

TA 2025/3 - Arrangements to improperly access deductions for donations of 'barter credits'

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Taxpayer Alert

Arrangements to improperly access deductions for donations of ‘barter credits’

! About Taxpayer Alerts

Alerts provide a summary of our concerns about new or emerging higher risk tax or superannuation arrangements or issues that we have under risk assessment.

While an Alert describes a type of arrangement, it is not possible to cover every potential variation of the arrangement. The absence of an Alert on an arrangement or a variation of an arrangement does not mean that we accept or endorse the arrangement or variation, or the underlying tax consequences.

Refer to Law Administration Practice Statement [PS LA 2008/15 Taxpayer Alerts](#) for more information about Alerts. See [Alerts](#) issued to date.

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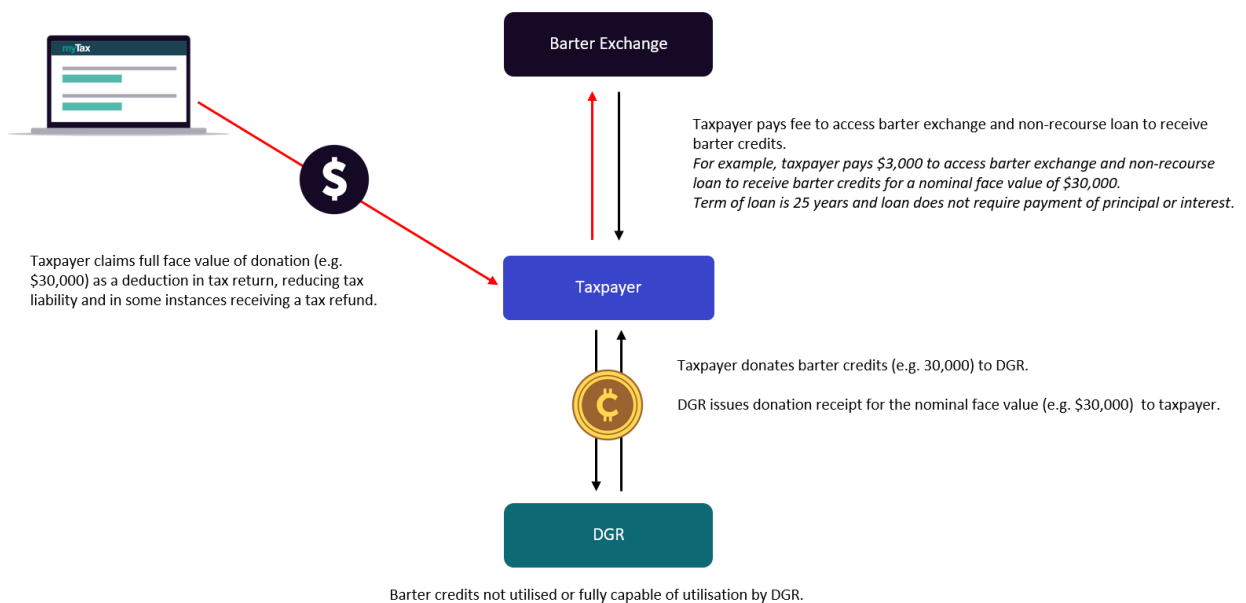
Description

1. We are currently reviewing cases where taxpayers have entered into a non-recourse or limited recourse borrowing arrangement that is purported to access barter credits or trade dollars (described as ‘barter credits’ in this Alert) from a barter exchange.
2. The barter credits acquired by the taxpayer are purportedly donated to a deductible gift recipient (DGR). The taxpayer is led to believe they can claim an income tax deduction in their tax return for the nominal face value of the donated barter credits.
3. These arrangements typically display all or most of the following features:
 - The taxpayer pays a fee (including goods and services tax) to access the barter exchange (which may be described as an ‘enabling’ or ‘establishment’ fee).
 - In exchange for payment of the fee to the barter exchange, the taxpayer is able to enter into a non-recourse or limited recourse borrowing to access barter credits (described as a ‘barter credit loan facility’ in this Alert) from the barter exchange.
 - The nominal face value of the barter credits received by the taxpayer under the barter credit loan facility is greater than the fee paid by the taxpayer to the barter exchange. In some cases, the nominal face value of the barter

credits received under the barter credit loan facility may be up to 10 times the dollar value of the fee paid.

- The barter credit loan facility arrangements typically have some or all of the following characteristics
 - The loan is non-recourse or limited recourse and there is no security sought over assets of the 'borrower' (the taxpayer).
 - There are extended loan terms (in some cases, terms may be as much as 25 years), or shorter loan terms, with options for the loan arrangement to be extended or rolled over for a further period.
 - No interest accrues or is payable on the outstanding balance of the barter credit loan facility.
 - There is no obligation to make repayments or no specified consequences if the barter credit loan facility is not repaid. Alternatively, there may be a requirement to repay the barter credit loan facility which may be satisfied by way of barter credits.
- The taxpayer donates the barter credits obtained under the barter loan facility to a DGR that accepts them as donations.
- The DGR provides the taxpayer with a receipt for the nominal face value of the donated barter credits.
- The taxpayer claims a deduction for the full nominal face value of the donated barter credits disclosed in the receipt in their tax return.
- The barter credits may not provide the DGR with genuine access to goods or services through the barter exchange, or the value of goods and services that may be, in fact, accessed is significantly less than the nominal face value of the barter credits that are donated.

Diagram 1 – Example of barter credit donation arrangement



Our concerns

4. While each case will depend on the relevant facts and circumstances, we are concerned that these arrangements are, at best, ineffective for tax purposes and may even be unlawful.

5. We are also concerned that some taxpayers may be entering into these arrangements under the mistaken belief that they are entitled to tax deductions for the full nominal face value of barter credits donated to a DGR.

6. We are concerned that:

- In some cases, the entry into a barter credit loan facility, and the subsequent donation of those barter credits to a DGR may be a sham, or part of a larger sham arrangement including the establishment of barter exchanges which are never intended to undertake or support real commercial activities.
- Some of the parties may be complicit and share an intent to participate in an unlawful (and possibly fraudulent) tax scheme.
- Even where the arrangement is not a sham, the barter credit loan facility arrangements may not reflect ordinary commercial loan terms and raise questions about whether there is a genuine loan and a genuine expectation that the 'loan' will be repaid.
- It is possible that the barter credits held under the terms of the loan facility cannot be effectively donated to the DGR.
- The donation of the barter credits may not satisfy the requirements to be a gift (including the requirement of benefaction).
- If the donation is a gift
 - whether taxpayers are entitled to a deduction at all or entitled to a deduction for the full nominal face value of the barter credits under section 30-15 of the *Income Tax Assessment Act 1997*
 - that taxpayers may be incorrectly relying on paragraph 15 of Taxation Ruling IT 2668 *Income tax: barter and countertrade transactions* to treat the value of one donated barter credit as equivalent to one Australian dollar. IT 2668 does not support this valuation basis in arrangements of the kind described in this Alert.¹
- The following anti-avoidance provisions may apply
 - section 78A of the *Income Tax Assessment Act 1936* (ITAA 1936) – this specific anti-avoidance provision relating to gifts to DGRs may apply to deny a deduction for the donation of the barter credits to the DGR
 - Part IVA of the ITAA 1936 – the arrangement may constitute a scheme under the general anti-avoidance provisions in Part IVA.

¹ Paragraph 15 of IT 2668 only applies in limited circumstances to a business-oriented countertrade organisation, to treat the fair market value of one barter credit unit to equal one Australian dollar, unless it can be shown that the barter credit units are being traded consistently at a different value. The valuation basis mentioned in paragraph 15 of IT 2668 does not apply to support a deduction in arrangements of the kind described in this Alert because there is a question as to the appropriate value (if any) of the barter credits in these circumstances.

7. We are also concerned that these arrangements are being facilitated by barter exchanges and being marketed and promoted as supposedly legitimate tax arrangements to taxpayers as a means of reducing their tax payable or increasing refunds.

What we are doing

8. We are actively reviewing these arrangements and are engaging with relevant taxpayers, barter exchanges and DGRs to ensure that all parties have correctly met their income tax obligations. In the course of these reviews, we will also consider any related goods and services tax obligations.

9. We are developing our technical position on the arrangements and will publish further guidance in due course. This may include clarification that the valuation principles in IT 2668 have no application to arrangements of this kind.

10. Taxpayers and advisers who facilitate or promote these types of arrangements will be subject to increased scrutiny.

11. We are liaising with the Australian Charities and Not-for-profits Commission in respect of participating DGRs, and the Australian Securities and Investments Commission in respect of participating barter exchanges.

What you should do

12. If you have entered, or are contemplating entering, into a similar arrangement to that described in this Alert, we encourage you to:

- phone or email us using the contact details provided at the end of this Alert
- ask us for our view through a [private ruling](#)
- seek independent advice as to the legal and tax consequences of your arrangement
- make a [voluntary disclosure](#) to reduce penalties that may apply.

13. Penalties may apply to participants in, and promoters of, this type of arrangement. This includes serious penalties for promoters under Division 290 of Schedule 1 to the *Taxation Administration Act 1953*. Registered tax agents involved in the promotion of this type of arrangement may be referred to the Tax Practitioners Board to consider whether there has been a breach of the *Tax Agent Services Act 2009*.

Providing information

14. To provide information about this type of arrangement, or about a promoter of this or another similar arrangement:

- phone us on **1800 060 062**
- complete the ATO Tip off form, or
- contact the officer named in this Alert.

Contact officer: Tara McLachlan
Email: PAGPW&FCB@ato.gov.au

Commissioner of Taxation
17 November 2025

References

Legislative references:

- ITAA 1936 78A
- ITAA 1936 Pt IVA
- ITAA 1997 30-15
- TAA 1953 Sch 1 Div 290
- Tax Agent Services Act 2009

Related rulings:

- IT 2668

Related practice statements:

- PS LA 2008/15
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ATO references

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