GSTR 2003/5 - Goods and Services Tax: Vouchers

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Goods and Services Tax Ruling
Goods and Services Tax: Vouchers

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Preamble

*This document is a ruling for the purposes of 105-60 of Schedule 1 to 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

1. The Ruling explains the Commissioner's view on how the *A New Tax System (Goods and Services Tax) Act 1999* ('GST Act') applies to vouchers.

2. This Ruling:

- outlines the meaning of 'voucher', for the purposes of Division 100 of the GST Act;
- provides guidelines on the identification and treatment of vouchers to which section 100-5 of the GST Act applies;
- explains the differing implications on the supply and redemption of vouchers, depending on whether section 100-5 applies;
- explains the GST implications of payments received by a supplier from third parties on redemption of a voucher to which section 100-5 applies; and
- explains the GST implications of a commission or similar payment in an arrangement covered by section 100-18.

3. This Ruling does not deal with:-

- the application of the GST Act in relation to postage stamps. Under section 100-25, postage stamps are not vouchers for GST purposes; and
- the application of section 100-20 vouchers supplied to non-residents and redeemed by non-residents in Australia.

4. All legislative references in this Ruling are to the GST Act, unless otherwise stated.

Date of effect

5. This Ruling explains our view of the law as it applied from 1 July 2000. You can rely upon this Ruling on and from its date of issue for the purposes of section 105-60 of Schedule 1 to the *Taxation Administration Act 1953* (TAA). Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

6. Changes made to this Ruling by the Addendum that issued on 10 September 2008 have been incorporated into this version of the Ruling. You can rely on the changes made to the Ruling by the Addendum for the purposes of section 105-60 of Schedule 1 to the TAA on and from the date of issue of the Addendum. If the Addendum conflicts with a previous private ruling that you have obtained or a previous public ruling, the Addendum prevails.

6A. If you have relied on a previous ruling (including the public ruling that the Addendum amends), you are protected in respect of what you have done up to the date of issue of the Addendum or, if there is a change to the legislation, you are protected in respect of what you have done up to the date the legislative change takes effect. This means that if you have relied on the previous ruling and have underpaid an amount of GST, you are not liable for the shortfall prior to either the issue date of the Addendum or the date the legislative change takes effect, as appropriate. Similarly, if you have relied on the previous ruling you are not liable to repay an amount overpaid by the Commissioner as a refund.

Context

7. A voucher evidences a right or entitlement to receive supplies in the future, and the obligation to make supplies, on the exercise or redemption of that right or entitlement. A voucher plays a part in two transactions:

- the supply of the voucher itself, and
- the redemption of the voucher for supplies.

8. The supply of a voucher will be a taxable supply where the requirements of section 9-5 are met. Where Division 100 (the Division) applies, it alters the application of the basic rules of

Chapter 2 of the GST Act so that GST is not payable on the supply of certain vouchers.[1]

9. Under the Division, GST will be payable to the extent the consideration for the supply of the voucher exceeds the stated monetary value[2] of the voucher.[3] The Division requires that GST is payable on the supply made on redemption of the voucher if that supply is a taxable supply, rather than at the point of supply of the voucher itself.

10. To be a voucher to which Division 100 applies, an article must satisfy the meaning of voucher in section 100-25 as well as the additional requirements in section 100-5. Not every article which purports to be a voucher will be a voucher for the purposes of section 100-25. Even if an article is a voucher as defined, the article may not meet the further requirements of section 100-5 to qualify for treatment under Division 100.

11. For the purposes of this Ruling, a voucher which satisfies both sections 100-25 and 100-5 is referred to as a 'face value voucher' (FVV).

12. The supplies on redemption of a FVV will be taxable if the requirements of section 9-5 are met. An input tax credit for the acquisition made on redemption of the voucher may arise if the requirements of section 11-5 are met.

13. The operation of the GST law in respect of Division 100 is outlined below and a diagrammatic representation is provided as Appendix 1. A Case Study on the application of Division 100 is provided as Appendix 2 and a further Case Study on the application of Division 100 to prepaid phone cards or facilities is provided as Appendix 3.

14. Unless otherwise stated, it is assumed in the examples in this Ruling and Appendices, that the supply of a FVV, and the supplies made on redemption of a FVV are:

- made for consideration;
- made in the course or furtherance of an enterprise;

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1 Section 45-5 provides that the provisions of Chapter 4 – The Special Rules override the provisions of Chapter 2 - The basic rules, except section 29-25, to the extent of any inconsistency.

2 GSTR 2003/5 prior to Addendum GSTR 2003/5A refers to the consideration provided for a supply upon redemption of a face value voucher (FVV) as being the 'face value' of the voucher. This term referred to the monetary value stated on the voucher. This Ruling now refers to the defined term 'stated monetary value', reflecting amendments to Division 100 made by *Tax Laws Amendment (2006 Measures No. 1) Act 2006*. The change in terminology does not represent a change in the Tax Office view.

3 Subsection 100-5(2).

- connected with Australia;
- made by an entity that is registered or required to be registered; and
- not GST-free or input taxed.

15. Each example in this Ruling demonstrates a particular principle from the paragraphs preceding it. Sometimes the examples demonstrate a significant point in determining whether a voucher is a FVV. Whilst an example may only deal with the particular principle it is emphasising, other principles as discussed in this Ruling may need to be considered before finally determining whether an article is a FVV.

Ruling and Explanation

16. To determine whether a voucher is one to which Division 100 applies, is a two step process. Firstly, the voucher must fall within the meaning of voucher in section 100-25. Comments on section 100-25 are found at paragraphs 20 to 54. Secondly, that voucher must satisfy the further requirements contained in section 100-5. Comments on section 100-5 are found at paragraphs 55 to 83F.

17. Some requirements are common to both sections 100-25 and 100-5. For example, the requirement that, on redemption of the voucher the holder is entitled to supplies, is common to both sections. Comments on this requirement appear under the heading 'The holder of the voucher is entitled' at paragraphs 68 to 73.

18. Redemption of a voucher is discussed at paragraphs 38 to 48. Redemption of a FVV and the consequences of a voucher expiring unredeemed are discussed at paragraphs 84 to 129.

19. Even where an article is a voucher for the purposes of section 100-25, it may not be a voucher to which section 100-5 applies. In this case, any GST consequence of the supply and redemption of the voucher will need to be considered under the basic rules in Chapter 2.

Meaning of voucher in section 100-25: Step 1

20. Under section 100-25:

(1) A ***voucher*** is any:

(a) voucher, token, stamp, coupon or similar article; or

(b) *prepaid phone card or facility;

the redemption of which in accordance with its terms entitles the holder to receive supplies in accordance with its terms. However, a postage stamp is not a voucher.

(2) A ***prepaid phone card or facility*** is any article or facility supplied for the primary purpose of enabling the holder:

(a) to use, on a prepaid basis, telephone or like services supplied by a supplier of *telecommunications supplies; or

(b) to make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by such a supplier.

21. [Omitted]

22. For an article to be a voucher for the purposes of subsection 100-25(1) it must upon redemption entitle the holder to receive supplies in accordance with its terms. This could, for example, include a voucher presented in the form of a letter.

23. [Omitted]

24. While the terms of a voucher will often be stated on it, this is not necessary for it to satisfy the requirements of section 100-25. For example, the terms may be contained in a letter that accompanies the voucher.

25. The fact that a voucher is issued and/or redeemed electronically does not exclude it from the meaning of voucher in section 100-25. A voucher that is the electronic equivalent of the physical form of a 'voucher' satisfies section 100-25. An example of this may be a visual graphic representation of the voucher on a computer screen.

26. For a voucher to fall within subsection 100-25(1):

- it must satisfy either paragraph 100-25(1)(a) or (b);
- the presentation of the voucher must be integral to supplies on redemption; and
- upon redemption, the voucher must entitle the holder to receive supplies.

'Voucher' for the purposes of paragraph 100-25(1)(a)

26A. Under paragraph 100-25(1)(a) the definition of voucher includes a voucher, token, stamp, coupon or similar article. In determining whether an article is similar to a voucher, token, stamp or coupon its characteristics, function and purpose need to be taken into consideration.

26B. In the context of vouchers, tokens, stamps, coupons or similar articles, the right or entitlement to receive supplies must cease to exist on the exercise of that right or entitlement by redemption or on expiry. On cessation of the right, the voucher or any part of the voucher performs no other function nor does any other function continue to exist.

26C. As the GST Act does not define 'voucher', 'token', 'coupon', 'stamp' or 'article' these terms take their ordinary meaning.

26D. Some relevant dictionary definitions for voucher, token and coupon are listed in the table below:

Term	*Macquarie Dictionary*[3A]	*The Australian Oxford Dictionary*[3B]
voucher	"…**2.** a document, receipt, stamp, or the like, which proves the truth of a claimed expenditure. **3.** a ticket used as a substitute for cash, as a gift voucher, luncheon voucher, etc."	"**1** a document which can be exchanged for goods or services as a token of payment made or promised by the holder or another. **2** a document establishing the payment of money or the truth of accounts… "
token	"… **5.** a ticket, metal disc, etc., certified as having a particular value, for payment or exchange, as for ferry fares, at a nominal value much greater than its commodity value. **6.** anything of only nominal value similarly used, as paper currency."	"…**3** a voucher exchangeable for goods (often of a specified kind), given as a gift. **4** anything used to represent something else, especially a metal disc etc. used instead of money in coin-operated machines etc. …"

[3A] *Macquarie Dictionary*, 2005, 4th edn, The Macquarie Library Pty Ltd, NSW.
[3B] *The Australian Oxford Dictionary*, 2004, 2nd edn, Oxford University Press, Melbourne.

Term	*Macquarie Dictionary*[3A]	*The Australian Oxford Dictionary*[3B]
coupon	"**1.** a separable part of a certificate, ticket, advertisement, etc., entitling the holder to something. …"	"…**3** a voucher given with a retail purchase, a certain number of which entitle the holder to a discount etc. **4 a** a detachable ticket entitling the holder to a ration of food, clothes, etc., especially in wartime. **b** a similar ticket entitling the holder to payment, goods, services, etc."

27. These ordinary meanings share a common characteristic of referring to things that are exchangeable for goods or services. When they are redeemed, the right or entitlement to receive goods or services ceases to exist. These things have no further function, such as being able to be topped up.

28. In this Ruling a voucher that has only one function is referred to as a single function voucher. A single function voucher ceases to be a voucher once fully redeemed for supplies or when it expires. Examples of single function vouchers include:

- a bus ticket; [4]
- a voucher that can be used only to make telephone calls;[4A]
- a voucher that can be used only to purchase books;
- a retailer branded gift voucher; or
- a voucher with a unique number which can be used only to obtain supplies.

29. A voucher that has more than one function is not a voucher within the meaning of paragraph 100-25(1)(a).

30. A multi function voucher is a voucher, or any part of a voucher, that has been created with a number of possible functions or purposes incorporated on the voucher or on that part of the voucher. Such a voucher not only entitles the holder to receive supplies on redemption, but also enables and entitles the holder to perform a number of additional functions. The other functions of a multi

4 However, see paragraphs 74 to 79 for discussion on reasonable choice and flexibility of supplies.

[4A] A voucher of this type may also be a prepaid phone card or facility under paragraph 100-25(1)(b).

function voucher continue to be available up to or after the time it has been redeemed for supplies.

31. The meaning of voucher in section 100-25 requires the redemption of the voucher to give rise to the exercise of the entitlement to supplies. A multi function voucher may not cease to carry the additional functions once it is fully redeemed or expired. It is able to be reused once it has been redeemed or has expired. A multi function voucher is not a voucher as referred to in paragraph 100-25(1)(a) for the purposes of section 100-25. Examples of a multi function voucher include:

- a voucher that enables the holder to top up, reload, or recharge the voucher with a value;[5]
- a voucher that has been topped up, reloaded or recharged with value; or
- a voucher with unique number, where the unique number enables the holder to reload, or recharge the voucher with a value.

Example 1: multi function voucher - recharge card

32. *A small business sells paper vouchers which can be redeemed for goods or services at its shop and cannot be recharged. These paper vouchers are vouchers for the purposes of paragraph 100-25(1)(a). Over time the business grows and it installs a new computer system incorporating point of sale (POS) control over sales recording, cash and stock levels as well as enabling it to update its vouchers to a disposable plastic card with a magnetic strip. The card cannot be topped up. This type of voucher is also a voucher for the purposes of paragraph 100-25(1)(a). Some time later the business installs new software that permits the holder of the card to top it up when the remaining value is low. The card's functions entitle the holder to supplies up to a certain value, and to recharge the card when the value remaining is low. The card does more than entitle the holder to supplies on redemption. The card itself has another function. This type of card is not a voucher for the purposes of paragraph 100-25(1)(a). The card does not have the single function to receive supplies on redemption. In these circumstances the application of the basic rules in section 9-5 would need to be considered in relation to the card.*[5A]

5 This is to be distinguished from the issue of another voucher with a different monetary value stated on it. See paragraphs 116 to 118.

5A The entity would also need to consider whether the card establishes a credit to an account. For further discussion see paragraphs 49 to 54 of this Ruling.

'Voucher' for the purposes of paragraph 100-25(1)(b)

32A. Paragraph 100-25(1)(b) includes as a voucher a 'prepaid phone card or facility'. This term is described in subsection 100-25(2) as any article or facility supplied for the primary purpose of enabling the holder to:

- use, on a prepaid basis, telephone or like services supplied by a supplier of telecommunication supplies; or
- make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by a supplier of telecommunication supplies.

32B. In this context, the right or entitlement to receive supplies may be represented by an account facility with credit on it on which the holder is entitled to draw as consideration for future supplies.

32C. The Explanatory Memorandum to the Tax Laws Amendment (2006 Measures No. 1) Bill 2006 (the 2006 Explanatory Memorandum) notes that:

> 4.16 The definition of 'prepaid phone card or facility' is intended to cover:
>
> - phone cards sold with an initial store of value for use on payphones or home phones, which may or may not be rechargeable or topped up; and
> - prepaid mobile phone cards which are sold with a subscriber identity module (SIM) card or as a bundled kit (eg, mobile handset and SIM card – although it is a mixed supply).

32D. These two types of prepaid phone cards or facilities may be topped up. This can often be done in a number of ways, for example, by a customer:

- purchasing a top-up card or docket through a retailer or similar merchant and following the instructions relevant to the card or docket;
- using a credit card to top-up through the Internet or by phone; or
- using electronic bill payment facilities.

32E. The single function characteristic that is evident in paragraph 100-25(1)(a) is not present in paragraph 100-25(1)(b). Additionally, the explanation of a prepaid phone card or facility in subsection 100-25(2) states that it is any article or facility supplied for the *primary* purpose of enabling the holder to do a number of things. The reference in subsection 100-25(2) to a primary purpose, together with the absence of any evident requirement for a single function in paragraph 100-25(1)(b), indicates that a prepaid phone card or facility

can have an additional function (such as the ability to be topped up) and still be a voucher for the purposes of section 100-25.

Article or facility

32F. The terms 'article' and 'facility' in subsection 100-25(2) are not defined in the GST Act. The dictionary definition of 'article'[5B] is 'any thing'. Definitions of the term 'facility' include 'something that makes possible the easier performance of any action; advantage'[5C] and 'the equipment, or the resources for doing something'.[5D] The ordinary meanings of the terms 'article' and 'facility' are broad. However, because an article or facility needs to be supplied primarily for the purpose stated in subsection 100-25(2), the context in which the terms are used in defining a 'prepaid phone card or facility' indicates that their meaning is limited to articles or facilities which are prepaid phone cards or prepaid phone facilities.[5E]

32G. The Commissioner considers that the words 'article or facility', in the context of 'prepaid phone card or facility', include any or all of a phone card, the subsequent topping up process and the account maintained by the supplier for the account holder. Further, a top-up card or docket and the means for using it through such an account is an 'article or facility' as these are things used in accessing a right to make, for example, telephone calls.

Primary purpose

32H. Subsection 100-25(2) provides that any article or facility supplied for the primary purpose of enabling the holder to do any of the things described in paragraph 100-25(2)(a) or (b) is a prepaid phone card or facility. This indicates that an article or facility can be supplied for other purposes as long as it is supplied for the primary purpose of enabling the holder to do any of the things described in paragraph 100-25(2)(a) or (b). An example is provided in the 2006 Explanatory Memorandum:

> A prepaid phone card for a mobile phone includes a facility which allows soft drink products to be purchased through a vending machine by making a phone call. The cost of the soft drink is deducted from the prepaid phone card account. Even though the prepaid phone card may also be used to acquire supplies other than

[5B] *Macquarie Dictionary*, 2005, 4th edn, The Macquarie Library Pty Ltd, NSW.
[5C] *Macquarie Dictionary*, 2005, 4th edn, The Macquarie Library Pty Ltd, NSW.
[5D] *The Australian Oxford Dictionary*, 2004, 2nd edn, Oxford University Press, Melbourne.
[5E] See paragraph 4.16 in the Explanatory Memorandum to the Tax Laws Amendment (2006 Measures No. 1) Bill 2006 (the 2006 Explanatory Memorandum) quoted above in paragraph 32C of this Ruling.

telephone or like services it is an eligible Division 100 voucher if its primary purpose is to enable the holder to use it on a prepaid basis to acquire telecommunications supplies.[5F]

To use, on a prepaid basis, telephone or like services supplied by a supplier of telecommunications supplies – paragraph 100-25(2)(a)

32I. Paragraph 100-25(2)(a) refers to the primary purpose of the holder being able to use, on a prepaid basis, telephone or like services supplied by a supplier of telecommunication supplies. The phrase 'telephone or like services' refers to two types of services to which a prepaid phone card or facility holder is entitled. 'Telephone' services includes a range of services such as the provision of local calls, national long distance calls, international calls and calls to mobile phones. 'Like services' includes a range of services which are accessed using a mobile phone handset such as mobile phone messaging services (short message service (SMS) or multimedia messaging service (MMS)), text, graphics, images, sound, video, information, software content and data transmission services (including email) and Internet access services.[5G]

32J. The telephone or like services referred to in paragraph 100-25(2)(a), which the prepaid phone card or facility enables the holder to use, must be supplied by a supplier of telecommunication supplies for the article or facility to be able to satisfy the requirements of that paragraph. A supplier of telecommunication supplies is an entity that makes telecommunication supplies within the meaning given by section 85-10.

Example 1A: primary purpose

32K. Telco Ltd, a supplier of telecommunication supplies, provides a prepaid mobile phone card product (the card) that allows customers to access a number of different services. The card is designed to allow customers to make telephone calls including calls to fixed lines and calls to mobile phones. The card also allows customers to send SMS messages and graphics and images to other capable mobile phones, and to access sound and software content provided by third party suppliers. Considering the range of purposes the facility is intended to perform, the primary purpose of the card is to enable customers to use, on a prepaid basis, telephone or like services supplied by Telco Ltd. Even though the card also has a secondary purpose of enabling customers to access sound and software content provided by third party suppliers, it is a prepaid phone card or facility in accordance with subsection 100-25(2).

[5F] Paragraph 4.15 and Example 4.1.
[5G] See paragraph 4.15 of the 2006 Explanatory Memorandum.

To make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by such a supplier – paragraph 100-25(2)(b)

32L. An article or facility that is supplied for the primary purpose of enabling the holder to make acquisitions that are facilitated by using telephone or like services is also a prepaid phone card or facility. The process for the holder to make such acquisitions may involve the use of a telephone service such as making a call using a mobile phone which enables the holder to acquire certain goods. Alternatively it may involve the use of like services such as sending an SMS from a mobile phone to a particular number. For example, a prepaid phone card for a mobile phone may include a facility which allows soft drink products to be purchased through a vending machine by making a phone call or sending an SMS as indicated above at paragraph 32H.

Prepaid phone card or facility and topping up

32M. A person may purchase a top-up card or docket, which they can attach to an existing prepaid phone card or facility. Such a top-up card or docket is an article or facility in its own right as it enables the holder to use specified types of services after it is attached to a holder's prepaid phone card or phone account. The article or facility operates as a combination of the top-up card or docket and the account which underlies its use. A top-up card or docket will be a prepaid phone card or facility under subsection 100-25(2) and therefore a voucher for the purposes of Division 100 if it has the primary purpose of enabling the holder to use, on a prepaid basis, telephone or like services or to make, on a prepaid basis, acquisitions that are facilitated by using telephone or like services supplied by a supplier of telecommunications supplies. The attaching of the top-up card's value to an existing prepaid phone card or facility does not involve the redemption of the top-up card, because the top-up card has not been redeemed for any supply.

32N. In contrast, an existing prepaid phone card or facility may be topped up directly, for example by using a credit card through the Internet or an electronic bill payment facility. In such cases the customer may not be issued with any thing that constitutes a separate article or facility. Rather, the top-up provides additional consideration for the previous supply of a prepaid phone card or facility and it forms part of the stated monetary value of the voucher rather than being a new voucher in its own right.[5H] If the original voucher is a FVV, there

[5H] See paragraphs 80 to 83F for further information on the stated monetary value of the voucher.

will be no GST payable when the voucher is topped up but GST will be payable when the voucher is redeemed for taxable supplies.

32O. Whether the top up is a voucher in its own right or the top-up is part of the underlying prepaid phone card or facility, the sale of the top-up will not be a taxable supply, provided the requirements of sections 100-25 and 100-5 are otherwise satisfied.

Presentation of voucher must be integral to supplies on redemption

33. The words '…the redemption of which…entitles the holder to receive supplies…' in subsection 100-25(1), indicates that the act of presentation of the voucher, or any part of the voucher, for supplies is an integral requirement before an article can be considered to be a voucher for the purposes of section 100-25.

34. This requirement is supported by subsection 100-10(1) which states that the act of redeeming a voucher is not a supply. Similarly, the Explanatory Memorandum refers to a 'right to acquire something when the voucher is presented'.[6] The reference to the 'act' in subsection 100-10(1), and to the voucher being 'presented' in the Explanatory Memorandum, further indicates that presentation of the voucher is required. The presentation of the voucher is integral to the redemption for supplies.

Example 2: Presentation of voucher integral to supplies on redemption

35. *George buys a $50 voucher from a retail store as a Christmas gift for Shauna. The voucher entitles the holder to a variety of retail supplies up to the value of $50. To obtain the supplies, the voucher must be presented; if it is not, Shauna has no entitlement to supplies as presentation is integral for redemption for supplies. The voucher is one to which section 100-25 applies as its presentation is integral to the supplies to which the holder is entitled.*

36. Where the presentation of the voucher is not integral to the exercise of the right or entitlement to the supplies, the article will not be a voucher for the purposes of section 100-25.

6 Paragraph 1.92 of the House of Representatives Supplementary Explanatory Memorandum to the A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999.

Example 3: Presentation of voucher not integral to supplies on redemption

37. *A club sends each member a letter advising that during the month of May each member is entitled to a bottle of wine valued at $20. The letter is not required to be presented to redeem the member's entitlement to the wine. The member only has to show proof of his or her current membership to receive the bottle of wine. The letter is not a voucher to which section 100-25 applies as its presentation is not integral to the supplies to which the member is entitled.*

Redemption of a voucher

38. The meaning of voucher in section 100-25 includes the requirement that the article entitle the holder to receive supplies upon its redemption. The article must be capable of being redeemed. An article, which is not redeemable for supplies, will not be a voucher.

Example 4: voucher not capable of redemption

39. *A network, consisting of a number of institutions which perform similar services for others in the network, uses articles which the institutions describe as 'vouchers' as a medium of payment for services. The vouchers are not redeemed for the services but retain their value and may be reused any number of times as they circulate in the network. The articles are merely a way of recording and offsetting reciprocal services.*

40. *These articles are not vouchers within the meaning of section 100-25 as they are not redeemable for supplies. The entity, which performs a service, has no obligation, which is evidenced by the article, nor does the possession of the article confer an entitlement upon the holder.*

41. In subsection 100-10(1) the term 'the act of redeeming' refers to the act of the holder of the voucher (that is, the customer at the time of redemption) in handing over or otherwise providing the voucher to the supplier in exchange for supplies. Subsection 100-10(1) was inserted for the avoidance of doubt; preventing the act of giving up of rights or entitlements evidenced by the voucher from being treated as a supply.[7] However, a supply for which the voucher is redeemed is still a supply.[8] Subsection 100-10(1) applies to all vouchers within the meaning of section 100-25.

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7 Paragraph 1.102 of the House of Representatives Supplementary Explanatory Memorandum to the A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999.

8 Note to subsection 100-10(1).

42. Redemption involves the contemporaneous provision of supplies in discharge of the obligation evidenced by a voucher. The making of those supplies must discharge the supplier from the obligation to make the supplies. Redemption may occur by:

- presentation of the physical voucher, including a printed electronic voucher; or
- providing a unique number or other information contained on the voucher by use of either telephone, computer or similar means.

43. The use of a unique number can be in the form of a Personal Identification Number (PIN), a claim number or an access number. For some products the unique number is entered on each occasion to access the entitlement to receive supplies that is, to enable the supplies to be made in discharge of the obligation. In these cases the use of the unique number is for the single function of the presentation and redemption of the voucher for supplies. The use of the number is integral to receiving those supplies.

44. In these circumstances, the entering of the PIN or unique number or access product/number is equivalent to presenting the voucher to the supplier. The supplies made on presentation of the PIN or unique number, constitute redemption of the entitlement.

Example 5: redemption of an electronic voucher

45. *Ezy-gift sells gift vouchers through the Internet. The vouchers are redeemable on-line only. Holders of the vouchers go to the retailer's website and go through the usual process of placing an order. They are required to provide the voucher claim number and expiry date to identify the voucher and the entitlement to supplies. This validation of the voucher is redemption which entitles the holder of the voucher to immediate supplies. The voucher is redeemed for the purpose of the meaning of voucher in section 100-25.*

Example 6: Using a PIN to receive supplies

46. *Angela purchases a $50 phone card that allows her to call any number from any telephone in Australia. Each time Angela wants to make a call, she must first dial a general access number and then input a unique PIN found on the card. By keying in the PIN, Angela is identifying or presenting the phone card to the supplier. She is accessing her entitlement to receive supplies. Angela next dials the telephone number she wants to call. When the supplier connects Angela to that number, the phone card is redeemed to the extent of that call. Keying the PIN is integral to receiving the supplies made on redemption and equivalent to presentation of the card.*

47. For other products, the unique number is entered only to enable the exchange of one obligation for another obligation, or to enable one or more other functions, for example, to top up or recharge. In these cases the use of the number does not have the single function of accessing the right or entitlement for supplies.[8A]

48. Where a unique number is entered and all that happens is that the supplier exchanges one obligation for another, there is no discharge of the supplier's obligation to make supplies. In such an exchange where the holder of an article does nothing to discharge a supplier from the obligation to make supplies, there is simply an extinguishment of the first obligation and the creation of another. An article which can be exchanged for another obligation to make supplies, is not a voucher.[9]

Vouchers and customer accounts

49. A credit to an account, by transferring money to the account, where that money is to be used for future supplies, is not a supply. This is the case even though a card or thing resembling a voucher may be given to create the credit or enable access or use of the credit in the account.

50. The supplier of the facility for the account is not supplying a voucher, nor is it making a supply of money. The supplier of the facility for the account is not making a taxable supply; and it is not providing consideration for a taxable supply.

51. The entity establishing the credit to the account is not acquiring a voucher nor is it making a payment for the credit in the account; rather, the entity is transferring credit into the account as provision for the acquisition of future supplies. The transfer of funds is not a taxable supply; and it is not consideration for a taxable supply. However, where an unused amount in an account is forfeited, for example on a particular expiry date, the amount forfeited is consideration for use of the facility. The use of the facility is a supply which is taxable if the requirements of section 9-5 are met. The relevant GST is attributable on forfeiture.

[8A] For an explanation of the treatment of top-ups or recharges for prepaid phone cards or facilities under subsection 100-25(2), see paragraphs 32A to 32Oof this Ruling.

9 The voucher on redemption does not entitle the holder to receive a reasonable choice and flexibility of supplies. See discussion at paragraphs 74 to 79.

Example 7: Vouchers and customer accounts

52. *Future World Ltd supplies a card to customers for $55.*[9A] *The card has on it a PIN, a stated monetary value, and a telephone number. By using the PIN the card is used to activate an account with a value of $55 on Future World's system. Once the account is activated the card may be discarded. The card is not integral to the future supplies. The card is the means of establishing a credit of $55 in the account. The card is not redeemed for supplies but is transferring money to establish a credit. The card is not a voucher to which section 100-25 applies. The GST treatment of future supplies will be determined when they are supplied. In this case the basic rules in subsection 9-15(3) do not apply, the basic rules in section 9-5 apply when the supplies occur.*

Example 8: electronic payment docket – not a voucher

53. *Fuzzy Enterprise Australia offers a facility whereby a customer may establish and recharge its account by transferring funds to Fuzzy.*[9B] *This can be done by the customer going to a local supermarket, which has a Fuzzy terminal and selecting the value to be transferred to the account using eftpos, credit card, or cash. At the end of the transaction the customer receives a docket which shows various details including the amount transferred, a recharge number, expiry date, and a telephone number which must be dialled and the relevant details entered to activate the recharge to the customer's account. Once the recharge is achieved the docket can be discarded.*

54. *The docket is not a voucher to which section 100-25 applies, nor does section 9-5 apply to the docket. It is a means of establishing or accessing credit held or to be held in an account. The docket itself does not entitle the holder to supplies upon its redemption. The GST treatment needs to be determined when the supplies are made. However, if the docket or recharge number can be used to obtain immediate supplies, the docket may be a voucher to which section 100-25 applies.*

Section 100-5 requirements: Step 2

55. Section 100-5 does three things. Firstly, it imposes additional conditions that must be satisfied before a section 100-25 voucher will be a FVV. Secondly, subject to the conditions in the section, it states that the supply of a voucher that meets such conditions is not a taxable supply. Thirdly, it directs how the consideration for a taxable supply of the voucher is to be ascertained.

[9A] This card is not a prepaid phone card or facility under subsection 100-25(2).
[9B] This facility is not a prepaid phone card or facility under subsection 100-25(2).

56. The requirement for a FVV first to be a voucher as defined in section 100-25 is discussed at paragraphs 20 to 54. In the following paragraphs we discuss the following additional requirements of section 100-5 and their consequences:

- the supply of a voucher must otherwise be a taxable supply (discussed at paragraphs 57 to 67);
- 'the holder of the voucher is entitled' (discussed at paragraphs 68 to 73);
- upon redemption the voucher must entitle the holder to receive a reasonable choice and flexibility of supplies. (discussed at paragraphs 74 to 79);
- the voucher must have a stated monetary value (discussed at paragraphs 80 to 83F); and
- on redemption of the voucher the holder is entitled to supplies up to its stated monetary value (discussed at paragraphs 84 to 129).

The supply of a voucher must otherwise be a taxable supply

57. Subsection 100-5(1) provides that, in certain circumstances, the supply of a voucher is not a taxable supply. If these circumstances are not present, the supply would be a taxable supply if the requirements of section 9-5 are satisfied.[10] Therefore, section 100-5 only applies when the supply of the voucher would be taxable under the basic rules in Chapter 2 of the GST Act.

There must be consideration for the supply of a voucher

58. One of the requirements for a supply to be taxable is that it must be made for consideration.[11] For section 100-5 to apply there must be consideration for the supply of the voucher. If there is no consideration for the supply of the voucher section 100-5 does not apply and the basic rules apply.[12] Similarly, subsection 100-10(3) will not apply as it will only apply to vouchers which meet the requirements of both section 100-25 and section100-5.[13] For example, section 100-5 will not apply to a voucher which has been:

- donated by an entity to a charity; or

10 See paragraphs 8 to 12 of this Ruling.
11 See section 9-5.
12 Subject to the operation of the associate rules in Division 72.
13 See paragraph 87 for citation of paragraph 1.95 of House of Representatives Supplementary Explanatory Memorandum to the A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999.

- given away, as an unsolicited gift or unsolicited promotional item (non-charity).

Example 9: voucher donated to a charity

59. *Retailers Galore donates to a charity 100 vouchers with a stated monetary value of $50 each. The vouchers meet the requirements of section 100-25. Retailers Galore does not receive any consideration for the supply of the vouchers. The charity distributes the vouchers to the needy who, in turn, go to their local Retailers Galore store where the vouchers are redeemed for supplies.*

60. *As there was no consideration for the supply of the vouchers the requirements of section 100-5 are not met. The supply of the vouchers is not a taxable supply under section 9-5 because the supply is not for consideration.*[14] *There is no GST on the later supplies on redemption of the voucher unless consideration in addition to the voucher is given by the holder.*[15]

Example 10: voucher supplied for no consideration

61. *Retailers Galore opens a new store in a shopping complex in Brisbane. As part of their opening celebrations it is decided that on the first morning the new store is open they will have two of the local football club's cheerleaders walk around the shopping complex handing out $5 gift vouchers specially printed for the day. The gift vouchers entitle the holder, on redemption, to supplies up to the stated monetary value of $5. The vouchers meet the requirements of section 100-25.*

62. *The gift vouchers are given away for no consideration. Section 100-5 does not apply and therefore, the other provisions of Division 100 also do not apply. The supply of such a gift voucher is not a taxable supply under section 9-5 because the supply is not for consideration. There will be no GST on the supplies on redemption of the voucher unless consideration is given in addition to the voucher by the holder and the other requirements for a taxable supply are satisfied.*[16]

63. If subsection 100-5(1) applies to a voucher it is a FVV. The supply of the FVV is not a taxable supply and no GST is payable.

64. However, where the consideration for the supply of a FVV exceeds its stated monetary value, subsection 100-5(2) applies and the

14 Section 9-5 paragraph (a).
15 Paragraph 9-15(3)(a).
16 Paragraph 9-15(3)(a).

supply of the FVV is a taxable supply, to the extent the consideration exceeds the stated monetary value on the FVV.

65. An example of a FVV for which the consideration may exceed the stated monetary value is a commemorative FVV (that is, a FVV issued to recognise or celebrate an historic moment or event).

Example 11: consideration exceeding stated monetary value of a FVV

66. *Owen pays $61 for a limited edition Olympic Moments FVV with a stated monetary value of $50. As the consideration exceeds the monetary value stated on the FVV, the supply of the FVV to Owen is a taxable supply. The consideration for the supply of the FVV is treated as if it were $11 ($61 less $50, the stated monetary value of the FVV). The GST payable on the supply of the FVV is $1. On redemption of the FVV for supplies, the consideration is the stated monetary value of the FVV if it is redeemed in full (that is, $50).*

Vouchers and financial supplies

67. As noted earlier, section 100-5 only applies to the supply of a voucher if the supply was otherwise a taxable supply. The supply of a voucher may be a financial supply which is input taxed under Subdivision 40-A - Financial Supplies. These vouchers are not FVVs and must be considered under Subdivision 40-A. Examples of things which cannot be FVVs are:

- a debit card which is linked to accounts provided by an Australian authorised deposit-taking institution;
- an account facility which is linked to accounts provided by an Australian authorised deposit-taking institution;
- a stored value card which is linked to accounts provided by an Australian authorised deposit-taking institution;
- Australian currency; or
- cheques and travellers cheques.

The holder of the voucher is entitled

68. For the purposes of the Division, the holder of a voucher at a particular time is whoever has ownership, power of disposal, use or possession of the voucher at that time.[17]

17 Section 100-25 requires the holder, on redemption of a voucher to be entitled, in accordance with its terms, to the supplies promised by the voucher.

69. Vouchers are usually issued without stipulating any particular entity who is entitled to the supplies on redemption. Some vouchers may be issued to a specific entity, which alone may redeem the voucher. Some vouchers may state that they are 'not transferable'. However, most vouchers are freely transferable and anonymous.

70. In the case of transferable, anonymous vouchers, the 'holder' is the person who has possession or use of the voucher at the time of redemption.

71. For non-transferable vouchers or vouchers which name a specific recipient, the 'holder' is the person who originally acquired the voucher and/or is named on it, as no one else is entitled to supplies on its redemption.

72. A voucher may be supplied between a number of entities before it comes into the possession of the holder who presents it for supplies. Supplies of a transferable, anonymous voucher between intermediate entities are supplies to which section 100-5 may apply. That is, section 100-5 may apply at every stage of the supply of the voucher.

Example 12: application of section 100-5 in a FVV supply chain

73. *An industry association sells vouchers to various retail outlets. The retail outlets on-sell the vouchers to their customers. On presentation, the vouchers entitle the holder, to supplies up to the monetary value stated on the voucher. The voucher is a FVV. The customers can redeem the FVVs in any of the participating stores. The supply of the FVV by the association to a retail outlet, and the supply by the retail outlet to a customer, are not taxable supplies under subsection 100-5(1).*

Reasonable choice and flexibility of supplies

74. The supplies to which the holder is to be entitled under section 100-5 are supplies *up to* the stated monetary value, not supplies *of* a stated monetary value. A voucher that entitles its holder to a specified supply is not one to which subsection 100-5(1) applies, even if a monetary value or price is stated on the voucher. What is required, is that the terms of the voucher must entitle the holder to a reasonable choice and flexibility as to the types of supplies for which the voucher may be redeemed.

75. The Explanatory Memorandum to Division 100 explains this requirement in section 100-5 as follows:

> 1.97 Only vouchers that entitle the holder to supplies up to the monetary value stated on the voucher come within Division 100. The types of things contemplated are vouchers etc.

> which entitled the holder to goods or services from a particular provider up to the value stated (for example a gift voucher)…
>
> 1.98 Division 100 will not cover things which are for a specified good or service but which may also state a price or value of the good or service, such as a bus ticket, a movie ticket or an airline ticket. These types of supplies entitle the holder to a specified service such as a set number of trips on a bus or travel on a particular date or over a particular period (for example a monthly bus pass). These types of supplies are subject to the normal rules and subject to GST at the time of the supply of the ticket etc.[18]

76. A voucher may be for a specific type of supply such as 'dog grooming services' and state a monetary value. To come within section 100-5, the voucher must not stipulate the specific supply or be limited to a specific supply. For example, a statement on a voucher that it entitles the holder to a deluxe dog wash and clip priced at $20 would preclude the voucher from being treated under section 100-5 as it is for a specific supply.

Example 13: car wash voucher – a FVV

77. *Hans buys a voucher from his local service station. The voucher entitles him to car wash services up to the value of $50, the amount is clearly indicated on the voucher. The car wash offers a range of wash products (for example, Prime, Premium and Superlative), which are of different values, as well as vacuuming, waxing, polishing, window cleaning and perfuming. Hans may use the voucher to acquire any of the services or any combination of them up to the monetary value of his voucher. This is a FVV because there is reasonable choice and flexibility as to the supplies for which the voucher may be redeemed.*

Example 14: car wash voucher - not a FVV

78. *Karl buys a voucher from the same local service station that states that he is entitled to one Superlative car wash priced at $30. The $30 is stated prominently on the voucher. This voucher is not one to which section 100-5 applies as it entitles Karl to an identified specified supply at a specified price.*

18 House of Representatives Supplementary Explanatory Memorandum to the A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999.

Example 15: 'day rover' ticket– not a FVV

79. *A 'day rover' ticket entitles the holder to a day's unlimited travel either by train, bus or ferry for a period of 12 hours. The ticket is sold for $10 and this amount is printed on it. The holder of the ticket may actually undertake travel valued at, for example, $20 but is not required to make any further payment. The holder is entitled to public transport with a value that varies below or above the stated monetary value of the ticket depending on the travel undertaken. The holder is not entitled to supplies 'up to' the monetary value stated on the voucher. The 'day rover' ticket is not a voucher to which section 100-5 applies because it only entitles the holder to the specific supply of the right to travel for a set number of hours.*

The stated monetary value of the voucher

80. Paragraph 100-5(1)(a) requires that a voucher have a 'stated monetary value'.

80A. Subsections 100-5(2A) and 100-5(2B) define 'stated monetary value' as follows:

> **(2A)** The ***stated monetary value***, in relation to a *voucher other than a *prepaid phone card or facility, means the value stated on the voucher or in documents accompanying the voucher.
>
> **(2B)** The ***stated monetary value***, in relation to a *voucher that is a *prepaid phone card or facility, means the sum of:
>
> (a) in any case – the monetary value stated on the voucher or in documents accompanying the voucher; and
>
> (b) if the voucher is topped up after it is supplied – the monetary value of the top-up stated on the voucher or in documents accompanying the top-up.
>
> However, disregard the monetary value stated on the voucher (or in documents accompanying the voucher) or top-up (as the case requires), of any bonus supplies covered by the voucher or top-up (as the case requires).

80B. Subsections 100-5(2A) and 100-5(2B) indicate that the stated monetary value is intended to be different depending on whether or not the article is a prepaid phone card or facility.

80C. A voucher other than a prepaid phone card or facility satisfies section 100-5 if the stated monetary value is explicitly set out on the voucher or in documents accompanying the voucher.

80D. A voucher which exists partly in a physical form and partly in an electronic or machine readable form, can still satisfy this requirement.

81. A document may meet the requirements to be a voucher. Order 1 Rule 4 of the *Federal Court Rules* defines a 'document' to include any record of information which is a document within the definition contained in the Dictionary in the *Evidence Act 1995* and any other material data or information stored or recorded by mechanical or electronic means.[19]

82. If all the information evidencing the holder's entitlement to supplies up to a monetary value is on the voucher it may be a voucher to which section 100-5 applies. For example, the voucher may exist on paper or a plastic card, and the monetary value may be incorporated in a bar code or a magnetic strip on the voucher. The monetary value must be so incorporated for the life of the voucher. The bar code or magnetic strip may also incorporate the unredeemed value remaining on the voucher. The monetary value stated on the voucher can be evidenced through the assistance of mechanical or electronic means. This requirement can also be satisfied if the voucher exists only in electronic form. A visual image of the voucher on screen showing the relevant monetary value will satisfy this requirement.

Example 16: Voucher with monetary value encoded in magnetic strip

83. *A hardware store issues plastic vouchers which entitle the holder to receive supplies from the store up to the value stated on the voucher. The voucher states the name of the store on its front and that the holder is entitled to supplies up to the monetary value stored on the magnetic strip on the reverse side. The magnetic strip states the monetary value of the voucher and the unredeemed value of the voucher. The magnetic strip requires a card reader to read the stored monetary value of $100. The requirement that the monetary value be stated on the voucher is satisfied.*

83A. A voucher which is a prepaid phone card or facility under subsection 100-25(2) and which is able to be topped up or recharged can satisfy the requirement of having a stated monetary value in section 100-5 and may therefore be a FVV.[19A]

83B. If a voucher that is a prepaid phone card or facility is topped up, the stated monetary value of the voucher is the sum of the unredeemed amount of the voucher and the top-up amount. If the voucher or top-up includes an entitlement to any bonus supplies such

19 The meaning of 'document' in the Evidence Act 1995 includes as a document, anything from which sounds, images or writings can be reproduced with or without the aid of anything else.

19A In contrast, an article other than a prepaid phone card or facility which is able to be topped up does not meet the requirements of section 100-25 as it is a multi function voucher. See paragraphs 30 to 32 of this Ruling.

as extra credits, additional call time or additional text messages, the value of these supplies is not included in the stated monetary value.[19B]

83C. In ascertaining the consideration for a supply of a thing acquired in wholly or partially redeeming a voucher, section 100-12 should be taken into account.[19C] Broadly, this section confirms that when a supply is made on full or partial redemption of a voucher, the consideration is calculated by reference to the extent to which the redemption represents the stated monetary value of the voucher. In this context, where the supply is a bonus supply, and therefore there is no redemption of the voucher, there is no consideration under section 100-12.

83D. In determining the extent, if any, to which a voucher is redeemed, the facts and circumstances of the particular supply including the arrangements between the supplier and the holder of the voucher and the way in which the stated monetary value is reduced need to be taken into account. If the facts and circumstances provide no indication, it may be that the stated monetary value is first reduced in full when supplies are made on redemption of the voucher prior to accessing the bonus supplies.[19D]

Example 16A: Stated monetary value for a prepaid phone card or facility

83E. Trent purchases a rechargeable prepaid phone card which has a stated monetary value of $100. In the relevant tax period, Trent uses the prepaid phone card to make calls within Australia, resulting in a debit to his card of $60. In the same period the telecommunication supplier remits the GST based on consideration of $60. In the following tax period, Trent recharges the card with a further $40. The stated monetary value of the card is now $80 and comprises the $40 remaining on the voucher which has not been redeemed and the $40 top-up.

83F. As part of a marketing strategy the telecommunication supplier provides Trent with bonus credits of $150 if the card is topped up for an additional $50. Trent accepts this offer and tops up the card. The stated monetary value of Trent's prepaid phone card is now $130 comprising the unredeemed stated monetary value of $80 and the top-up of $50. The bonus credits of $150 are disregarded in determining the stated monetary value of the voucher.

[19B] Subsection 100-5(2B).
[19C] See paragraphs 89 and 90 of this Ruling for further discussion.
[19D] See paragraph 4.24 and Example 4.5 of the 2006 Explanatory Memorandum.

Redemption of a FVV

84. Division 100 provides that, except where subsection 100-5(2) applies, the supply of a FVV for consideration is not a taxable supply, and there is no GST payable at this point. The point at which a GST liability may arise is when a supply or supplies is made on redemption of a FVV.[20] This supply will be taxable if the requirements in section 9-5 are met.

Paragraph 9-15(3)(a) does not apply to the supply or to the redemption of a FVV

85. When a taxable supply is made on redemption of a voucher, GST will be payable based on the price of that supply. Under section 9-75, the price is the sum of all the consideration for that supply. A supply made on redemption of a voucher is also potentially subject to paragraph 9-15(3)(a). This is because a voucher as defined in section 100-25 is a document which evidences the right to receive supplies. Paragraph 9-15(3)(a) operates so that the consideration for the supplies is limited to any additional consideration. If there is no additional consideration, there will be no GST payable.

86. However, subsection 100-10(3) contains a special rule that provides that paragraph 9-15(3)(a) does not apply when a FVV is redeemed. The effect of this rule is that the consideration is not limited to any additional amount paid when a supply is made on redemption. Subsection 9-15(1) will apply and all consideration provided for the supply made on redemption is taken into account in determining the GST payable.

87. This point is illustrated by paragraph 1.95 of the Explanatory Memorandum which states:

> 1.95 When a voucher covered by Division 100 is redeemed, paragraph 9-15(3)(a) will not apply [new subsection 100-10(3)]. On redemption the normal rules will apply and the consideration for the supply will be the value stated on the voucher. If a voucher is redeemed for goods or services of a lesser value and cash is refunded, the consideration for the supply will be the value stated on the voucher less the amount refunded.[21]

88. In contrast, if the voucher is not a FVV, there is no GST payable on redemption of a voucher, if no additional consideration is provided with the voucher.[22]

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20 The act of the customer in providing the voucher for a supply is not itself a supply (subsection 100-10(1)). See also paragraph 41 of this Ruling.

21 Paragraph 1.95 of the Supplementary Explanatory Memorandum to A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999.

22 This is discussed further at paragraphs 177 to 181 of this Ruling.

Consideration for the supply on redemption

89. Section 100-12 clarifies that when a voucher is redeemed for a taxable supply, the consideration for the supply is the stated monetary value on the voucher less any amounts refunded, plus any additional consideration provided for the supply. If a voucher is partly redeemed for a taxable supply, the consideration for the supply is the amount of the stated monetary value of the voucher that the redemption represents and any additional consideration for the supply.[22A]

90. Section 100-12 applies to supplies made on or after 11 May 2005[22B] and is a clarifying amendment as noted in paragraph 4.7 of the 2006 Explanatory Memorandum:

> Division 100 is intended to apply so that, on redemption of a voucher, the supplier of the goods or services is required to remit GST calculated on the stated monetary value on the voucher. The monetary value may be stated on the voucher or in documents accompanying the voucher. If, on redemption of the voucher, the supplier of the goods and services did not remit GST based on the stated monetary value, any value added by distributors of vouchers, initially supplied to them at an amount less than the value stated on the voucher, would not be subject to GST.

91. [Omitted]

92. [Omitted]

93. [Omitted]

94. [Omitted]

95. [Omitted]

96. [Omitted]

97. [Omitted]

98. [Omitted]

99. [Omitted]

100. [Omitted]

101. [Omitted]

102. [Omitted]

103. [Omitted]

104. [Omitted]

[22A] See paragraph 4.19 of the 2006 Explanatory Memorandum.

[22B] For the Tax Office view on supplies made before 11 May 2005, refer to paragraphs 89 to 109 of GSTR 2003/5 as it stood prior to the changes made by Addendum GSTR 2003/5A.

105. [Omitted]

106. [Omitted]

107. [Omitted]

108. [Omitted]

109. [Omitted]

Consideration for the supply on redemption - where change is given

110. Where the price of a taxable supply made on redemption of a FVV is less than the stated monetary value of the voucher and no change is given, the consideration for that supply will be that stated monetary value.[32]

Example 19: FVV fully redeemed - no change is given

111. *Regina fully redeems a $20 FVV to purchase goods with a value of $15. No change is given by the retailer. The consideration for the supply of goods to Regina is the $20 stated monetary value of the FVV. The retailer will remit GST of 1/11 of $20.*

112. If a FVV is redeemed for supplies of a lesser value and change is given, the consideration for the supply will be the stated monetary value of the FVV less the amount refunded. This treatment is like tendering cash for a purchase and receiving change.[32A]

Example 20: FVV fully redeemed - with change given

113. *Nancy uses a $20 FVV to purchase goods with a value of $17. The retailer gives Nancy change of $3. The consideration for the supply of goods to Nancy is the stated monetary value of the FVV, $20, less the change of $3. The retailer will remit GST of 1/11 of $17.*

114. The supplier of the goods or services on redemption, will be liable for GST calculated on the full consideration based on the stated monetary value on the FVV, less any change, even if the FVV was supplied at a discount to its stated monetary value.

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[32] See paragraph 1.95 of the House of Representatives Supplementary Explanatory Memorandum to the A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999

[32A] Section 100-12 and paragraph 4.19 of the 2006 Explanatory Memorandum.

Example 21: FVV purchased at a discount, change is given when redeemed

115. *Kate is offered a 10% discount on the purchase of a FVV by a local retailer. She pays $18 for a FVV with a stated monetary value of $20. Kate uses the FVV to purchase goods with a value of $19. The retailer gives to Kate $1 change. The consideration for the supply of goods to Kate is the stated monetary value of the FVV ($20) less the $1 change given. The retailer will remit GST of 1/11 of $19.*

A FVV that can be redeemed for another FVV

116. Section 100-5 will apply to the supply of a voucher even where that voucher can only be redeemed for any of a number of different vouchers. The other voucher(s) must satisfy all the requirements in section 100-5.

Example 22: FVV that can be redeemed only for other FVVs

117. *Greyacres Pty Ltd owns and manages a number of shopping centres. It sells vouchers (the 'original FVV') with stated monetary values ranging from $20 to $100. Holders of these FVVs can redeem them at the centre management office for their choice of retailer branded FVVs (the 'exchange FVVs') up to the stated monetary value on the original FVV. The exchange FVVs each entitle the holder to supplies up to its stated monetary value from the chosen retailer. As the holder has a reasonable choice and flexibility as to the supplies for which the FVV is redeemed both the original voucher and the exchange vouchers are FVVs.*

Example 23: A FVV redeemed for supplies and another FVV

118. *Edmond uses a $100 FVV to buy video games priced at $80. The retailer gives Edmond, as change, another voucher with a stated monetary value of $20. Consideration for the supply of the video games is $80. The $20 voucher is also a FVV. The supply of the $20 voucher is not a taxable supply. Both the $100 voucher and the $20 voucher are FVVs.*

Partial redemption of a FVV

119. A voucher may be partially redeemed in a transaction and still be a FVV. If a FVV is only partially redeemed, the consideration for the supplies on redemption is taken to be the sum of the stated

monetary value of the voucher that the redemption represents and any additional consideration provided for the supply.[32B]

Example 24: partial redemption of a FVV

120. *Eric uses a $10 FVV to acquire a can of soft drink. The value remaining on the FVV is $8. This is a partial redemption and the consideration for the taxable supply of the soft drink is the amount by which the FVV is being redeemed, namely $2 ($10 - $8).*

Increasing adjustments for unredeemed FVV s – section 100-15

121. Section 100-15 applies only to FVVs. There may be circumstances where some FVVs are not redeemed. Section 100-15 requires increasing adjustments to account for the GST payable on FVVs where:

- a voucher was supplied for consideration;
- the voucher was a FVV;
- the voucher has not been fully redeemed; and
- the supplier of the voucher writes back, for accounting purposes, to current income any reserves for the redemption of the voucher.[33]

122. A FVV that is unredeemed, in full or in part, when it expires may be subject to section 100 15, but only to the extent that it is not redeemed.

Example 25: increasing adjustment – FVV expires redeemed in part

123. *Coffee Cafe sells a $100 FVV to Adam in March 2001. The FVV is valid for twelve months from the date of issue. Adam uses the FVV to acquire goods to a total cost of $67 before it expired in March 2002. When Coffee Cafe writes back to current income the unused credit of $33, there is an increasing adjustment of $3 (1/11 x $33) for GST purposes.*

124. Section 100-15 does not apply to a voucher that was supplied for no consideration.[34]

125. Where a supplier does not maintain reserves for the redemption of FVVs, the expiry of a FVV will trigger an increasing adjustment in the relevant Business Activity Statement (BAS).

[32B] Subsection 100-12(2) and see paragraph 4.19 of the 2006 Explanatory Memorandum.
33 Subsection 100-15(1).
[34] Paragraph 100-15(1)(a).

125A. The amount of the adjustment is 1/11 of the stated monetary value of the voucher to the extent to which it has not been redeemed.[34A]

Redemption of a voucher after increasing adjustment made

126. It is a commercial matter for suppliers as to whether they redeem expired vouchers. From a GST perspective, as the voucher has expired, GST should already have been paid following the adjustment requirements in section 100-15. The honouring of an expired voucher only affects the tax period in which GST should have been remitted.

127. If a supplier chooses to redeem a voucher after an increasing adjustment has been made under section 100-15, the supplier can revise the relevant BAS to cancel the adjustment and attribute the GST to the relevant tax period in accordance with Division 29.

128. However, the Commissioner accepts that so long as an increasing adjustment has been made, there is no need to make a further adjustment where the amount of the earlier section 100-15 increasing adjustment equals or exceeds the later amount. If the later amount exceeds the earlier amount, the excess should be attributed in accordance with the Division 29 attribution rules in the tax period in which the expired voucher is redeemed.

Example 26: attributing GST where an expired voucher is subsequently honoured

129. *Further to Example 25, above, Adam is unhappy at losing the $33 remaining on the voucher. He discusses it with the manager of Coffee Café who agrees to honour the voucher up to the unused credit of $33. Coffee Café may revise down by $3 the BAS in which the increasing adjustment of $3 for the unredeemed voucher was made. If it does this it will need to attribute GST to the relevant tax periods as the voucher is redeemed. Because of the small amount involved Coffee Café decides not to do this, but rather to leave the increasing adjustment of $3 made in an earlier tax period, unchanged. Coffee Café recognises that the amount of GST it has to remit has not changed, only the timing.*

Supply of a FVV with something else - apportionment of consideration

130. Sometimes FVVs are provided as part of a supply with something else. If the FVV is a separately identifiable part of the supply the consideration for the supply should be apportioned between

[34A] Subsection 100-15(2).

the parts. The apportionment must be on a reasonable basis and supportable by the facts in the particular circumstances.[35]

131. The fact that a FVV supplied as part of a package for one amount of consideration is described as being 'free' does not mean that consideration cannot be apportioned to the supply of the FVV. This means that, for example, in a transaction in which a 'free' FVV is supplied on condition that something else is purchased, the purchase price is consideration for all of the things supplied, including the 'free' FVV and consideration should be apportioned to the supply of the FVV.

132. The amount of the consideration to be apportioned to the supply of a FVV is the stated monetary value of the FVV. This is because the consideration for the supplies to be made on redemption of the FVV is the stated monetary value of the FVV (refer to paragraphs 89 to 90).[35A]

133. If part of a supply is a voucher to which section 100-5 does not apply and it is taxable, and if part of the supply is not taxable (because it is GST-free or input taxed or otherwise not taxable), apportionment of the consideration to the different parts of the supply is necessary for the proper operation of the GST Act.

Example 27: supply of a FVV with something else

134. *As part of a promotion for a new line of whitegoods, a retailer provides a FVV with each sale. The FVVs can be exchanged in that store for any supplies up to the stated monetary value of the FVV.*

135. *The GST payable on the sale of a refrigerator with a $220 FVV for a price of $1,067 is based on consideration for the refrigerator being $847 (the total consideration of $1,067 less the stated monetary value of the FVV). The GST payable on the sale of the refrigerator is $77 (1/11 x $847).*

136. *When the customer uses the FVV to buy other goods from the retailer, there is $20 (1/11 x $220) GST payable by the retailer based on the stated monetary value of the FVV.*

137. *However, if the voucher provided with the refrigerator is for a specified item, for example, a toaster, the GST payable on the sale of the refrigerator and the voucher is $97 (1/11 x $1,067). The supply of the voucher is taxable because section 100-5 does not apply. There is no need to apportion consideration between the refrigerator and the voucher as both are taxable supplies.*

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35 Refer to Goods and Services Tax Ruling GSTR 2001/8 which is about apportioning the consideration for a supply that includes taxable and non-taxable parts.

35A Section 100-12.

138. *Unless additional consideration is provided on redemption of the voucher for the toaster, there will be no GST payable on the supply of the toaster (paragraph 9-15(3)(a)).*

Third party payments and supplies of services separate to the FVV

139. The following discussion relates solely to the treatment of FVVs. It can be relied upon only for the purpose of determining the treatment of:

- a payment from a third party to the entity making the supplies on redemption of the FVV; and
- a payment from an entity making the supplies on redemption of the FVV to a third party for the supply of services.

140. An agreement may exist between an entity (often a retailer), who agrees to accept FVVs as consideration for supplies, and a third party who usually supplies the FVV either to a retailer, or directly to a customer. This agreement will usually provide for a number of things, including:

- the third party will supply other services to the redeeming entity. These services may include the administration, facilitation, and promotion of the FVV arrangement;
- the third party will make a payment to the entity upon redeeming the FVV for supplies; and
- the redeeming entity agrees to pay a fee or commission to the third party as consideration for all things supplied by the third party.

141. The payment made by the third party to the redeeming entity may equal the stated monetary value of the FVV; or the stated monetary value of the FVV reduced by a discount, fee, commission or other amount.

142. The payment from the third party to the redeeming entity is not consideration for the supplies made on redemption of the FVV[36]; nor is the payment consideration for a supply by the redeeming entity to the third party.[37] The payment is made as part of the third party's performance of its contractual obligations under the agreement.

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36 Subsection 9-15(2) does not apply.

37 Refer to GSTR 2001/6 which is about non-monetary consideration; in particular paragraphs 83 to 85 and the discussion on exchanging of rights and obligations between parties under an agreement.

143. The payment to the redeeming entity is similar, for GST purposes, to a payment by a credit card issuer to a retailer that accepted a credit card payment as consideration for supplies. This analogy was made in *Kingfisher plc v. Commissioners of Customs and Excise* [2001] BVC 49 and *Customs and Excise Commissioners* v. *High Street Vouchers Ltd* (1990) 5 BVC 89.[38] In both these cases, neither party nor the Court sought to characterise the payment by the third party to the redeeming entity as consideration for a supply by the redeeming entity. The payment to the redeeming entity is not a separate supply because it is a supply of money.[39] The relevant cases indicate the commission or discount was consideration for the services provided by the third party, and that there were no further GST consequences in relation to the payment by the third party to the redeeming entity.[40]

144. If the third party is not acting like a credit card issuer would act, then the payment it makes to the entity may be consideration for a taxable supply by the entity to the third party; or the payment may be additional consideration for the taxable supplies made by the entity on redemption of the FVV. The agreement between the redeeming entity and the third party, and how the agreement is implemented will determine the appropriate GST treatment.

145. Where a fee is paid by the redeeming entity to the third party, the fee represents remuneration for all services supplied by the third party to the entity. The supply of services by the third party to that entity is a taxable supply if the requirements of section 9-5 are met (unless section 100-18 applies as discussed in paragraphs 157 to 158E). The redeeming entity will be entitled to an input tax credit if the requirements of section 11-5 are met.

146. In the usual circumstances described at paragraphs 139 to 140, the supply of the third party's services is not a financial supply for the purposes of Subdivision 40-A as it is not the supply of an interest as listed in the table in Regulation 40-5.09. This means that the supply of services is not input taxed.[41]

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38 Also note *R v. Commissioners of Customs and Excise, ex parte F & I Services* [2001] BVC 347, *Commissioners of Customs and Excise v Primback Ltd* (Case c-34/99) [2001] BVC 315, *Davies v Commissioners of Customs and Excise* (1974) 1 BVC 23.

39 Subsection 9-10(4).

40 *Customs and Excise Commissioners v Diners Club Ltd; Cardholder Services Ltd.* (1989) 4 BVC 74 and *Chaussures Bally SA v Belgian State, Minister of Finance* (Case C-18/92) [1993] ECR I-2871, *Yorkshire Co-operatives Ltd v. Commissioners of Customs & Excise* Case C-398/99 handed down on 16 January 2003.

41 Subsection 40-5(1).

Example 28: payment by third party

147. *A retailer enters into an arrangement with a third party to redeem FVVs. Under the terms of the arrangement, the third party pays the retailer a net amount of 95% of the stated monetary value of each FVV the retailer redeems, retaining 5% as commission.*

148. *There is GST payable on the taxable supplies to the customer on redemption of the FVV based on the full stated monetary value of the FVV. The net payment (95%) received by the retailer from the third party comprises an amount equal to the stated monetary value of the FVV less the (5%) commission.*

149. *The commission received by the third party is consideration for all things supplied by the third party to the retailer. This is a taxable supply if the requirements of section 9-5 are met.*[41A]

150. *The payment from the third party to the retailer is not a separate supply, nor is it consideration for a separate supply from the retailer to the third party. The payment is made as part of the third party's performance of its contractual obligations under the agreement.*

Alternative view on third party payments

151. An alternative view is that the payment is consideration for a separate taxable supply. Under this view the taxable supply is the release by the redeeming entity of the third party's obligation to make the payment.[42] This is not the ATO's view.

152. The consideration for the supply of the release from the obligation is the payment made by the third party to the entity. The entity will be liable for GST and the third party will be entitled to an input tax credit on this taxable supply.

153. The agreement between the entity and the third party, and facts and circumstances of each situation will determine the appropriate GST treatment.

154. However, where there is merely a payment by a third party, it does not amount to a release of the third party's obligation to pay.[43] The third party's obligation is extinguished by the third party making the payment. There is no supply in these circumstances.

[41A] Section 100-18 does not apply because the third party in this example has issued the FVV which the retailer merely accepts redemption of. That is, the third party is neither selling the voucher as agent for the retailer, nor is there a distribution chain in which the retailer sells the voucher to the third party which then on-sells the voucher.

42 This view was expressed in the draft GST Ruling GSTR 2000/D22 paragraphs 68 to 71 based on paragraph 9-10(2)(g).

43 Paragraph 9-10(2)(g) does not apply.

Supply of services involved in FVV production

155. The supply of a FVV should be distinguished from a supply of services involved in the design and/or production of a FVV. The supply of services is a taxable supply if the requirements of section 9-5 are met.

Example 29: supply of services

156. *ABC Enterprise places an order with a printing company for the production of 1,000 FVVs with various stated monetary values ranging from $20 to $100. The printing company delivers the order to ABC's premises and is paid $800. The payment the printing company receives is consideration for the supply of printing services not for the supply of FVVs. Section 100-5 has no application. The supply of services is a taxable supply if the requirements of section 9-5 are met. ABC Enterprise is entitled to an input tax credit for the acquisition of the services if the requirements of section 11-5 are met.*

Arrangement for supply of a voucher under section 100-18

157. The GST treatment of a commission or similar payment made by a supplier of a voucher to another entity will depend on whether section 100-18 applies. That is, if a supplier of a voucher enters into an arrangement in writing with another entity (who may or may not be an agent of the supplier) to supply a voucher to a third party, section 100-18 applies to simplify accounting for GST.[43A]

158. For the purposes of section 100-18 the arrangement must:

- be in writing;
- be one under which the other entity supplies (whether or not as an agent on the supplier's behalf) a voucher to a third party; and
- require the supplier to pay, or be liable to pay, an amount as a commission or similar payment.

158A. If, under such an arrangement, the supplier pays or is liable to pay to the other entity a commission or similar payment, the supply of services to which that payment relates is treated under section 100-18 as if it were not a taxable supply.[43B]

[43A] Section 100-18 applies in relation to supplies of FVVs made on or after the date of the Royal Assent of the *Tax Laws Amendment (2006 Measures No. 1) Act 2006*, 6 April 2006.

[43B] Subsection 100-18(2).

158B. The effect of treating a commission or similar payment as not being consideration for a taxable supply is that it is not necessary for the entity supplying the services to remit GST in respect of its supply. It follows that the supplier of the voucher cannot claim a corresponding input tax credit for its acquisition of services.

Example 30: Section 100-18 arrangements

158C. Ian and Claire enter into a written arrangement where Ian engages Claire to sell his FVVs to third parties for a commission.

158D. Under this arrangement, Ian makes a supply of the FVV, which is not a taxable supply, to Claire. Claire does not make a creditable acquisition of the FVV from Ian. Claire later makes a supply of the FVV, which is not a taxable supply, to a third party.[43C]

158E. Because Ian and Claire have entered into an arrangement that meets the requirements of section 100-18, the supply of services from Claire to Ian, for which the commission is consideration, is treated as if it were not a taxable supply.

Subdivision 153-B arrangements

158F. As discussed above, section 100-18 applies to simplify accounting for GST on commission and similar payments in vouchers scenarios. While Subdivision 153-B also applies to simplify accounting for GST between principals and agents, it is not applicable to supplies of an agent's services to a principal for a commission or similar payment in relation to supplies of FVVs.

159. Subdivision 153-B contains special rules which enable a principal and agent to enter into a particular arrangement where the agent is treated as a principal for GST purposes. Under a Subdivision 153-B arrangement the principal and agent are permitted to treat the supplies from the principal to a third party as two separate supplies. That is, a supply from the principal to the agent, and another supply from the agent to the third party.

160. Although Subdivision 153-B arrangements may be made in relation to any type of supply (taxable, GST-free or input taxed), section 153-55 only applies to supplies that are taxable supplies.[44] Section 153-55 allows for the calculation of the agent's payment to be reduced by the amount the principal pays, or is liable to pay, to the agent, that is, the agent's commission.

[43C] Section 100-5.

44 See Goods and Service Tax Ruling GSTR 2000/37 and Addendum GSTR 2000/37A.

161. As the supply of a FVV is not a taxable supply, the effect of section 153-50 on the arrangement is that there is a supply of the FVV by the principal to the agent and a supply by the agent of the FVV to a third party. However, the amount the agent pays or is liable to pay the principal for the supply of a FVV is not affected by the calculation in section 153-55. Therefore, the principal and agent must account for the commission the principal pays, or is liable to pay, the agent as consideration for a separate taxable supply of the agent's services, if section 100-18 does not apply and the requirements of section 9-5 are met.

162. [Omitted]

163. [Omitted]

164. [Omitted]

Alternative view on Subdivision 153-B arrangements

165. There is an alternative view that paragraph 153-55(3)(b) can be applied in isolation, effectively making the agent's services not a taxable supply. One result of this view is that the agent bears GST neither on the supply of services to the principal, nor on the supply of the FVV to the customer. The GST liability rests solely with the supplier of the voucher.

166. However, the alternative view is based on the selective application of chosen paragraphs of section 153-55 and its outcome is not consistent with the overall application of Subdivision 153-B, nor its policy intent. Subdivision 153-B has effect on taxable supplies and creditable acquisitions only.

Treatment of a non-FVV

167. If a thing is a voucher as defined in section 100-25 but it does not meet the additional requirements of section 100-5, it is not a FVV. For the purposes of this Ruling, such a voucher is referred to as a 'non-FVV'. If the voucher is not a FVV it is necessary to consider the GST consequences on the supply of the voucher and the supplies on the redemption of the voucher.

Supply of Non-FVVs

168. The GST consequences of each supply are determined by applying the basic rules of Chapter 2 of the GST Act.

169. If the supply of the voucher satisfies the requirements of section 9-5 it is a taxable supply. However, if a non-FVV entitles the holder to input taxed supplies under Division 40 or GST-free supplies under Division 38, the supply of the voucher, as a supply of a right to input taxed or GST-free supplies is also input taxed[45] or GST-free[46], respectively.

170. A non-FVV may be part of a mixed supply; and if another part of the supply is either GST-free or input taxed, it is necessary to apportion the consideration between the parts.[47]

171. Earlier, in Examples 14 and 15 at paragraphs 78 to 79, we gave some examples of vouchers that do not satisfy the requirements of section 100-5. Set out below, in paragraphs 172 to 174 are some further examples of vouchers that do not satisfy these requirements.

Example 31: ticket for specified event – not a FVV

172. *A ticket to the basketball grand final has $45 and 'Admit One' printed on it. This is not a voucher to which section 100-5 applies as it entitles the holder to a specified supply, namely, entrance to a specified event. The fact that the price of the supply is stated on the ticket does not of itself bring it within section 100-5. GST is payable on the supply of the ticket.*

Example 32: movie voucher – not a FVV

173. *A group of movie theatres sells movie vouchers. These vouchers can be exchanged for a ticket to any movie screening at one of the participating theatres at any session up to a specified date. As no stated monetary value is shown on the movie voucher this is not a FVV. GST is payable on the supply of the movie voucher.*

Example 33: supply of a right to a GST-free supply

174. *Marika purchases a voucher that entitles her to a case of new season's apples from her local green grocer. She pays $10 for the voucher. Section 100-5 does not apply to the supply of this voucher as it entitles the holder to a specified supply. However, there is no GST payable on the sale of the voucher as it is the supply of a right to a GST-free supply.*

45 Paragraph 9-30(2)(b).
46 Paragraph 9-30(1)(b).
47 See also paragraphs 130 to 138 of this Ruling.

Non-FVV supplied for no consideration

175. Where a voucher is supplied for no consideration, it is not a taxable supply.[48] Section 9-5 provides that, for a supply to be a taxable supply, it must be for consideration.

Example 34: voucher supplied for no consideration

176. *Jana receives in the mail, a voucher that entitles her to a manicure at her local beauty salon. This is not a FVV as it entitles Jana to a specified supply rather than supplies up to the stated monetary value of the voucher. However, as neither she, nor anyone else has given any consideration for the voucher, no GST is payable on the supply of the voucher.*

Redemption of a non-FVV

177. The supply on redemption of a non-FVV is a taxable supply if the requirements in section 9-5 are met.[49]

178. In relation to the supply or supplies on redemption of a non-FVV paragraph 9-15(3)(a) applies to limit the consideration for the supply on redemption of the voucher to any additional consideration provided either for that supply or in connection with the exercise of the right evidenced by the voucher.[50] If there is no such additional consideration, there is no consideration for the supplies on redemption of the voucher.

Example 35: redemption of a non-FVV

179. *Following on from Example 34 in paragraph 176 above, where Jana acquired the manicure voucher for no consideration, Jana presents the voucher and is provided with a manicure. She does not give any other consideration for the supply of that service. Under paragraph 9-15(3)(a), there is no consideration for the supply of the manicure on redemption of the voucher and therefore no GST payable on the supply.*

48 Subject to the operation of the associate rules contained in Division 72.
49 The act of the customer in presenting the voucher for redemption is not a supply (subsection 100-10(1)).
50 See also paragraphs 85 to 88 of this Ruling.

Example 36: redemption of a non-FVV supplied with purchased goods

180. *As part of a marketing exercise, Fuel Co gives out vouchers with purchases of more than ten litres of fuel from its fuel outlets. The vouchers can be used to claim items from a range of car care products. No stated monetary value is shown on the vouchers. The number of vouchers redeemed varies according to the goods supplied.*

181. *As these are not FVVs, paragraph 9-15(3)(a) applies to limit the consideration for the supply on redemption to any additional consideration provided. There is no GST payable on the supply of the redemption goods as no additional consideration is provided.*

Discounts – outside of Division 100

182. A right to a discount or price reduction is not a voucher within the meaning of section 100-25 as it does not entitle the holder to receive supplies.

183. These discounts may show a dollar amount and may even state that the holder is entitled to supplies chosen from a range of items, but all that the holder is entitled to is a reduction in the price of a supply.[51] A common feature of these discounts is that they require additional consideration to be provided either for the supply (made on redemption of the right) or in connection with the exercise of the right to the discount.

Example 37: '2 for 1' offers

184. *On the back of Cheryl's grocery docket is a '2 for 1' offer. It entitles her to a free meal at 'Beef's Tavern' up to a value of $20 with the purchase of a meal of equal or greater value. This is not a voucher within the meaning in section 100-25 as it does not entitle the holder to a supply. It entitles the holder to a discount on the price of the two meals.*

Example 38: 'money-off coupon'

185. *To promote a new product line, a manufacturer distributes money-off coupons through the press. They entitle the holder to $5 off the price of a range of items. These are not vouchers within the meaning in section 100-25 as they do not entitle the holder to a*

51 *Customs and Excise Commissioners v. Granton Marketing Ltd* [1996] BVC 355 and *R v. Commissioners of Customs and Excise, ex parte F & I Services* [2001] BVC 347. See also, *Boots Co plc v. Customs and Excise Commissioners* (Case 126/88) (1990) 5 BVC 21.

supply. They entitle the holder to a discount off the price of goods purchased.

Example 39: fashion discount coupon

186. *Capital Department Store gives a discount coupon to customers who purchase goods to the value of $200 or more. The discount coupon entitles the customer to $20 off the price of their next purchase from the Store of a fashion item priced at $100 or more. It does not entitle the holder to supplies. The discount coupon is not a voucher as defined in section 100-25. It is an entitlement to a discount.*

187. Section 100-5 does not apply to the supply of a discount entitlement. It is a taxable supply if the requirements of section 9-5 are met. In practice, such a supply is often made for no consideration. However, as the example below illustrates, it may be supplied for consideration.

Example 40: supply of a book of discounts

188. *Martin acquires a book of discounts from a promoter for $44. The discounts entitle him to percentage and money-off discounts at various restaurants.*

189. *The supply of the book of discounts is a taxable supply. GST of $4 (1/11 x $44) is payable by the promoter. The discounts are not vouchers for the purposes of Division 100 as they do not entitle the holder to supplies but rather to a price reduction.*

190. *When Martin uses a discount at a restaurant under paragraph 9-15(3)(a), GST for the restaurant supply is calculated on any additional consideration, provided by Martin.*

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Commissioner of Taxation
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GSTR 1999/1; GSTR 2000/37; GSTR 2000/37A; GSTR 2000/D22; GSTR 2001/6; GSTR 2001/8

Subject references:

- Vouchers
- Redemption
- Reimbursement

Legislative references:

- ANTS(GST)A 99 Div 9
- ANTS(GST)A 99 9-5
- ANTS(GST)A 99 9-5(a)
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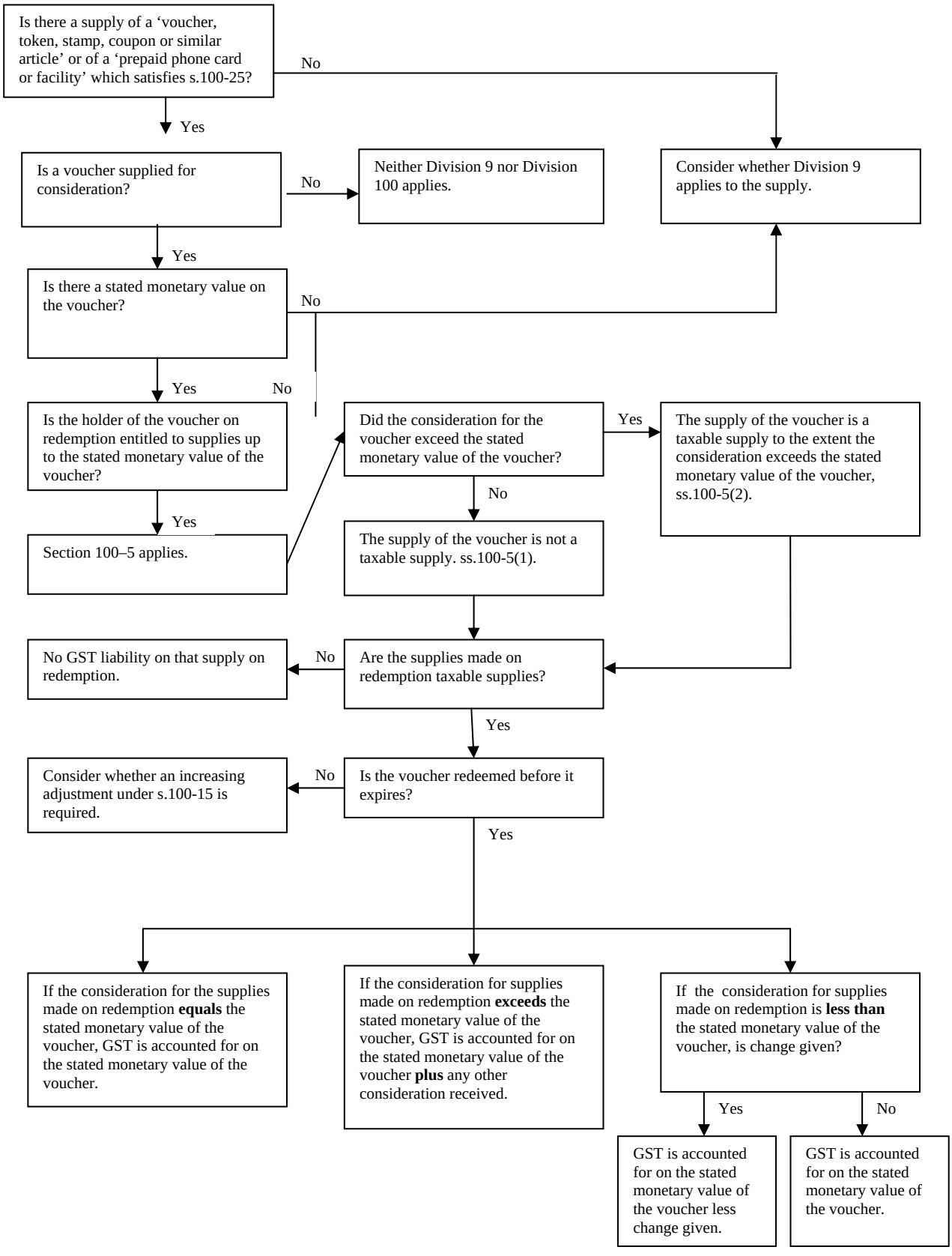
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Appendix 1: Operation of the main parts of Division 100



Appendix 2: Case Study – the application of Division 100

1. Alpha Cookware is a large cookware manufacturer. Alpha contracts with Hannibal Printers for the supply of 50,000 Alpha Cookware gift vouchers. The vouchers are to be in $20, $50 and $100 denominations, and this is to be printed on the voucher together with the Alpha logo. The vouchers entitle the holder to supplies of Alpha Cookware goods or decorative items, up to the stated monetary value printed on the voucher. Once issued a voucher can be redeemed at any time by its holder, at any participating retail outlet.

2. Alpha sells some of the vouchers at a 10% discount (on the stated monetary value of the voucher) to the head franchise of a franchise group, Kosy Kitchens that sells a variety of cookware and decorator items including Alpha's products, through its franchise outlets.

3. Kosy Kitchens supplies the vouchers to its franchise outlets at a 5% discount on the stated monetary value of the vouchers. The outlets then sell the vouchers to the public at the full stated monetary value shown on the voucher.

4. Veronica purchases a $100 voucher from Kosy Kitchens Brisbane, and gives it to Tracey as a wedding present. Tracey takes the voucher to Kosy Kitchens Perth and uses it to acquire a set of Alpha Cookware ovenware priced at $97. Tracey receives no change from the transaction. Kosy Kitchens Perth did not sell the voucher to Veronica.

5. Kosy Kitchens Perth, which redeemed the voucher, sends the spent voucher with a copy of Tracey's receipt to Alpha Cookware. Under the agreement with the Kosy Kitchens franchise group, Alpha Cookware makes a payment to the redeeming Kosy Kitchens Perth outlet for the stated monetary value of the voucher, less 5% for administration fees.

6. The GST legislation applies to these transactions as follows:

   (a) The supply from Hannibal Printers to Alpha Cookware is a taxable supply of printing services. Section 100-5 has no application. Alpha Cookware is entitled to an input tax credit for the GST included in the price of the printing. (Transaction 1 in Appendix 2, Case Study Diagram).

   (b) The voucher satisfies the meaning of voucher in section 100-25. It is also a voucher to which section 100-5 applies as it entitles the holder to supplies up to the stated monetary value of the voucher. The voucher is a FVV.

(c) The supply of the $100 FVV from Alpha Cookware to the Kosy Kitchens head franchise for $90 is not a taxable supply (section 100-5). (Transaction 2 in Appendix 2, Case Study Diagram).

(d) The supply of the $100 FVV by Kosy Kitchens head franchise to Kosy Kitchens Brisbane for $95 is not a taxable supply (section 100-5). (Transaction 3 in Appendix 2, Case Study Diagram).

(e) The supply of the $100 FVV by Kosy Kitchens Brisbane to Veronica is not a taxable supply (subsection 100-5). (Transaction 4 in Appendix 2, Case Study Diagram).

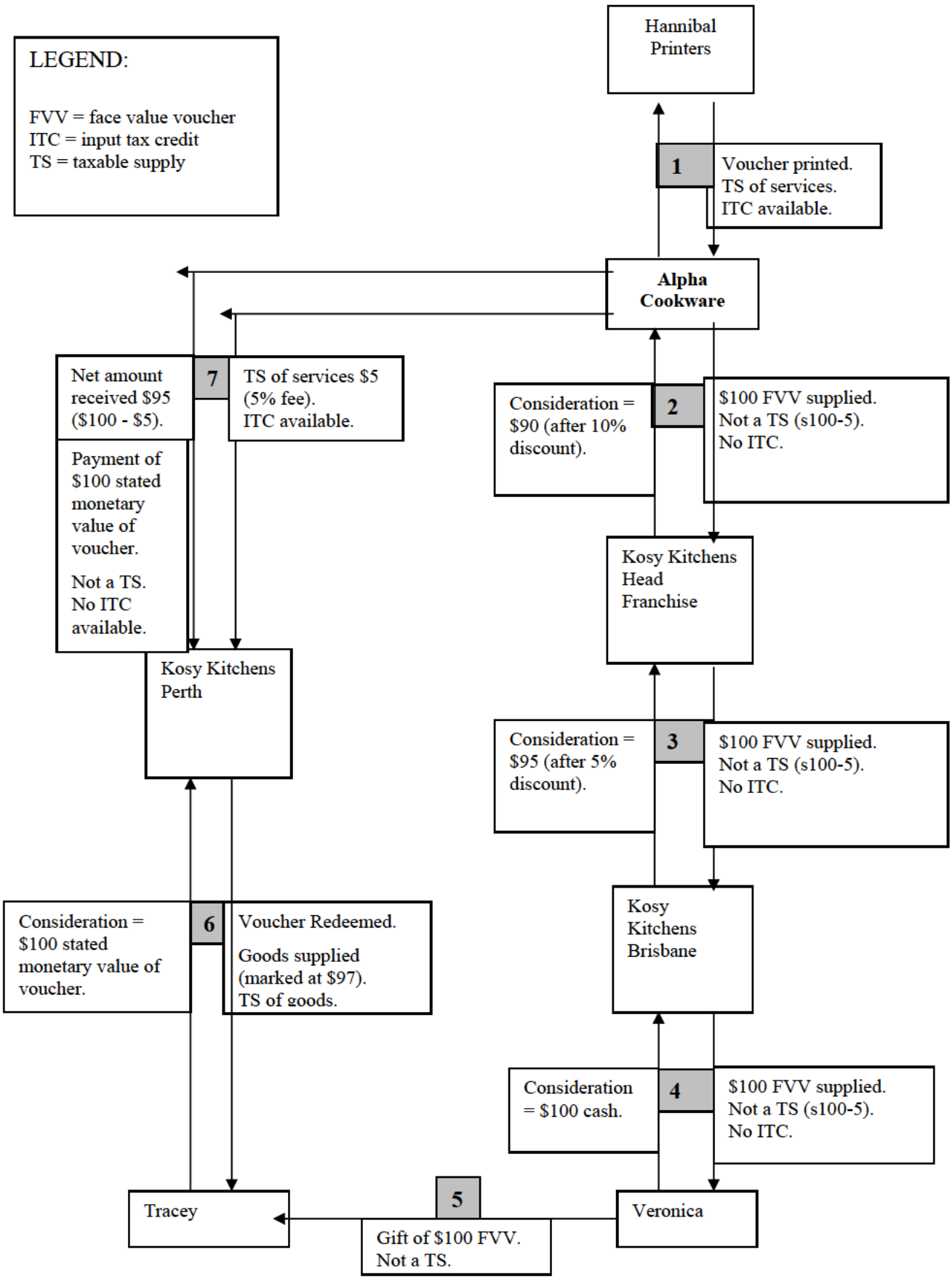
(f) The gift by Veronica to Tracey is not a taxable supply. (Transaction 5 in Appendix 2, Case Study Diagram).

(g) The supply of the ovenware on redemption of the FVV by Kosy Kitchens Perth is a taxable supply. The consideration for this supply is $100, the stated monetary value of the FVV. The GST is 1/11 of $100 ($9.09). As Tracey did not receive any change, this is the consideration on which GST will be calculated even though the marked price of the supplies was only $97. Kosy Kitchens Perth is entitled to an input tax credit for the acquisition of the ovenware. (Transaction 6 in Appendix 2, Case Study Diagram).

(h) The payment by Alpha Cookware to Kosy Kitchens Perth is not consideration for a supply by Kosy Kitchens Perth to Alpha Cookware. Neither is the payment consideration for the supply of cookware on redemption of the FVV. In relation to this payment, Alpha Cookware is not entitled to an input tax credit.

(i) Alpha Cookware has made a taxable supply of services to Kosy Kitchens Perth, the consideration for which is $5. Alpha Cookware is liable for GST on $5. Kosy Kitchens Perth is entitled to an input tax credit. (Transaction 7 in Appendix 2, Case Study Diagram).

Appendix 2: Case Study Diagram



Appendix 3: Case Study – the application of Division 100 to prepaid phone cards or facilities

1. Telco Ltd is a telecommunication supplier that is registered for GST. Telco Ltd offers a broad range of telecommunication products including prepaid phone products and services.

Prepaid phone cards

2. One of Telco Ltd's phone card products is a prepaid phone card, the CooEee card, which can be used to make local calls, national long distance calls, international calls and calls to mobiles. The CooEee card can be used from any touchtone phone in Australia. The CooEee cards are sold in $30 and $50 denominations and link the customer to an underlying account. Each time a customer chooses to make a call the stated monetary value on the CooEee card is redeemed by dialling a phone number set out on the card, entering a PIN and then dialling the phone number which they wish to call. The unredeemed stated monetary value expires after twelve months and is not transferable. The CooEee card may also be topped up.

3. Through one of its retail outlets Telco Ltd sells a CooEee card to Paul with a $50 stated monetary value printed on it. The primary purpose of this CooEee card is to enable Paul to use the CooEee card to make telephone calls within its terms. As these telephone services are supplied by Telco Ltd, a supplier of telecommunications supplies, the CooEee card, in conjunction with its underlying account, is a prepaid phone card or facility and as it must be presented to obtain supplies on redemption, it is a voucher under section 100-25.

4. In order for the CooEee card to be a FVV, the requirements of section 100-5 must also be met. The supply of the CooEee card meets the requirements of section 100-5 as:

- the supply of the CooEee card is made for consideration and would otherwise be a taxable supply under section 9-5;
- Paul, as the holder of the CooEee card, is entitled to use the card to acquire telephone or like services;
- Paul has access to a reasonable choice of supplies including local calls, national long distance calls, international calls and calls to mobiles;
- the CooEee card has a stated monetary value of $50 on it; and

- the CooEee card entitles Paul to redeem it for a range of calls up to the stated monetary value of $50.

5. As the CooEee card satisfies the requirements of sections 100-25 and 100-5, the supply of the CooEee card to Paul is the supply of a FVV and is not a taxable supply.

6. Paul uses the CooEee card to make a number of calls, each time redeeming part of the stated monetary value of the CooEee card. When Paul makes a national long distance phone call, for instance, Telco Ltd makes a supply to Paul. The consideration for the supply is the amount by which the voucher is redeemed (section 100-12). If the other requirements of section 9-5 are satisfied the supply is a taxable supply.

7. Customers can top-up the value on the CooEee card by purchasing a top-up docket from Telco Ltd retailers and a number of supermarkets, petrol stations and other retailers. The monetary value on the top-up docket is attached to the customer's CooEee card by dialling a phone number on the top-up docket, entering the unique number on the top-up docket and then entering the identifying number of the CooEee card. Attaching the monetary value of the top-up docket to the CooEee card is not a redemption of the top-up docket. The CooEee card can also be topped-up in other ways, for instance, by internet or phone by the customer using a credit card or electronic bill payment facility.

8. After a few weeks, $40 of Paul's CooEee card has been redeemed. Paul decides to top-up his CooEee card. Paul goes to his local Retailer Ltd supermarket which sells Telco Ltd top-up dockets. Paul purchases a top-up docket with a stated monetary value of $30 and attaches the monetary value from the top-up docket to his CooEee card account by dialling a phone number on the top-up docket and then entering the identifying number of his CooEee card.

9. The top-up docket operates in conjunction with the account that underlies the CooEee card. Like the CooEee card itself, the primary purpose of this top-up facility is to enable Paul to make telephone calls within its terms. As these telephone services are supplied by Telco Ltd, a supplier of telecommunications supplies, and as the top-up docket must be presented to obtain supplies on redemption, the top-up docket is a prepaid phone card or facility within the meaning of subsection 100-25(2) and therefore a voucher under section 100-25.

10. As with the CooEee card itself, the supply of the top-up docket meets the requirements of section 100-5 as:

- the supply of the top-up docket is made for consideration and would otherwise be a taxable supply under section 9-5;

- Paul, as the holder of the top-up docket and the account infrastructure which underlies its use, is entitled to use it to acquire telephone or like services;
- Paul has access to a reasonable choice of supplies including local calls, national long distance calls, international calls and calls to mobiles;
- the top-up docket has a stated monetary value of $30 on it; and
- on redemption Paul's top-up docket entitles him to make calls up to the stated monetary value of $30.

11. As the top-up docket satisfies the requirements of sections 100-25 and 100-5, the supply of the top-up docket to Paul is the supply of a FVV and is not a taxable supply. Any supply made by Telco Ltd when redeeming the top-up docket from the underlying account will be a taxable supply if the requirements of section 9-5 are satisfied.

12. Telco Ltd has an arrangement in writing with Retailer Ltd under which Telco Ltd's customers can purchase top-up dockets for their CooEee cards. Under the arrangement Telco Ltd pays Retailer Ltd a commission of $5. The arrangement between Telco Ltd and Retailer Ltd satisfies the requirements in section 100-18. Therefore, Retailer Ltd's supply of commission services to Telco Ltd is treated as if it were not a taxable supply. Retailer Ltd is not required to remit GST on the $5 commission and Telco Ltd is not able to claim a corresponding input tax credit.

Prepaid mobile phones

13. Telco Ltd also sells prepaid mobile phone products. Through one of its retail outlets Telco Ltd sells a mobile phone handset, SIM card and a prepaid mobile phone card to Alison as a bundled package.

14. Alison can use her mobile phone to make phone calls, send SMS or use MMS, or access services such as email, Internet and video downloads. Alison can also use the prepaid mobile phone to make purchases of soft drinks and bottled water through a vending machine by making a phone call. When such a phone call is made an amount equal to the cost of the drink is deducted from the prepaid phone card account (which is established when Alison purchases her prepaid mobile phone product) and the vending machine dispenses the drink.

15. The prepaid mobile phone card is sold with a monetary value of $50. Alison calls a phone number set out on the card and enters an access number. When this is done the monetary value is attached to the prepaid phone account for Alison. The prepaid phone account can be topped-up by Alison if she purchases a top-up docket directly from

Telco Ltd or through one of its distributors such as a supermarket or service station.

16. After Alison initially activates the prepaid mobile phone card she is not required to enter any PIN or other identifying number each time she makes a phone call or otherwise redeems the stated monetary value for supplies. The stated monetary value expires after twelve months. If Alison tops up her prepaid phone account before its expiry the topped up amount then has an expiry date of 12 months from the date of top-up.

17. The prepaid mobile phone card in conjunction with its underlying account is a prepaid phone card or facility under subsection 100-25(2). Its primary purpose is to enable Alison to use the prepaid mobile phone card to make telephone calls and access like services within its terms. As these telephone services are supplied by Telco Ltd, a supplier of telecommunication supplies, the facility to access these services is a prepaid phone card or facility in the terms of subsection 100-25(2). As Alison must effectively present the prepaid mobile phone card each time she makes a call, thereby redeeming the phone card, the prepaid mobile phone card is a voucher under section 100-25.

18. For this voucher to be a FVV, the requirements of section 100-5 must also be met. The supply of the voucher meets the requirements of section 100-5 as:

- the supply is made for consideration and would otherwise be a taxable supply under section 9-5;
- Alison, as the holder of the voucher is entitled to use it to acquire telephone or like services;
- Alison has access to a reasonable choice of supplies including local calls, national long distance calls, international calls and calls to mobiles and other like services;
- the voucher has a stated monetary value of $50; and
- on redemption the voucher entitles Alison to a range of telephone calls and like services up to the stated monetary value of $50.

19. As the voucher satisfies the requirements of sections 100-25 and 100-5, its supply to Alison is the supply of a FVV and is not a taxable supply.

20. Because Alison has purchased the voucher as part of a bundled kit including a handset and SIM card, the supply of the kit is a mixed supply. The consideration for the supply of the kit needs to be apportioned between its taxable (mobile handset and SIM card) and

non-taxable (prepaid mobile phone card which is a FVV) components.[52]

21. Alison makes telephone calls to other mobiles which involves Telco Ltd making these supplies to her. As she makes each call or acquisition, Telco Ltd deducts the consideration for each supply from the stated monetary value. If the other requirements of section 9-5 are satisfied such a supply is a taxable supply by Telco Ltd.

22. After a month of accessing the telecommunication services, Alison's stated monetary value has reduced to $5. Telco Ltd is advertising a special promotion under which a person purchasing an $80 electronic top-up over the Internet for their prepaid mobile phone receives bonus supplies of an additional $15 worth of calls. Alison purchases one of these top-ups with a value of $80 on 1 August 2006. The $80 automatically attaches to Alison's account when she enters her credit card details.

23. This electronic top-up provides additional consideration for the supply of the voucher Alison purchased previously. However, under subsection 100-5(2B) only the $80 is included in the stated monetary value of the voucher. As the original voucher is a FVV, there is no GST payable when the additional consideration is received by Telco Ltd but GST will be payable when the FVV is redeemed for taxable supplies.

24. The stated monetary value of the voucher is now $85 being the sum of the $5 remaining from Alison's initial purchase of the prepaid phone card or facility and the $80 top-up amount. The $15 of bonus calls is not included in the stated monetary value of the voucher (subsection 100-5(2B)).

25. Alison uses the phone for three months and the stated monetary value of the voucher has reduced to $33. On 1 November 2006 Alison departs for an extended holiday travelling around South America for 12 months. She leaves her phone at home and the stated monetary value expires on 31 July 2007. When Telco Ltd writes back the unredeemed stated monetary value of $33 to current income, there is an increasing adjustment of $3 (1/11 x $33) being 1/11 of the stated monetary value to the extent that it was not redeemed.

[52] For further detail on how to apportion between taxable and non-taxable components refer to Goods and Services Tax Ruling GSTR 2001/8 Goods and services tax: apportioning the consideration for a supply that includes taxable and non-taxable parts.