GSTR 2001/2 - Goods and Services Tax: foreign exchange conversions

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http://ato.gov.au/General/Rulings-and-ATO-view/In-detail/Public-rulings--overview/Changes-to-GST-public-r
to check how this ruling is likely to be affected by the change in the law. ((Note added on 16 July 2010))

This document has changed over time. This is a consolidated version of the ruling which was published c

Goods and Services Tax Ruling
Goods and Services Tax: foreign exchange conversions

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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 that provides advice on the operation of the GST system.*

What this Ruling is about

1. This Ruling explains how to convert amounts of consideration that are expressed in foreign currency into Australian currency for GST purposes.

2. Section 9-85 of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act) allows the Commissioner to determine the manner of working out the consideration in Australian currency where it has been expressed in a foreign currency. This Ruling discusses the Commissioner's Determination and how it can be used for the purposes of the GST Act. A copy of the Determination is attached at Schedule 1.

3. The additional approved form requirements for tax invoices and adjustment notes where the consideration is expressed in a foreign currency are provided in the Ruling.

4. This Ruling examines how the manner stated in the Determination can apply to the price for a supply where the GST on the supply is 'reverse charged' and where the price is expressed in a foreign currency.

5. The Ruling provides a basis on which you can calculate your input tax credit entitlement where the consideration for a creditable acquisition is expressed in a foreign currency. The Commissioner acknowledges that there may be limited circumstances where the recipient cannot base their input tax credit on the GST payable in Australian currency. This Ruling explains how you calculate the input tax credit in these circumstances.

6. This Ruling also explains how you can calculate an amount of an adjustment for an adjustment event where the consideration for the supply is expressed in a foreign currency.

7. This Ruling does not apply to taxable importations.

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

9. Unless otherwise stated, all legislative references in this Ruling are to the GST Act.

Date of effect

10. This Ruling commences on and from 1 July 2000. However, to the extent that this Ruling is inconsistent with Draft Goods and Services Tax Ruling GSTR 2000/D15, the Draft Ruling applies up until the date of issue of this Ruling. Refer to paragraphs 45 and 46 for transitional concessions in relation to approved form requirements for tax invoices and adjustment notes.

Background

11. There are many situations where entities make or receive supplies where the consideration is expressed in a foreign currency. Subsection 9-85(1) provides that the **value** of a taxable supply is to be expressed in Australian currency for the purposes of the GST Act. Subsection 9-85(2) allows the Commissioner to determine the manner in which consideration in a foreign currency is to be converted into Australian currency to work out the value of a taxable supply.

12. Section 9-70 provides that the GST payable for a taxable supply is 10% of the value. Therefore, where the GST payable is calculated from the value, the GST payable will always be expressed in Australian currency.

13. In some other provisions in the GST Act, the GST payable is calculated without reference to value. The Commissioner has recognised this and has developed rules that you can rely on to calculate the GST payable in Australian currency in these circumstances.

14. The Business Activity Statement (BAS) includes the GST return in the approved form. One of the BAS requirements is that all the amounts on the form are to be shown in Australian currency. The Commissioner considers the phrase 'shown in Australian currency' is akin to the phrase 'expressed in terms of Australian currency'. Accordingly, foreign currency must be converted to its equivalent in Australian currency. [1]

[1] *Payne v Deputy FCT [1936]* 2 All ER 793 at 796.

15. This Ruling was first released as draft GSTR 2000/D15 and is significantly different from that Draft Ruling. It eliminates the administrative requirement of lodging nominations to the Commissioner.

Ruling with explanation

The Commissioner's Determination

16. For the purpose of working out the value of a taxable supply, the Commissioner has determined the manner in which you work out the consideration in Australian currency.[2] A flowchart showing this manner is attached at Appendix 1.

17. The Commissioner allows you to use the manner stated in the Determination to convert an amount of foreign currency into Australian currency for other purposes of the GST Act. This manner can also be used in respect of GST-free and input taxed supplies, or where you do not use value to work out the GST payable.

18. The Determination does not apply to foreign currency conversions for taxable importations.

19. The Commissioner has determined that you can convert foreign currency into Australian currency by using the following formula:

$$\text{Consideration expressed in a foreign currency} \times \frac{1}{\textbf{your particular exchange rate} \text{ on the } \textbf{conversion day}}$$ [3]

where,

- **your particular exchange rate** is the rate from the foreign exchange organisation you have chosen to use, the RBA rate or from your agreement, whichever is applicable; and
- the **conversion day** is the date that you use to convert your foreign currency into Australian currency for GST purposes.

Foreign exchange rates

20. The particular exchange rate that you choose may be an agreed rate or may come from one of the following sources:

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[2] Subsection 9-85(2) and *Foreign Exchange Conversion Determination (No.1) 2001*.
[3] Conversion day is explained in paragraphs 27 to 36.

- a foreign exchange organisation (for example, a commercial bank); or
- the Reserve Bank of Australia (RBA).

21. You can choose a particular exchange rate from the publicly available rates of a foreign exchange organisation. For example, an exchange rate can be:

- a 'buying', 'selling' or 'spot' rate from a commercial bank; or
- a rate under a **foreign exchange contract,** or
- a rate based on an averaging of a foreign currency exchange rate if your use of that rate conforms with the relevant accounting standard or you use that rate for income tax purposes.[4]

The RBA rate

22. The Reserve Bank of Australia rate (RBA rate)[5] is the unit of foreign currency per $A calculated by the RBA as the **4:00pm Australian Eastern time** rate on each business day. You can choose the RBA rate on your conversion day, or the RBA rate on the day prior to your conversion day.

Consistent use of exchange rate

23. Whichever foreign exchange rate you choose you should use it consistently for GST purposes. However, you can change your foreign exchange rate if you have sound commercial reasons for doing so. If you alternate between exchange rates with a view to reducing your GST liability, the Commissioner considers you are using your rate inconsistently. Therefore, you have not followed the manner stated in the Determination. In these circumstances, you may have understated your net amount for a tax period. [6]

The agreed rate

24. The agreed rate is the rate of exchange that you, as the supplier, have agreed with the recipient of the supply. This rate can be contained in either an implied or written agreement. It should reflect the rate of a particular foreign exchange organisation or the

[4] See Income Tax Ruling IT 2498.
[5] The RBA rates can be accessed at the RBA website: www rba.gov.au/media/mr-regular html . Daily rates are shown under 'Trade Weighted Index of the Australian Dollar'.
[6] The general anti-avoidance provisions under Division 165 may apply.

Reserve Bank of Australia. The agreed rate only applies for supplies made under the agreement and for the period of the agreement.

25. Where the supplier and the recipient are associates[7], the agreed rate should reflect a rate agreed to by parties dealing at arm's length.

26. Where the agreed rate does not apply, you need to select a relevant exchange rate as per paragraphs 20 to 23.

Conversion day

27. The conversion day is the date you use to convert your foreign currency into Australian currency for GST purposes. The exchange rate you use is a rate for that day from the foreign exchange organisation you have chosen, the RBA or from your agreement.

28. The conversion days available to you depend on whether you account for GST on a cash basis or on a basis other than cash.

Conversion day - if you account for GST on a basis other than cash

29. When you account for GST on a basis other than cash, the conversion day is the first of:

- the day on which any of the consideration is received for the supply (the receipt date); or
- the transaction date / the invoice date (whichever you have chosen).

30. For each supply you have a choice between:

- the transaction date; or
- the issue date of the invoice (the invoice date).

31. The transaction date is the date you use for foreign currency conversion in your accounting system under the relevant Accounting Standard, for example, AASB1012: Foreign Currency Translation. The transaction date is provided as an option because of its close links to the foreign currency exchange translation used under accounting standards.

Conversion day - if you account for GST on a cash basis

32. If you account for GST on a cash basis, you can choose one of the following as your conversion day: [8]

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[7] Defined in section 195-1.

[8] *Foreign Exchange Conversion Determination (No. 1) 2001* requires that the amount is worked out according to the conversion day.

- the transaction date (see paragraph 31); or
- the invoice date; or
- the day on which any of the consideration is received for the supply (the receipt date).

Conversion days for periodic or progressive supplies

33. If a supply is made:

- for a period or on a progressive basis; and
- for consideration that is to be provided on a progressive or periodic basis;

then the conversion days are worked out as if each progressive or periodic component of the supply were a separate supply.[9]

Conversion day where total consideration is unknown at time of supply

34. The Commissioner has determined a particular attribution rule where a supply occurs before the total consideration is known.[10] This may cause the supplier to have a different conversion day in respect of each amount of the consideration. The rules established in paragraphs 27 to 33 are used to determine the conversion day for each amount of the consideration.

Example 1 - where total consideration is unknown at time of supply

35. TSG Co accounts for GST on a basis other than cash and makes a taxable supply of coal for which it issues an invoice for the interim payment of $US110,000 on 12 August 2000. The final price will be determined when the exact weight is confirmed and an analysis is completed.[11] Two months later, when the final weight and analysis is known, a total price of $US187,000 is confirmed. TSG Co then issues another invoice for $US77,000 on 20 October 2000, being the balance of the total price.

36. TSG Co receives no payment prior to each invoice issuing. It applies the exchange rates for 12 August and 20 October 2000 from their foreign exchange organisation, to convert the amounts of $US110,000 and $US77,000 respectively to Australian currency.

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[9] See Division 156 and Goods and Services Tax Ruling GSTR 2000/35.
[10] See paragraphs 92 to 96 of Goods and Services Tax Ruling GSTR2000/29.
[11] You must comply with the Commissioner's determination contained in Goods and Services Tax Ruling GSTR 2000/29.

Reverse charges

37. A supply of anything other than goods or real property that is not connected with Australia can be a taxable supply.[12] In this circumstance, a 'reverse charge' applies. Also, the GST on taxable supplies made by non-residents can, with the agreement of the recipient, be 'reverse charged' to the recipient.[13] In both circumstances, the GST on such taxable supplies is payable by the recipient of the supply and not payable by the supplier. The amount of GST on a supply where the GST is reverse charged to the recipient is 10% of the price of the supply.[14]

38. The Determination applies when you are working out the value of a taxable supply. Divisions 83 and 84 do not require you to work out value to determine the GST payable.

39. Although the Determination does not have direct effect for conversions of foreign currency in relation to reverse charge situations, the Commissioner still requires you to express your GST payable in Australian currency.[15] The manner stated in the Determination can be used for this purpose.

40. The same rules apply in relation to deciding the foreign exchange rate and the conversion day you use. See paragraphs 20 to 26 for foreign exchange rate and paragraphs 27 to 36 for the conversion day.

Tax invoices and adjustment notes

Tax invoices

41. There are specific tax invoice requirements where a supplier makes a taxable supply and the consideration is expressed in a foreign currency. For the tax invoice to be in the approved form, it must comply with the tax invoice requirements stated in Goods and Services Tax Ruling GSTR 2000/17,[16] and:

- include on the form the GST payable in Australian currency; or
- provide sufficient information to the recipient to work out the GST payable on the supply in Australian currency.

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[12] Division 84
[13] Division 83
[14] Sections 84-12 or 83-20 as appropriate.
[15] It is an approved form requirement for your BAS that all amounts are shown in Australian currency.
[16] Paragraph 29-70(e)

Sufficient information

42. For there to be sufficient information, the supplier is required to provide the recipient with the information necessary to work out the GST payable on the supply in Australian currency. The information can be provided on the tax invoice, or on two or more documents that together meet the information requirements of a tax invoice. Examples of sufficient information include:

- the price expressed in Australian currency; or
- the value expressed in Australian currency; or
- the GST payable, price or value expressed in a foreign currency and the conversion rate used by the supplier, or a statement, to work out the GST payable in Australian currency.

43. An example of a statement with sufficient information is as follows:

> 'The GST is calculated in Australian currency at the exchange rate published by the RBA at 4.00pm Australian Eastern Time on the business day prior to the date of this tax invoice.'

Adjustment Notes

44. Where a supplier has an adjustment that arises from an adjustment event in respect of a taxable supply and the consideration is expressed in a foreign currency, the supplier is required to provide similar additional information to that contained in paragraphs 42 and 43 on the adjustment note. That is, the adjustment note should contain enough information to enable the recipient to work out the change in GST payable in Australian currency.[17]

Transitional concession

45. The Commissioner recognises that entities may have to adjust their computerised accounting systems to comply with these additional approved form requirements. As an administrative concession the Commissioner allows entities until 30 June 2001 before they must comply with these requirements.

46. An entity that has material difficulties affecting its ability to comply by 30 June 2001 may apply to the Commissioner, on a case by case basis, for appropriate time to implement these approved form requirements. Also, an industry association may apply on behalf of its members for an extension of time to comply.

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[17] The requirements for adjustment notes are contained in Goods and Services Tax Ruling GSTR 2000/1.

Claiming input tax credits

47. Section 11-25 states:

> 'The amount of the input tax credit for a creditable acquisition is an amount equal to the GST payable on the supply of the thing acquired. However, the amount of the input tax credit is reduced if the acquisition is only partly creditable.'

The amount of input tax credit for a creditable acquisition is to be expressed in Australian currency.[18]

48. Where the consideration for an acquisition is expressed in foreign currency the tax invoice will include:

- the GST payable in Australian currency; or
- sufficient information to allow the recipient to work out the GST payable in Australian currency.

You can use this amount of GST payable to calculate your input tax credit in Australian currency.

Special circumstances

49. There may be limited circumstances where a recipient is not able to use the information from the tax invoice as the basis of its claim for input tax credits. For example, a recipient's computer system is set up in such a way that the GST payable or conversion information from the tax invoice is not recorded, but rather the system calculates the amount of credit from the price paid for the supply.

50. In such circumstances, the recipient can make a reasonable estimation of the input tax credit in Australian currency. The method the recipient uses to make the estimation should reflect a relevant exchange rate on the conversion day in its calculations.

51. The recipient can use the manner stated in the Determination as a method of reasonably estimating the input tax credit in Australian currency. The rules apply in relation to deciding the foreign exchange rate and the conversion day you use. See paragraphs 20 to 26 for foreign exchange rate and paragraphs 27 to 36 for the conversion day.

52. Another circumstance where the manner stated in the Determination can be used to reasonably estimate the input tax credit is where the recipient is unable to obtain a tax invoice from the supplier despite reasonable attempts to do so. An example of this

[18] It is an approved form requirement for your BAS that all amounts are shown in Australian currency.

could be where the supplier has ceased business and reasonable attempts by the recipient to obtain the tax invoice have failed.[19]

53. Where an entity uses a commercial exchange rate or the RBA rate to work out its GST payable in Australian currency it should use that same rate to work out its input tax credit, where necessary.

Adjustments

54. It is a requirement that all amounts shown on your BAS are expressed in Australian currency. Therefore, the amount of any adjustment is to be expressed in Australian currency.

Adjustment events

55. Where an adjustment event occurs in relation to a supply or acquisition, an adjustment to your net amount may arise because of that event. To work out if an adjustment does arise because of an adjustment event you must apply Division 19.[20]

56. Broadly, Division 19 requires you to compare two amounts to determine whether or not an adjustment arises because of the adjustment event. For adjustment events in relation to a supply, you must work out and compare the previously attributed GST amount and the corrected GST amount. The difference between these two amounts is the amount of the adjustment arising from the adjustment event in relation to the supply.

57. For adjustment events in relation to an acquisition, you must work out and compare the previously attributed input tax credit amount and the corrected input tax credit amount. The difference between these two amounts is the amount of the adjustment arising from the adjustment event in relation to the acquisition.

Exchange rate for adjustment events relating to supplies

58. For most supplies, the previously attributed GST amount is the amount of the GST attributable to a tax period in respect of the supply.[21] Therefore, you already have the information in Australian currency.

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[19] See GSTR 2000/17 about the Commissioner's discretion to treat a document as a tax invoice.

[20] The Commissioner's views on the operation of Division 19 are contained in GSTR 2000/19.

[21] You may need to take into account other adjustments (if any) that were attributable to earlier tax periods – refer to paragraphs (b) and (c) of section 19-45.

59. The corrected GST amount is 1/11 of the consideration for most supplies, taking into account the adjustment event.[22] You need to convert that amount into Australian currency to compare it with the previously attributed GST amount in order to work out the amount of the adjustment.

60. The exchange rate you should use for this conversion is the rate (where available) you used when you worked out the GST payable for the supply (the original conversion day).

Alternative exchange rate where rate on original conversion day is unavailable

61. In some situations, it may not be possible for a supplier to calculate the corrected GST amount or the previously attributed GST amount based on the foreign exchange rate of the original conversion day. An example of this is where an adjustment event occurs and your records have been destroyed and the exchange rate is not available from your foreign exchange organisation. In these circumstances, you may use the particular exchange rate from your foreign exchange organisation on the issue date of your adjustment note.

Exchange rate for adjustment events relating to acquisitions

62. For most acquisitions, the previously attributed input tax credit amount is the amount of the input tax credit attributable to a tax period in respect of the acquisition.[23] Therefore, you already have the information in Australian currency.

63. The corrected input tax credit amount is 1/11 of the consideration for most acquisitions, taking into account the adjustment event.[24] You need the amount in Australian currency to compare it with the previously attributed input tax credit amount to work out the amount of the adjustment.

64. You may use the information from the adjustment note to work out the amount of the adjustment in Australian currency. You can also use the information on the original tax invoice for this purpose.

65. Where you cannot use the information on the adjustment note or tax invoice, you may make a reasonable estimate of the amount of

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[22] You may need to take into account other circumstances (if any) that gave rise to adjustments attributable to earlier tax periods – refer to paragraph (c) of section 19-40.

[23] You may need to take into account other adjustments (if any) that were attributable to earlier tax periods - refer paragraphs (b) and (c) of section 19-75.

[24] You may need to take into account other circumstances (if any) that gave rise to adjustments attributable to earlier tax periods - refer paragraph (c) of section 19-70.

the adjustment in Australian currency. You can use any method outlined in this Ruling as a reasonable estimate.

Bad debts

66. Division 21 allows a supplier to make adjustments where a debt in respect of a taxable supply is written off as bad, or is overdue for 12 months or more[25]. The amount of the adjustment is 1/11 of the amount written off or overdue for 12 months or more.[26] Where the consideration in respect of the supply is expressed in a foreign currency, the supplier needs a method to convert the adjustment into Australian currency.

67. In working out the adjustment for a bad debt, the supplier may use the foreign exchange rate that they used to work out the GST payable on the supply.

68. Similarly, a recipient has an adjustment where the supplier writes off as bad the whole or part of the consideration, or a debt is overdue for 12 months or more. The amount of the adjustment is 1/11 of the amount written off, or overdue for 12 months or more. Where the consideration in respect of the acquisition is expressed in a foreign currency, the recipient needs a method to convert the adjustment into Australian currency. If the recipient is aware of the foreign exchange rate used by the supplier to work out the GST payable, they should use that rate.

69. Where the recipient is not aware of that rate, the recipient can use a reasonable estimation of the amount of the adjustment. For example, the recipient can use the same proportion of the input tax credit claimed as the amount of the consideration written off, or outstanding for 12 months or more. Where 50% of the consideration remains unpaid for 12 months or more, a reasonable estimation of the amount of the adjustment is 50% of the input tax credit claimed.

Value of a taxable supply - alternative view

70. A view has been expressed that where the price under section 9-75 is expressed in a foreign currency, the value under section 9-75 and, subsequently, the GST payable under section 9-70 is able to be calculated in a foreign currency.

71. This view draws on the following analysis. Paragraph 29-70(1)(c), states that a tax invoice for a taxable supply must set out

[25] The Commissioner has issued a Ruling on how you calculate an adjustment for bad debts. See Goods and Services Tax Ruling GSTR 2000/2.
[26] Division 136 applies where the bad debt relates to a partly taxable or partly creditable transaction.

the price for the supply. According to section 9-75, the price is the sum of:

- the consideration as expressed as an amount of money; and
- the GST inclusive market value of any consideration not expressed as an amount of money.

72. The word 'money' is defined in section 195-1 to include currency whether of Australia or any other country. Therefore, value determined under section 9-75 can be calculated in foreign currency. Further, section 9-85 converts value or consideration into Australian currency. It does not permit a direct conversion of price.

73. The Commissioner considers the better view is that through the interaction between sections 9-75 and 9-85 the price is expressed in Australian currency by converting consideration into Australian currency. Under the basic rules, the value of a taxable supply is worked out under section 9-75. The value is calculated as 10/11 of the price.

74. In working out the value where the consideration is expressed as an amount of money in foreign currency, subsection 9-85(2) applies. The consideration is to be treated as an amount of Australian currency worked out in the manner stated in the Commissioner's Determination.

75. As both price and value are derived from consideration, once the consideration is worked out in Australian currency, the price and the value will also be in Australian currency.

Input tax credit amounts – alternative view

76. A view has been expressed that, under section 11-25, the input tax credit for a creditable acquisition in Australian currency does not have to equal the GST payable in Australian currency. Under this view, where entities transact in a foreign currency, section 11-25 merely requires the input tax credit in the foreign currency to equal the GST payable in that foreign currency.

77. The Commissioner considers the better view is that the input tax credit is equal to the GST payable in Australian currency. As explained in paragraphs 11 and 12, the value of a taxable supply will be calculated in Australian currency where the consideration is expressed in a foreign currency. This is because the consideration is to be treated as an amount of Australian currency worked out in the manner determined by the Commissioner. The GST payable will be 10% of the value, which will be in Australian currency. Section 11-25 states that the amount of input tax credit is equal to the amount of GST payable. As the GST payable is calculated in Australian

currency, the input tax credit will equal the GST payable in Australian currency.

78. However, the Commissioner recognises that there will be special circumstances where the recipient is constrained from using the tax invoice information to calculate their input tax credit in Australian currency. In these circumstances, the recipient may calculate their input tax credit as explained in paragraphs 49 to 53 of this Ruling. In this situation, the input tax credit may not equal the GST payable in Australian currency.

Definitions

79. The following terms are defined for the purposes of this Ruling:

4:00pm Australian Eastern time

80. 4:00pm Australian Eastern time means 4:00pm Australian Eastern Standard time or 4:00pm Australian Eastern Summer time, as appropriate.

Value

81. For the purposes of this Ruling, the 'value' of a taxable supply has the meaning given by sections 9-75, 9-80, 72-10, 72-70, 78-5, 78-60, 78-95, 87-10, 90-10, 96-10 and 108-5 of the GST Act.

Foreign exchange contract

82. A foreign exchange contract is a contract between two parties, for example, between a financial institution and the entity, to deliver or receive a currency against another currency at a given date in the future, at the agreed exchange rate between the financial institution and the entity.

Detailed contents list

83. Below is a detailed contents list for this Ruling:

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Commissioner of Taxation
2 February 2001

Previous draft:
Previously issued as GSTR 2000/D15

Related Rulings:
GSTR 2000/1; GSTR 2000/2; GSTR 2000/17; GSTR 2000/19; GSTR 2000/29; GSTR 2000/35, IT 2498

Subject references:
- accounting on a basis other than cash
- accounting on a cash basis
- adjustment note
- adjustments
- Australian currency
- Commissioner Determination
- consideration
- creditable acquisition
- exchange rate
- foreign currency
- goods and services tax
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- intangible taxable supply
- invoice
- price
- reverse charge
- tax invoice
- taxable supply
- value

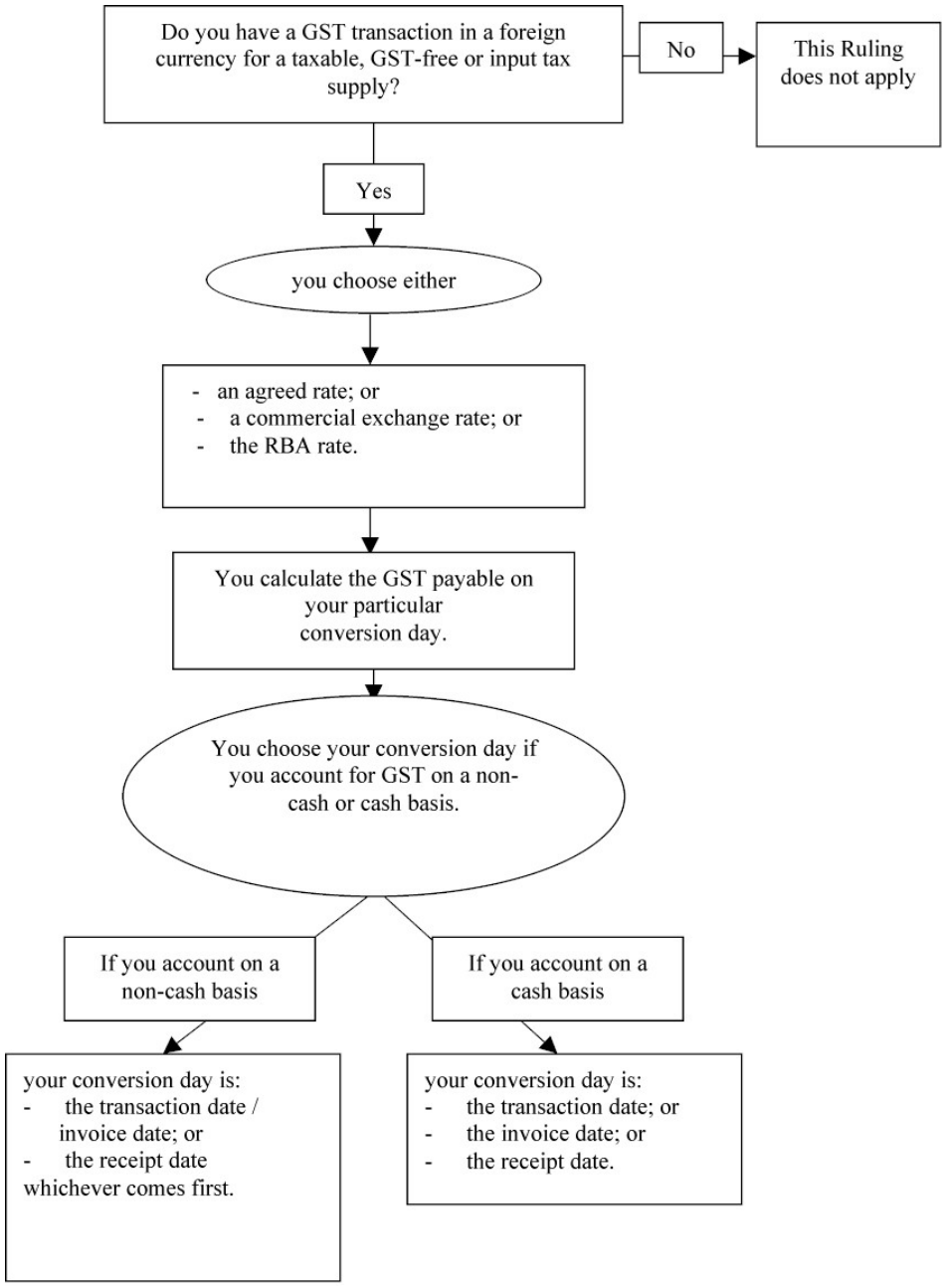
Legislative references:
- ANTS(GST)A 9-70
- ANTS(GST)A 99 9-75
- ANTS(GST)A 99 9-75(1)
- ANTS(GST)A 99 9-80
- ANTS(GST)A 99 9-85
- ANTS(GST)A 99 9-85(1)
- ANTS(GST)A 99 9-85(2)
- ANTS(GST)A 99 11-25
- ANTS(GST)A 99 Division 19
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- ANTS(GST)A 99 19-70(c)
- ANTS(GST)A 99 19-75(b)
- ANTS(GST)A 99 19-75(c)
- ANTS(GST)A 99 Division 21
- ANTS(GST)A 99 29-70(e)
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- ANTS(GST)A 99 72-10
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- ANTS(GST)A 99 78-60
- ANTS(GST)A 99 78-95
- ANTS(GST)A 99 Division 83
- ANTS(GST)A 99 83-20
- ANTS(GST)A 99 Division 84
- ANTS(GST)A 99 84-12
- ANTS(GST)A 99 87-10
- ANTS(GST)A 99 90-10
- ANTS(GST)A 99 96-10
- ANTS(GST)A 99 108-5
- ANTS(GST)A 99 Division 136
- ANTS(GST)A 99 Division 156
- ANTS(GST)A 99 Division 165
- ANTS(GST)A 99 195-1

Case references:
- Payne v. Deputy FC of T [1936] 2 ALL ER 793

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Appendix 1

GST foreign currency conversion methodology



Schedule 1

COMMONWEALTH OF AUSTRALIA

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) ACT 1999

A NEW TAX SYSTEM (GOODS AND SERVICES TAX) FOREIGN EXCHANGE CONVERSION DETERMINATION (NO.1) 2001

Under subsection 9-85(2) of the *A New Tax System (Goods and Services Tax) Act 1999* and subsection 4(1) of the *Acts Interpretation Act 1901*, I make the following determination:

Citation

1. This determination is the *A New Tax System (Goods and Services Tax) Act Foreign Exchange Conversion Determination (No. 1) 2001*.

Commencement

2. This determination commences on and from 1 July 2000. However, to the extent that this determination is inconsistent with Draft Goods and Services Tax Ruling GSTR 2000/D15, the Draft Ruling applies up until the date of issue of this determination.

Application of determination

3. This determination applies to an entity that works out the value in Australian currency where the consideration for a taxable supply is expressed in a currency other than Australian currency.

Manner in which the value or an amount of consideration for the supply is worked out

4. In working out the value of a taxable supply, you convert the consideration on a conversion day worked out in accordance with the following formula:

$$\text{Amount expressed in a foreign currency} \times \frac{1}{\textbf{your particular exchange rate on the conversion day}}$$

where,

- **your particular exchange rate** is the rate from the foreign exchange organisation, the RBA rate, or the rate from your agreement, whichever is applicable; and

- the **conversion day** is the date that the foreign currency is converted into Australian currency for GST purposes.

5. You must use your particular exchange rate consistently.

Definitions

6. (1). The following expressions are defined for the purposes of this determination:

RBA rate means the foreign exchange rate calculated by the Reserve Bank of Australia (RBA) when the entity works out the consideration on a conversion day:

(a) that is an RBA business day, then the RBA rate is the unit of foreign currency per $A calculated by the RBA as the 4:00pm Australian Eastern time rate on that RBA business day or previous RBA business day, and

(b) that is *not* an RBA business day, then the RBA rate is the unit of foreign currency per $A calculated by the RBA as the 4:00pm Australian Eastern time rate of the previous RBA business day.

conversion day is the date you use to convert foreign currency into Australian currency for GST purposes:

(a) when you account for GST *on a basis other than cash* your conversion day is:

(i) the day on which any of the consideration is received for the supply (the receipt date); or

(ii) the transaction date/the invoice date (whichever you have chosen);

whichever comes first; or

(b) when you account for GST *on a cash basis*, your conversion day is:

(i) the transaction date;

(ii) the invoice date; or

(iii) the day on which any of the consideration is received for the supply.

agreed rate means a foreign exchange rate agreed to between a supplier and a recipient of a taxable supply. The agreed rate only

applies for supplies made under the agreement and for the period of the agreement.

exchange rate means the unit of foreign currency per Australian dollar.

RBA business day means a day that the head office of the Reserve Bank is open for business.

Reserve Bank means the body corporate continued in existence under the *Reserve Bank Act 1959*.

(2) Other expressions in this determination have the same meaning as in the *A New Tax System (Goods and Services Tax) Act 1999*.

Signed this 2nd day of February 2001.

Peter Chochula
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Goods and Services Tax Program
Delegate of the Commissioner