable purpose that is relevant in working out your input tax credit. You need to make a reasonable estimate of the planned use of the acquisition or importation. This estimate could be based on:

- records you already have available from a previous period;
- records kept since you made the acquisition or importation, but before you lodge your **GST return**;
- records kept for some other purpose, for example, income tax;
- your previous experience concerning the usage of similar acquisitions. (The methods explained below at paragraphs 51 to 79, in relation to determining your actual use for creditable purpose, may also help you determine your planned use where this is likely to reflect planned usage.);
- your business plan; or
- any other reasonable basis.

23. If your actual extent of use for a creditable purpose is different from your planned use, you may need to make an adjustment under Division 129. (See paragraphs 34 to 42).

Meaning of extent of creditable purpose

24. The phrase "extent of creditable purpose" is defined to mean the extent to which the acquisition or importation is for a creditable purpose, expressed as a percentage of the total purpose of the acquisition or importation.[7]

25. The phrase, 'to the extent' appears in sections 11-15 and 15-10 which explain the meaning of 'creditable purpose'. The same phrase is to be found in section 8-1 of the *Income Tax Assessment Act 1997* and subsection 51(1) of the *Income Tax Assessment Act 1936*. Under income tax law, the phrase 'to the extent' has been found to require an apportionment to be made in order to determine what part of a loss or outgoing is deductible. The Commissioner views the phrase 'to the

[7] Subsections 11-30 (3) and 15-25(3).

extent' in the GST Act as incorporating the same apportionment concept as under income tax law.

Apportionment under GST

26. As explained in paragraph 22, for GST purposes, it is the planned extent of creditable purpose that is relevant to the claiming of input tax credits on acquisitions and importations. You could base your planned usage on past experience or experience to date, where that experience is likely to provide a reasonable reflection of planned usage. The following principles apply to determining the extent of your creditable purpose:

- If you plan to use the acquisition or importation only for a creditable purpose then it is fully creditable and there is no need to apportion.
- If you plan to use the acquisition or importation both for a creditable purpose and some other purpose and its use for a creditable purpose is distinguishable from its use for a non creditable purpose, apportion on that basis. The acquisition or importation is partly creditable.
- If you plan to use the acquisition or importation partly for a creditable purpose as well as some other purpose, apportion on some fair and reasonable basis. Again, the acquisition or importation is partly creditable.
- If you plan to use the acquisition or importation only for a non-creditable purpose, it will not be a creditable acquisition or importation. Accordingly, no apportionment will be required.

When will an acquisition or importation be partly creditable?

27. A creditable acquisition or importation will be partly creditable where the extent of creditable purpose is less than 100%.[8] That is, where your acquisitions or importations are:

(i) partly made in carrying on your enterprise; and/or

(ii) partly used to make input taxed supplies; and/or

(iii) partly of a private or domestic nature.

[8] You also need to make an apportionment where the extent of consideration you provide or are liable to provide for an acquisition is less than 100%.

When is an acquisition or importation made in 'carrying on your enterprise'?

28. You acquire a thing for a creditable purpose to the extent that you acquire it in carrying on your enterprise. The acquisition must be made in the course of the activities that constitute your enterprise. An acquisition is made 'in carrying on your enterprise' if it is made for the purposes of that enterprise, but not if it is made for some other purpose.

29. The test for determining whether you have made an acquisition in carrying on your enterprise is broader than the test for income tax deductibility. Under section 195-1, 'carrying on' is defined to include the commencement or termination of your enterprise. For example, usually the cost of a feasibility study incurred in commencing a business is not deductible for income tax purposes, while acquisitions for the same study conducted in the course of commencing an enterprise could be creditable acquisitions under the GST Act.

Acquisitions made in carrying on an enterprise, but not directly linked to making particular supplies

30. Carrying on an enterprise includes those activities that you undertake in actually managing or conducting that enterprise. Certain acquisitions or importations relate to the carrying on of the enterprise and are not directly linked to the making of supplies but nonetheless they relate to making supplies. These may be referred to as 'enterprise' costs and may include costs such as compliance costs for meeting ASIC, GST or income tax obligations, directors' fees or maintaining a register of shareholders. These may still be creditable acquisitions provided you made them in carrying on your enterprise. However, if you make input taxed supplies as well as taxable supplies or GST-free supplies, you will still need to determine the extent of creditable purpose relating to these acquisitions and importations.

31. An alternative view has been raised that this last sentence is not consistent with the provisions of section 11-15. The alternative view requires that the words in subsection 11-15(2), "…to the extent that … the acquisition relates to making supplies that would be input taxed", are to be interpreted as requiring some direct connection between the acquisition and the supply. It follows from this view that if the acquisitions cannot be directly linked to making supplies (including input taxed supplies) the extent of creditable purpose is 100%.

32. In a different context, the High Court has interpreted the words "relating to" as being "extremely wide" and stated that the meaning

must be sought "in the context in which the expression is used".[9] The Court in *Ronpibon Tin NL v. FC of T*[10] indicated that in the income tax context, where a certain expense is made for two or more purposes, it will need to be apportioned, because it "serves both objects indifferently". Directors' fees are given as an example of such an expense.

33. One possible consequence of the alternative view is that all indirect and overhead costs of an enterprise that makes only input taxed supplies are arguably creditable acquisitions. This is clearly not the intention of the legislation. In the context of section 11-15 we take the following view. If acquisitions are made in carrying on an enterprise that makes input taxed supplies, even if those acquisitions are not directly related to making particular supplies, they are still indirectly related to making all supplies. For the purpose of section 11-15 acquisitions can relate indirectly to making input taxed supplies, and the extent of creditable purpose will need to be determined accordingly.[11]

Adjustments when your actual extent of use is different from your planned use - Division 129

34. Adjustments under Division 129 are made in subsequent tax periods called **adjustment periods.**[12] The number of adjustment periods available for an acquisition or importation depends on the GST-exclusive value of the consideration for it and whether it **relates to business finance**.

35. An acquisition or importation **relates to business finance** if at the time of acquisition or importation it:

- related solely or partly to making financial supplies; and
- was not solely or partly of a private or domestic nature.[13]

36. No adjustment arises for an acquisition or importation that relates to business finance unless the acquisition or importation had a GST exclusive value of more than $10,000. However, even where the GST exclusive value of the acquisition or importation is $10,000 or less, you may have an increasing adjustment under Division 138 if your registration is cancelled. The number of adjustment periods you

[9] *Tooheys Ltd v. Commissioner of Stamp Duties (NSW)* (1961) 105 CLR 602 per Taylor J at 620. See also Kitto J at 618.
[10] (1949) 78 CLR 47 at page 59.
[11] The above analysis would apply equally to importations under section 15-10.
[12] Section 129-90.
[13] Section 129-10(3).

have for an acquisition or importation that relates to business finance is explained in the table below:[14]

GST-exclusive value of the acquisition or importation	Adjustment periods
$50,000 or less	One
$50,001 to $499,999	Five
$500,000 or more	Ten

37. If the acquisition or importation does not relate to business finance at the time of acquisition or importation, the threshold value below which no adjustment is necessary is $1,000. The number of adjustment periods you have in that situation is set out in subsections 129-10(2) and 129-20(3).

38. The formula used for making the adjustment requires you to calculate your actual application for a creditable purpose as a percentage of total application.

39. If the extent to which the acquisition or importation has been applied for a creditable purpose has increased from planned usage, you will have a decreasing adjustment. Conversely, if the extent of creditable purpose has decreased from planned usage, you will have an increasing adjustment.

Example

40. You acquire equipment with a GST exclusive value of $20,000. Your extent of creditable purpose for claiming an input tax credit was originally 40%. You subsequently find that from the time of acquisition to the end of your first adjustment period, your actual use of the equipment for a creditable purpose is 55%. Hence the change in extent of creditable purpose is 15%. If the full input tax credit was $2,000, you will have a decreasing adjustment of $2,000 x 15% or $300. When you make this adjustment, it will decrease the net amount on your GST return in that tax period.

41. For the purpose of making adjustments under Division 129, the actual application is measured from the time of acquisition or importation until the end of the adjustment period. This means that the calculation of creditable purpose is a cumulative one, starting at the point of acquisition and ending at the end of the relevant adjustment period. This does not necessarily require the calculation of actual application to be the result of a continuous measurement of use. It will be sufficient to make a reasonable estimate based on a

[14] Subsection 129-20(2).

representative period, using one of the methods explained in paragraph 47 and following.

42. In addition to the monetary thresholds set out at paragraphs 36 and 37 above, you do not have an adjustment under Division 129 where you have already had an adjustment under Division 130 (which is about goods applied solely to private or domestic use) for the acquisition.[15]

Adjustments when you sell something acquired, imported or applied to make financial supplies - Division 132

43. You may have been denied part of the input tax credit relating to an acquisition or importation due to some partial use for making financial supplies.[15A] The denial of input tax credits may arise when first acquired or through a later adjustment (either under Division 19 or 129). If you acquired or imported something and you have not been entitled to a full input tax credit for that acquisition, you have a decreasing adjustment if you later sell the thing in a **taxable supply**.

44. The amount of the decreasing adjustment[16] is:

$$1/11 \times \text{Price} \times \left(1 - \frac{\text{Adjusted input tax credit}^{17}}{\text{Full input tax credit}^{18}} \right)$$

Choosing your apportionment method

General principles of apportionment

45. The issue of apportionment has been the subject of considerable income tax case law. The essential principles underlying that case law are summarised in the High Court decision of *Ronpibon Tin NL v. FC of T*[19] where the Court referred to "some fair and

[15] Section 129-15.
[15A] This also applies, under subsection 132-5(1), where the acquisition, importation or application was solely or partly of a private or domestic nature.
[16] Subsection 132-5(2).
[17] Adjusted input tax credit means the amount of any input tax credit that was attributable to a tax period in respect of the acquisition or importation ***minus*** the sum of any increasing adjustments previously made in respect of that acquisition or importation, ***plus*** any decreasing adjustments previously made in respect of that acquisition or importation.
[18] Full input tax credit is the amount of input tax credit to which you would have been entitled for the acquisition or importation if the acquisition or importation had been solely for a creditable purpose and the supply to you had been a taxable supply under section 9-5 (rather than under section 72-5 or 84-5 as it actually was).
[19] (1949) 78 CLR 47; 4 AITR 236.

reasonable assessment of the extent of the relation of the outlay to assessable income". Following those principles, the apportionment methodology you choose must:

- be appropriate and reasonable;
- accurately reflect the planned use of that acquisition (or in the case of an adjustment, the actual use); and
- be well documented and justifiable.

Where all these elements are present and you adopt the process outlined in the paragraphs above we will not consider the fact that you choose the method that gives the most advantageous result, of itself, to be avoidance under Division 165.

Input tax credits

46. The extent of your planned use of a supply for a creditable purpose must be determined on a fair and reasonable basis having regard to the nature of the supply. Any apportionment methodology should aim to achieve an accurate reflex of the input tax credits available for acquisitions or importations acquired in carrying on your enterprise. The criteria used in relation to any expense must therefore recognise the nature of the underlying supply to be made. An example of this is the New Zealand case of *Commissioner of Inland Revenue v. BNZ Investment Advisory Services Ltd* (1994) 16 NZTC 11,111. In that case the taxpayer's employees spent approximately 90% of their time in giving financial advice. The taxpayer argued that its principal purpose in acquiring goods and services was to provide a taxable supply, namely the giving of financial advice. However the High Court considered that an apportionment based on time spent was not an appropriate measure as the income and expenses did not directly relate to the giving of advice. Although the legislation in that case is not identical to the Australian GST legislation, it is clear that the principles are relevant. The BNZ case confirms the importance of selecting the most appropriate criteria when applying an apportionment methodology.

Adjustments

47. For the purpose of making adjustments, the most appropriate method for calculating the extent to which you actually used the acquisition for a creditable purpose depends on the circumstances of each case. In choosing a method to measure the use of an acquisition or importation, the matters you should consider include:

- the nature of the acquisition or importation and the ways of measuring its use, and

- the value of the acquisition or importation and the cost of measuring its use.

48. The method should where practicable use information regarding the use to which the acquisition or importation was applied as this accords with the basic principles explained in paragraphs 45 to 46.[20] We believe that the use of direct methods, such as direct attribution (see paragraphs 53 to 59) accords with the basic principles explained above (see paragraphs 45 to 47) and will usually better reflect the extent of your actual creditable purpose. If it is not possible or practicable to use a direct method, you could use some other fair and reasonable basis.

49. Your choice of method should be based on its appropriateness in the circumstances, and not just because it provides a more favourable result. Similarly, a change in method is acceptable if the reason for the change is that another method is now more appropriate.

50. A combination of different methods might be required for the various acquisitions or importations made by an entity. For example, an entity might be carrying on different businesses or making supplies in different sectors, or there might be several kinds of businesses within a GST group.[21]

Direct methods

51. Direct methods are preferable, particularly where variables represent a direct measure of the use of the acquisition or importation. Variables that are inherent in, or directly connected with, the acquisition or type of acquisition usually give a fair reflection of the use of the thing.

52. The variables are a direct link between the acquisition or importation and the use to which it is put. Some examples of these variables are:

- distance (for example, kilometres travelled by a motor vehicle as evidenced by a logbook);
- time (for example, computer time spent on various activities, as evidenced by a time sheet);
- transactions (for example, numbers of transactions of particular types); and
- area (for example, floor area).

[20] These methods could also be used to estimate your planned use for a creditable purpose – See paragraph 22.
[21] GST Groups are covered by Divisions 48 and 149.

The method then simply expresses the relevant use as a percentage of total use.

Direct attribution

53. We consider that the **direct attribution** method gives the most accurate reflection of how an acquisition or importation is used. A direct attribution method (of which Activity Based Costing is but one example) seeks to identify the costs incurred in achieving a particular income flow. For instance, the costs incurred by a bank in establishing and maintaining a home loan portfolio would be capable of identification and attribution to the supply of home loans.

54. The direct attribution method matches specific costs with specific outputs as well as the allocation of mixed purpose costs to specific outputs in accordance with an internal **cost allocation** system. For example, the system you use may allocate costs to a specific:

- transaction;
- product line;
- function or activity;
- cost or profit centre; or
- business division.

These are referred to, for simplicity, as business units and products - generally the lowest functional area into which an entity is organised.

55. An entity might use an existing accounting system that uses Activity Based Costing, or some other cost allocation system, to allocate costs to a specific cost centre. The purpose of the allocation should be to isolate each of the separate costs incurred in carrying on your enterprise and identify those that relate to making supplies that are input taxed (unless they are reduced credit acquisitions and relate to making financial supplies) or of a private or domestic nature.

56. If you already use cost allocation or direct attribution as part of your entity's accounting processes then it is expected that you would use this for apportionment purposes to the extent it is relevant for GST.

57. You should use the direct attribution method to the greatest extent possible. If your accounts satisfy Australian Accounting Standards, or prudential requirements of equivalent rigor, they provide an appropriate foundation for applying the direct attribution method.

58. We recognise that, from a practical point of view, it may be difficult to fully attribute individual costs in many organisations. Where **financial supply providers** are unable to match individual

costs with individual revenue streams, other apportionment methodologies may need to be used.

59. The direct attribution method therefore matches the cost of certain sole purpose acquisitions or importations to certain specified activities. Direct methods may be used to match these costs. Direct attribution also allows the allocation of a proportion of the cost of mixed purpose acquisitions or importations to those activities. For example, debt collection costs that relate to interest charged for the provision of credit can be directly allocated and will be eligible for a reduced input tax credit. However, overheads such as electricity and rental of premises, will often relate to all supplies made by an entity and will need to be apportioned accordingly.

Indirect methods

60. Indirect methods attempt to estimate the usage of acquisitions and importations for creditable purposes. Indirect methods rely on variables that are not directly identifiable with the use of the particular acquisition. For this reason they may not give an accurate measure of the creditable use of the acquisition or importation.

61. Indirect methods may be appropriate in circumstances such as where there are overhead expenses or a large number of small acquisitions or importations and it is not cost effective to try to measure the use to which each separate acquisition or importation is put.

General formula

62. You may use the **general formula** to determine your entitlement to input tax credits for acquisitions or importations subject to GST. You may also use it if your existing accounting system does not support direct attribution.

Percentage credit allowed

$$\frac{\text{Revenue* (in relation to taxable and GST-free supplies)}}{\text{Total revenue* (including revenue relating to input taxed supplies)}} \times 100$$

* ‘Revenue’ is **net** revenue for financial supplies and **gross** revenue for non-financial supplies. Where a net **interest** figure gives a better reflex of the consideration for a financial supply, we accept that figure as the appropriate component. However, gross revenue can be used for non-financial supplies. A consistent approach (gross or net)

should be used for the same transactions occurring in both the numerator or denominator.

Net revenue should ignore income tax. That is, do not reduce your revenue in the formula by the amount of the income tax deductions to which you may be entitled.

63. We have outlined an example of the general formula and the components that you may include (as are appropriate) at paragraph 102 and following. We have provided explanations of some of these components in subsequent paragraphs.

64. The general formula calculates the extent (expressed as a percentage) to which an acquisition or importation is for a creditable purpose in accordance with subsections 11-30(3) and 15-25(3). It applies the resulting percentage to the input tax credits not previously accounted for under the direct attribution method.

65. When applying the general formula (or any appropriate formula) to apportion remaining input tax credits, you only apply the resulting percentage to those costs for acquisitions or importations that you have not already accounted for using the direct attribution method. This is to avoid double counting of input tax credits previously attributed.

Combination of direct attribution with formula

66. Where a cost allocation system does not allocate all costs, a formula basis (such as the general formula) should be used to attribute unallocated costs.

67. We accept that different businesses may be able to allocate costs to different levels. For example, some entities may be able to use direct attribution on a product level while other entities will only be able to directly allocate to a business unit or other cost centre. Where you only perform allocation at a business unit level it may be necessary to use another method to further allocate other costs to the product level. That is, the allocation performed needs to reflect whether the acquisition or importation relates, or is expected to relate, to making taxable, GST-free or input taxed supplies.

Other indirect formula methods

Special formula methods

68. Where the general formula is not suited to your particular business as a financial supply provider, then you may modify it to better reflect your activities.

69. An acceptable alternative would be to use the general formula as a basis but to use something other than dollar value in the formula.

For example, a business unit that is responsible for the administrative functions of the organisation may not charge out to other units of the organisation and consequently a different basis of allocation, such as salary, may be necessary. In such a case the total costs of the business unit could be allocated by using the salary costs as a measure of the ratio of work performed for other parts of the organisation which make input taxed, taxable or GST-free supplies. For example, of the ten staff employed in an administrative unit of a bank, five are wholly engaged in assisting the separate home loan unit make financial supplies. Therefore half the cost of the administrative unit is referable to making financial supplies.

70. In circumstances such as these, some other measure may be more appropriate depending on the nature of your activities such as:

- number of transactions;
- floor space;
- profit; or
- hours.

Where more than one of these measures is available you should select the one which most accurately reflects the relationship between the activities of your enterprise and your acquisitions or importations.

'Special allocation approach'

71. Statutory obligations for financial reporting purposes are imposed on some financial supply providers such as life insurance providers. Methods you use to meet these obligations may form an appropriate basis of apportionment for GST purposes. One such approach, for example, could involve applying the special allocation approach as detailed in section 80 of the *Life Insurance Act 1995*.

Example

72. Life Insurance Co, in addition to selling life insurance, also sells general insurance. For the purposes of the *Life Insurance Act 1995*, Life Insurance Co must apportion the amount of income or outgoings relating to the two types of business and work out the amount that relates to the business of the statutory fund.

73. The apportionment basis chosen by Life Insurance Co accurately reflects the relationship between its supplies and acquisitions and is made according to generally accepted accounting principles. The Directors of the company obtain written advice from the appointed actuary that the basis of the proposed apportionment is appropriate.

Input based indirect method

74. Another special formula method of apportionment can be broadly categorised as being an indirect method such as a method based on inputs.

75. Input based methods employ measures of some inputs to estimate the use of other inputs. These methods are only useful where a direct basis is used in respect of some acquisitions or importations. The proportion of acquisitions already allocated on a direct basis should be sufficient to give some reliability to the calculation. You can use the proportion applied to making taxable or GST-free supplies out of the total allocated directly to apportion the extent of creditable purpose in respect of those acquisitions with a mixed purpose, or where direct attribution was not possible.

76. This method will provide the most accurate results where the percentage of unallocated acquisitions relating to making taxable supplies does not exceed the proportion of costs already directly allocated to making taxable supplies. Some examples of input based methods are:

- the cost of acquisitions used to make taxable or GST-free supplies relative to the total costs of all acquisitions; or
- input tax attributable to acquisitions used to make taxable or GST-free supplies relative to total input tax .

Example

77. An input based method could be as follows:

ZXC, a business that makes financial supplies in excess of the financial supply threshold, owns a two-storey building and is registered for GST. It rents out the ground floor to a business (a taxable supply). Some of ZXC's costs are overheads that it cannot directly allocate to making either taxable supplies or input taxed supplies. ZXC can directly allocate its other costs to making either taxable supplies or input taxed supplies. ZXC could use an input based method as follows:

INPUTS		
Acquisitions - making taxable supplies	A	400
Acquisitions - making input taxed financial supplies	B	600
Acquisitions overheads	C	200

$$\text{Extent of creditable purpose} = \frac{A}{A + B}$$

$$= \frac{400}{(400 + 600)}$$

Extent of creditable purpose (expressed as a percentage) = 40%

78. ZXC could apply the extent of creditable purpose of 40% to the overheads of $200 (where its historical data is likely to be a reasonable reflection of planned usage) and claim input tax credits calculated on $80 of overheads as well as on the acquisitions for making taxable supplies of $400.

79. To ensure that the apportionment method you use gives the correct reflex of the relationship between your supplies and acquisitions you should exclude factors which may distort the results from the calculation. These may include extraordinary supplies or acquisitions, for example substantial capital supplies or acquisitions. In other words, the nature of the acquisitions should be comparable. Based on actual data for the adjustment period, an input based method as outlined above could be used in similar circumstances to determine relevant adjustments.

Reduced input tax credits and apportionment methods

80. As a financial supply provider, you may make acquisitions that are eligible for reduced input tax credits under Division 70. You will also make other acquisitions that are not eligible for reduced input tax credits but relate to making taxable and input taxed supplies so that you are entitled to partial input tax credits.

81. Acquisitions that give rise to reduced input tax credits are referred to as reduced credit acquisitions and are set out in regulation 70-5.02 of the GST regulations. When you make a reduced credit acquisition, Division 70 provides a formula to work out your input tax credit. Under this formula, a partial input tax credit will be available,

notwithstanding that you use the acquisition to make input taxed financial supplies. Division 70 operates to work out a percentage of input tax credit you are entitled to, by taking into account the extent to which you are entitled to an input tax credit under both Division 11 and Division 70.

Inter-relationship of apportionment methodology and Division 70

82. There is a degree of overlap in the function and impact of an apportionment methodology and the Division 70 formula and entities will need a framework for coordinating the operation of the two systems.

83. You are able to use both the apportionment methods outlined in this ruling and in Division 70. However, you are not able to apply the Division 70 formula to all acquisitions that relate to making financial supplies. It only applies to those reduced credit acquisitions listed in regulation 70-5.02 of the GST regulations. Under subsection 70-5(1A), you are not entitled to a reduced input tax credit on an acquisition, to the extent that you are entitled to an input tax credit under Division 11 or 15.[22]

84. The following approach coordinates the operation of the two systems:

> **Step 1:** identify those acquisitions or importations that you make in carrying on your enterprise, separately identifying those acquisitions or importations that relate to making input taxed supplies or that are of a private or domestic nature. Work out the extent to which you plan to use them for making each type of supply using a fair and reasonable basis.
>
> **Step 2:** of those acquisitions or importations that relate to making input taxed supplies, identify those that relate to making financial supplies.
>
> **Step 3:** of those acquisitions or importations that relate to making financial supplies, identify those that are eligible for a reduced input tax credit.

85. Once you have applied Division 70 to work out the reduced input tax credit available on an acquisition that falls within that division, you do not have to make any further calculation in respect of that acquisition. That is, you do not reapportion the expense through the direct attribution method or the general formula.

[22] [Deleted]

86. You work out the extent to which the acquisition is acquired or applied for a creditable purpose using the following formula:

$$\text{Extent of creditable purpose} + \left[\text{Extent of Division 70 creditable purpose} \times \text{Prescribed credit reduction rate (currently 75\%)} \right]$$

Where:

Extent of creditable purpose is the extent to which the acquisition was for a creditable purpose otherwise than because of Division 70, expressed as a percentage.

Extent of Division 70 creditable purpose is the extent to which the acquisition was for a creditable purpose because of Division 70, expressed as a percentage.

Prescribed credit reduction rate is the reduced input tax credit percentage prescribed for an acquisition of that kind (currently 75%).

87. Examples of how Division 70 operates, together with the interaction between it and the formula are provided below.

Example 1

88. Little Bank makes a reduced credit acquisition of $110,000, wholly for the purposes of carrying on its enterprise. The acquisition is wholly for a Division 70 creditable purpose. Little Bank is entitled to a reduced input tax credit calculated as a prescribed percentage of the GST payable, namely $10,000 x 75%.

Example 2

89. Medium Financial Supply Provider (MFSP) makes a reduced credit acquisition. Using historical data that is likely to reflect planned usage, MFSP is able to directly attribute the cost of that acquisition and works out that the acquisition is used 55% for making taxable supplies and 45% for making financial supplies. The percentage credit reduction prescribed in the regulations is 75%.

90. The extent to which MFSP makes the acquisition for a creditable purpose is:

55% + (45% x 75%) = 88.75%

This percentage is then applied in the formula in Division 11-30. Had the acquisition been fully creditable the full input tax credit (assuming

MFSP provided all the consideration) for an acquisition of $110,000 would have been $10,000.

MFSP's reduced input tax credit therefore would be $8,875.

Record keeping relating to apportionment methods

91. If you make a creditable acquisition or creditable importation you must keep records that show and explain all transactions and other acts you engage in that are relevant to that acquisition or importation. You must retain those records for at least 5 years after the completion of the transaction or acts to which they relate. The records must be such as to enable your liability under the GST Act to be readily ascertained.[23]

92. It follows that you should retain records relating to the calculation and apportionment of input tax credits, and how you arrived at your net amount. Records you normally keep as part of carrying on your enterprise should be sufficient to support the appropriate method. Where this is not the case, you may need to keep additional records.

Examples

Example 1 - allocation of costs down to a business or activity

93. ABC Bank has two internal information technology areas. These areas perform processing and support activities and do not make supplies to external third parties. One serves only the funds management part of ABC Bank while the other serves the rest of the Bank's business operations but not the funds management business.

94. ABC Bank decides that it would be inaccurate to spread the GST paid on acquisitions made by these IT functions evenly across the whole ABC Group. Instead ABC Bank wants to attribute the GST paid and the resulting input tax credits in a commercially realistic way to business areas of ABC Bank that make external supplies.

95. ABC Bank decides to attribute the GST paid by these support or processing activities to the areas that make external sales as closely as ABC Bank's management accounting systems allow. It allocates costs incurred by the technology area dealing with funds management to the funds management business. It allocates costs incurred by the area dealing with ABC Bank's other activities to the rest of ABC Bank, excluding the funds management business. ABC attributes the

[23] Section 70 of the *Taxation Administration Act 1953.*

GST on the basis of its internal charging mechanisms, where the historical data is likely to reflect planned usage.

96. A similar allocation method could be used in determining what adjustments may be necessary under Division 129.

Example 2 - selection of basis for apportionment ratio

97. Corporate Treasury acquires stationery items and a new photocopier and pays GST on these items. Corporate Treasury produces 50% GST-free and 50% input taxed supplies (calculated on a dollar turnover basis).

98. Where historical data is likely to be reflective of planned usage, if a dollar turnover basis is used, the ratio for claiming the input tax credit would be 50%. If a number of transactions basis is used the ratio is likely to be different.

99. Corporate Treasury's existing management accounting records are as follows:

Measurement Method	GST Free Overseas Clients (%)	Input Taxed Domestic Clients (%)	Comment
Dollar Turnover	50	50	Based on dollar turnover (fees and margin)
Number of Transactions	65	35	Based on the number of transactions for domestic and offshore counter parties
Headcount	40	60	Based on the number of "direct" staff plus proportion of "indirect" staff (may be pure headcount or salary cost)

100. It is clear that the highest ratio of input tax recovery will occur if the number of transactions basis is used for this business unit. Corporate Treasury's current internal charging mechanism uses the number of transactions methods. For Corporate Treasury this method more accurately reflects the use of acquisitions, that is that low value transactions may take more time in comparison to high value transactions. The method chosen by Corporate Treasury conforms with Australian Accounting Standards and it keeps records of the apportionment decisions it makes.

101. Provided Corporate Treasury does not manipulate transaction numbers, this is an acceptable method of calculating the apportionment ratio. If manipulation takes place (e.g., if Corporate Treasury 'churns' export transactions to generate a higher ratio of GST-free supplies) the GST anti-avoidance rules are likely to apply.

Example 3 -An example of the general formula

102. **Percentage credit allowed:**

$$\frac{\text{Revenue* (in relation to taxable and GST-free supplies)}}{\text{Total Revenue* (including revenue relating to input taxed supplies)}} \times 100$$

* 'Revenue' is net revenue for financial supplies and gross revenue for non-financial supplies. As outlined at paragraph 62, where a net interest figure gives a better reflex of the consideration for that financial supply, we accept that figure as a component of the denominator. However, gross revenue can be used for non-financial supplies. A consistent approach (gross or net) should be used for the same transactions occurring in both the numerator or denominator.

Net revenue should ignore income tax – that is, do not reduce your revenue in the formula by the amount of the income tax deductions to which you may be entitled.

Revenue in relation to taxable and GST-free supplies

GST-free Financial Services Revenues	
Forex & Derivatives – Actual Margin **x** sample GST-free percentage	A
Interest from Non Residents	B
Fees & Commissions from Non Residents – Actual	C
Other Revenue from Non Residents	D
GST-free Life Insurance supplies	E
Other GST-free grandfathered financial supplies	F
Revenue from taxable supplies	
Fees & Commissions (e.g., safe custody fees) from non-financial supplies	G
Other income	H

Revenue in relation to taxable and GST-free supplies =

A+B+C+D+E+F+G+H

Revenue in relation to total supplies

Forex & Derivatives Margins – Actual margin	I
Interest	J
Fees & Commissions from financial services – Actual	K
Other Revenue from Financial Services	L
Life Insurance	M
Other income	N

Revenue in relation to total supplies = I+J+K+L+M+N

Formula components that are GST-exclusive

Components A to N are included on a GST-exclusive basis.

Net revenues

All components in the general formula are net revenues except for components C, G and K. These components are gross amounts.

Exclusions

103. The general formula aims to determine the extent of creditable purpose using trading income. Certain items are excluded from the numerator and denominator of the ratio of the general formula as they might otherwise distort the calculation of an accurate ratio. In particular the denominator and numerator should exclude extraordinary items even if they would otherwise come within the component. These include:

- dividends received from wholly owned companies, (except where the company is part of a financing structure[24]), for example, a special purpose company acquired by a bank to facilitate a transaction for a customer of the bank;
- capital receipts from asset sales, for example the sale of a head office building, whether or not the sale is a taxable supply.

Sample procedures

104. Recognising the difficulty in working out an amount for component A of the numerator of the general formula, we accept that a sample may be used for this purpose. The sample should be representative of transactions likely to occur for the full period. We will accept the sample procedures set out in the following paragraphs.

105. The sample should cover a continuous period of at least 3 months. To ensure the integrity of the sample, it should be recalculated every two years.

106. For the purposes of taking the sample the following types of transactions should be covered:

- foreign exchange transactions (whether spot or forward exchange transactions);
- sales of money market securities;
- interest rate swaps;
- currency rate swaps; and
- other financial derivative transactions (including futures, options and other hedges).

107. In order to ensure that the sample is representative it should identify the following attributes of all the transactions:

[24] Dividends from investments and financing structures are included because of the likelihood of a nexus between these and the inputs of a bank.

- residence of counterparty;
- dollar amount of the foreign exchange transactions;
- dollar amount of the initial exchange or the final exchange of currency rate swap transactions; and
- notional principal amount of interest rate swap and other financial derivative transactions.

108. A sample should not include transactions where you are acting (or have acted) as a financial supply facilitator.

109. There are three options for applying the sample percentage:

(i) product sample percentage times product gross margin;

(ii) aggregate sample percentage times treasury gross margin; and

(iii) weighted average sample percentage times treasury gross margin.

110. We expect that where the financial supply provider's systems support the use of option (i), then the provider would use option (i). However, we will accept the use of the most practicable of these options on the basis of the particular entity's accounting systems, provided that the option is also reasonable and appropriate in the circumstances. Once you have chosen which option to use, you should use it consistently from year to year.

111. If you use option (i) and it results in a negative value, this strongly suggests it is not a representative sample. If this is the case, you should use an alternative option to avoid the distortion that would otherwise occur.

Components explained

Actual Margin - Components A, I and L

112. Revenues in these components are those from forex and derivative 'trading' activities. The method used for calculating margins should be the method used in your accounting records. Revenues from hedging derivatives, being typically accounted for against the underlying product being hedged on an accrual basis (by a business unit) will generally be included in the interest income/expense component of the formula.

113. The use of an actual margin may contribute to volatility in the percentage calculated under the formula. For example, in some years, the actual margin from these activities may result in a negative value. This would suggest that it is not a representative figure. In these circumstances you should use an alternative option.

Interest from non-residents - Component B

114. This amount should consist of interest income from non-residents less interest expense related to off-shore lending. Most businesses should already be identifying interest paid to non-residents for withholding tax purposes.

Fees and Commissions from non-residents - Component C

115. Fees and commissions charged to non-residents for consumption or use and enjoyment outside of Australia are GST-free. Amounts billed to the non-resident's bank overseas may be settled by netting amounts receivable against amounts payable. You should include these gross amounts, that is, before netting.

Other revenue for non-residents - Component D

116. Include revenue earned for supplies to non-residents that you have not included in Components B or C.

Life insurance products - Components E, F and M

117. Certain life insurance supplies are GST-free. This includes supplies made to non-residents that qualify as exports under section 38-190, and life insurance contracts that are GST-free under section 13 of the *A New Tax System (Goods and Services Tax Transition) Act 1999* (see paragraph 119). You should include revenue from these supplies at Component E and F respectively.

118. Other supplies of life insurance, included at Component M, may be calculated as follows:

Revenue =

$$\left(\text{Shareholder Operating profit after tax} + \text{Acquisition costs} + \text{Policy and maintenance costs} + \text{Investment management expenses}\right) - \text{Interest on retained earnings}$$

This calculation is based on Australian Accounting Standard AASB 1038.

Supplies that are GST-free under Transition Act - Component F

119. This component includes those other financial supplies that may be GST-free under section 13 of the *A New Tax System (Goods*

and Services Tax Transition) Act 1999. For financial supply providers, this will generally be limited to those contracts entered into prior to 2 December 1998.

Fees and Commissions from non-financial supplies - Component G

120. Commissions and fees from agency or other non-financial supplies should be included in this Component. Some examples are advisory trustee and custodian services, brokerage and merchant fees. The fees and commissions should be accounted for on a gross basis before deducting any related expenses.

Other income - Component H

121. At this component, include any other income you have not already included in another component (other than excluded items mentioned at paragraphs 103).

Definitions

Adjustment period

122. An adjustment period for an acquisition or importation is a tax period applying to you that:[25]

(a) starts at least 12 months after the end of the tax period to which the acquisition or importation is attributable (or would be attributable if it were a creditable acquisition or creditable importation); and

(b) ends:

(i) on 30 June in any year; or

(ii) if none of the tax periods applying to you in a particular year ends on 30 June, ends closer to 30 June than any of the other tax periods applying to you in that year.

In addition, a tax period provided for under section 27-40 is an adjustment period for the acquisition or importation.[26]

[25] Section 129-20.
[26] Section 27-40 deals with concluding tax periods.

Cost allocation

123. Cost allocation (cost accounting) describes a method of accounting used to attribute direct and overhead costs to a source of income or business activity.

Creditable acquisition

124. Creditable acquisition refers to an acquisition you acquire in carrying on your enterprise. You are entitled to an input tax credit for these acquisitions. Under section 11-5, you make a creditable acquisition if:

- you acquire anything solely or partly for a creditable purpose;
- the supply of the thing to you is a taxable supply;
- you provide, or are liable to provide, consideration for the supply; and
- you are registered or required to be registered.

Creditable importation

125. Creditable importation refers to goods you import for carrying on your enterprise. You are entitled to an input tax credit for these importations. Under section 15-5, you make a creditable importation to the extent that:

- you import the goods solely or partly for a creditable purpose; and
- the importation is a **taxable importation**; and
- you are registered or required to be registered.

Creditable purpose

126. Creditable purpose has the meaning given by sections 11-15 and 15-10. Creditable purpose refers to where a thing is acquired or imported by an entity in carrying on its enterprise. However, an acquisition or importation is not for a creditable purpose to the extent that it relates to making input taxed supplies or is for a private or domestic purpose.

Direct attribution

127. In the context of this ruling, direct attribution refers to the:

- matching of specific acquisitions and importations directly with supplies; and
- use of an accounting system, such as activity based costing or any another internal cost allocation system, to allocate costs to a specific transaction, product line, cost or profit centre, business division or function.

Financial supply

128. Financial supplies are supplies of financial interests set out in sub-regulation 40-5.09(3) of the GST regulations, which meet the requirements set out in sub-regulation 40-5.09(1). Examples include maintaining and operating cheque and savings accounts for account holders; lending, including maintaining and discharging loans and mortgages; life insurance contracts; conversion of foreign currency; futures contracts; commodity derivatives; options; and shares or debentures.

Financial supply facilitator

129. Under regulation 40-5.07 of the GST regulations a financial supply facilitator, in relation to supply of an interest, is an entity facilitating the supply of the interest for a financial supply provider. A supply of an interest under regulation 40-5.09 facilitated by a financial supply facilitator is a financial supply by the financial supply provider.

Financial supply provider

130. Under regulation 40-5.06 of the GST regulations an entity who in relation to the supply of an interest that was:

(a) immediately before the supply, the property of the entity; or

(b) created by the entity in making the supply;

is the ***financial supply provider*** of the interest.

Examples of these interests under paragraph (a) include sale of a share or bond, and assignment of rights under a derivative. Examples of interests under paragraph (b) include issue of a share or bond or entry into a derivative.

Financial acquisitions threshold

131. Under Division 189, an entity exceeds the financial acquisitions threshold in a particular month if, assuming that all the financial acquisitions[27] it has made, or is likely to make, during the 12 months ending at the end of that month, or during that month and the next 11 months, were made solely for a creditable purpose, either or both of the following would apply:

- the amount of all the input tax credits to which the entity would be entitled for its financial acquisitions would exceed $50,000 or such other amount specified in the GST regulations;
- the amount of the input tax credits to which the entity would be entitled for its financial acquisitions would be more than 10% of the total input tax credits to which the entity would be entitled for all its acquisitions and importations (including the financial acquisitions) during the relevant months.[27A]

This term is not used in the GST Act but is used for convenience of reference in this and other GST rulings to describe the conditions contained in subsections 11-15(4) and 15-10(4).

General formula

132. The general formula attributes input tax credits and determines the ratio of taxable and GST-free supplies as a proportion of total supplies, including input taxed supplies based on historical data or experience to date. It may be used as a means of estimating your planned use based on historical data where it is not practicable to make an allocation of the historical data under a direct attribution approach. The formula may take the following form:

$$\frac{\text{Revenue* (in relation to taxable and GST-free supplies)}}{\text{Total Revenue* (including revenue relating to input taxed supplies)}} \times 100$$

[27] Section 189-15 defines 'financial acquisition' as 'an acquisition that relates to the making of a financial supply, (other than a financial supply consisting of a borrowing)'.

[27A] For members of a GST group, the financial acquisitions threshold is calculated under subsections 189-5(2) and 189-10(2) as if the whole group were a single entity.

GST Regulations

133. *A New Tax System (Goods and Services Tax) Regulations 1999* (SR No 245 of 1999) as amended.

GST Return

134. GST return is the approved form (it is a section of the Business Activity Statement) on which you must account for GST and some other taxes. You account for GST on this form by using it to work out your net amount for the tax period.[28]

Gross

135. Gross means the whole or total amount of something before any deductions have been made. For example, gross interest is the interest on an investment before any tax is deducted.

Input tax credits

136. The term 'input tax credit' relates to the GST included in the price you pay for an acquisition or the GST paid on an importation. An entitlement arises under section 11-20 (about creditable acquisitions) or section 15-15 (about creditable importations). However, you are not entitled to input tax credits to the extent the acquisition or importation relates to making input taxed supplies or is for a private or domestic purpose.

Input taxed supply

137. Input taxed supply means a supply that is input taxed under Division 40, such as a financial supply. If a supply is input taxed you do not pay GST on the supply but you are not entitled to an input tax credit for anything acquired or imported that relates to making the supply.

Interest

138. Interest is the charge on borrowed money or the return earned on funds out on loan or invested.

[28] Section 31-15.

Net

139. Net revenue is used in the formula to mean an amount of income after deducting expenses of a similar character. For example net interest is the amount of gross interest derived less the amount of interest incurred.

Reduced credit acquisitions

140. Reduced credit acquisitions are acquisitions listed in the GST regulations that, when acquired by a financial supply provider, creates an entitlement to a reduced input tax credit. Subregulation 70-5.02(2) contains an exhaustive list of the acquisitions that are reduced credit acquisitions.

Reduced input tax credits

141. Reduced input tax credits are input tax credits, currently set at the rate of 75%, that can be claimed (subject to the normal qualifications under section 11-5) for certain acquisitions listed in the GST regulations as reduced credit acquisitions. The entitlement to the credit arises under section 70-5.

Relates to business finance

142. An acquisition or importation relates to business finance if at the time of acquisition or importation it:

- related solely or partly to making financial supplies; and
- was not solely or partly of a private or domestic nature.

Taxable importation

143. Taxable importation under section 13-5 refers to an importation of goods into Australia but only to the extent it is not a non-taxable importation. Supplies that are non-taxable importations are set out in Part 3-2 of the Act and also include a supply that would have been GST-free or input taxed if supplied in Australia.

Taxable supply

144. Taxable supply has the meaning given by sections 9-5 (the basic definition), 78-50 (about taxable supplies relating to insurance claims), 84-5 (about intangible supplies from offshore) and 105-5 (about supplies by creditors in satisfaction of debts).

145. Section 9-5 provides that (except to the extent it is GST-free or input taxed) a supply you make is a taxable supply if:

- the supply is for consideration; and
- the supply is made in the course or furtherance of an enterprise that you carry on; and
- the supply is connected with Australia; and
- you are registered, or required to be registered.

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28 June 2000

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