

# ***GSTR 1999/D1 - Goods and Services Tax: information requirements for adjustment notes***

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There is an Erratum notice for this document.

This document has been finalised.



## **Draft Goods and Services Tax Ruling**

### **Goods and Services Tax: information requirements for adjustment notes**

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#### ***Preamble***

*This document is a draft for industry and professional comment. As such, it represents the preliminary, though considered, views of the Australian Taxation Office. This draft may not be relied on by taxation officers, taxpayers and practitioners. When officially released it will be a public ruling for the purposes of section 37 of the **Taxation Administration Act 1953** and may be relied upon by any person to whom it applies.*

## **What this Ruling is about**

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1. This Ruling sets out the information requirements for adjustment notes under *A New Tax System (Goods and Services Tax) Act 1999* ('GST Act'). All legislative references in this Ruling are to this Act unless otherwise stated.

## **Background**

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2. A supplier who makes taxable supplies is liable to pay GST on these supplies.<sup>1</sup> The recipient of the supply, if registered for GST, may be entitled to claim an input tax credit equal to the GST payable on the supply.<sup>2</sup>

### **Adjustments**

3. Whether you make or receive taxable supplies, subsequent events may mean that you paid too much or too little GST, or claimed too much or too little input tax credit in a previous tax period. In these situations, you may need to make adjustments.

4. Adjustments are either increasing or decreasing. An increasing adjustment increases your net amount for the tax period, while a decreasing adjustment decreases your net amount for the tax

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<sup>1</sup> Section 9-40.

<sup>2</sup> Sections 11-20 and 11-25.

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period.<sup>3</sup> The net amount is the difference between the GST payable by you and your input tax credits. This amount must be paid to, or refunded by, the Commissioner.<sup>4</sup>

## Adjustment events

5. One way in which an adjustment can arise is if an adjustment event occurs. Under the GST Act,<sup>5</sup> an adjustment event occurs when:

- a supply or acquisition is cancelled;
- the consideration for a supply or acquisition is changed;
- a supply becomes taxable or stops being taxable; or
- an acquisition becomes creditable or stops being creditable.

6. When you have a decreasing adjustment from an adjustment event, you cannot account for the adjustment in your GST return<sup>6</sup> until you hold an adjustment note.<sup>7</sup> You do not need an adjustment note if the GST exclusive value of the taxable supply is \$50 or less.<sup>8</sup>

7. You will have a decreasing adjustment if:

- the GST payable on a taxable supply that you made has decreased; or
- the input tax credit for a supply that you received has increased.

## Adjustment notes: obligations of the supplier

8. If you make a supply and an increasing or decreasing adjustment arises from an adjustment event, you must issue an adjustment note.<sup>9</sup> You must issue it within 28 days of becoming aware of the adjustment, or of being requested by the recipient to issue an adjustment note, whichever happens sooner.<sup>10</sup> However, you do not have to issue an adjustment note if the GST exclusive value of the taxable supply is \$50 or less.<sup>11</sup>

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<sup>3</sup> Section 17-10.

<sup>4</sup> Subsection 33-5(1) and section 35-5. (Note: if the net amount is a refund it may be offset against other amounts payable to the Commissioner.)

<sup>5</sup> Section 19-10.

<sup>6</sup> Your GST return is part of your Business Activity Statement.

<sup>7</sup> Subsection 29-20(3).

<sup>8</sup> Subsection 29-80(2).

<sup>9</sup> Section 29-75.

<sup>10</sup> Subsection 29-75(2).

<sup>11</sup> Subsection 29-80(2).

## **Date of effect**

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9. This Ruling, when finalised, will apply from 1 July 2000.

## **Ruling**

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### **Statutory requirements for adjustment notes**

10. A document is an adjustment note if it meets the requirements of subsection 29-75(1). This subsection requires that an adjustment note for a taxable supply must:

- be issued by the supplier (except recipient created adjustment notes, which are dealt with in paragraphs 15 and 16 of this draft Ruling): paragraph 29-75(1)(a);
- set out the Australian Business Number (ABN) of the entity that issues it (in most cases this is the supplier): paragraph 29-75(1)(b);
- contain other information determined in writing by the Commissioner: paragraph 29-75(1)(c) (this is set out at paragraphs 13 to 18 of this draft Ruling); and
- be in the approved form: paragraph 29-75(1)(d).

11. There are special requirements for GST branches. These are dealt with in paragraphs 19 to 21 of this draft Ruling.

### **Information requirements under paragraph 29-75(1)(c)**

12. The Commissioner's information requirements under paragraph 29-75(1)(c) are set out below. An abbreviated tax invoice may be issued if it is for a supply or supplies with a total amount payable, including GST, of less than \$1,000. An abbreviated tax invoice must contain certain minimum information. If an adjustment is for a supply for which an abbreviated tax invoice was issued, you may also issue an abbreviated adjustment note.

### ***Requirements for adjustment notes (other than abbreviated adjustment notes)***

13. An adjustment note must contain the following information:

- the words 'adjustment note' in a prominent place on the document;
- the name of the supplier;
- the name of the recipient;

- the address, or ABN, of the recipient (if the recipient acquired the supply through its GST branch, the GST branch registration number of the branch may be shown instead of the ABN);
- the issue date of the adjustment note;
- the issue date of the original tax invoice for the taxable supply or, if there were any previous adjustment notes, the issue date of the last adjustment note;
- the price of the taxable supply in the tax invoice or previous adjustment note, the corrected price, and the difference between these amounts; and
- a brief explanation of the reason for the adjustment, for example, ‘discount’ or ‘return of goods’.

### ***Requirements for abbreviated adjustment notes***

14. If an adjustment is for a supply for which an abbreviated tax invoice was issued, the adjustment note must contain the following information:

- the words ‘adjustment note’ in a prominent place on the document;
- the name of the supplier;
- the issue date of the adjustment note;
- the issue date of the original tax invoice for the taxable supply or, if there were any previous adjustment notes, the issue date of the last adjustment note;
- the price of the taxable supply in the tax invoice or previous adjustment note, the corrected price, and the difference between these amounts; and
- a brief explanation of the reason for the adjustment, for example, ‘discount’ or ‘return of goods’.

### ***Recipient created adjustment notes***

15. In most cases, a tax invoice must be issued by the supplier. The exception is when the tax invoice is in a class that the Commissioner determines may be issued by the recipient.<sup>12</sup> If the recipient of a taxable supply issued the tax invoice, any adjustment notes must also be issued by the recipient.<sup>13</sup>

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<sup>12</sup> Paragraph 29-70(1)(a) and subsection 29-70(3).

<sup>13</sup> Paragraph 29-75(1)(a).

16. An adjustment note that is issued by the recipient of the supply must contain the following information:

- the words ‘recipient created adjustment note’ in a prominent place on the document;
- the name of the supplier;
- the ABN of the supplier (if the supply is made through a GST branch, the GST branch registration number must be shown instead);<sup>14</sup>
- the name of the recipient;
- the issue date of the adjustment note;
- the issue date of the original tax invoice for the taxable supply or, if there were any previous adjustment notes, the issue date of the last adjustment note;
- the price of the taxable supply in the tax invoice or previous adjustment note, the corrected price, and the difference between these amounts; and
- a brief explanation of the reason for the adjustment, for example, ‘discount’ or ‘return of goods’.

***Supplies that have an amount of GST payable that is less than 1/11<sup>th</sup> of the price***

17. If the amount of GST payable is less than 1/11<sup>th</sup> of the price of the taxable supply, the adjustment note must also show:

- the correct amount of GST; and
- the difference between the GST shown on the tax invoice or previous adjustment note and the correct amount of GST payable.

18. This will occur in limited circumstances, for example, when the special rule in Division 87 applies for a supply of long-term accommodation in commercial residential premises.

**Requirements for GST branches**

19. If you are an entity with a separately registered GST branch, you may make some supplies through that branch. When you register a GST branch, the Commissioner will notify you of the GST branch registration number.<sup>15</sup>

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<sup>14</sup> Paragraph 54-50(1)(b).

<sup>15</sup> Section 54-15.

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20. If you make a taxable supply through a GST branch, you must show the GST branch registration number on any adjustment note for a decreasing adjustment arising from an adjustment event.<sup>16</sup>

Adjustments can be decreasing for either the supplier or the recipient. Therefore, when an adjustment event causes a decreasing adjustment for either the supplier or the recipient, the adjustment note must include the GST branch registration number. The ABN of the parent entity is included in the GST branch registration number, so you do not need to show it separately.

21. If the recipient of a supply made through a GST branch issues a recipient created adjustment note, the GST branch registration number must also be shown.

## Adjustment notes in electronic form

22. These information requirements apply irrespective of the form of the adjustment note. If an adjustment note is included in an electronic message, both the supplier and the recipient are obliged to retain the message in a readily accessible form for five years under the GST record keeping requirements.<sup>17</sup>

## Detailed contents list

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<sup>16</sup> Paragraph 54-50(1)(b).

<sup>17</sup> Section 70 of the *Taxation Administration Act 1953*.

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## Your comments

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24. If you wish to comment on this draft Ruling, please send your comments promptly by 30 November 1999 to:

Contact Officer: Shauna Winters  
 Telephone: (07) 3853 4860  
 Facsimile: (07) 3853 4800  
 Email: shauna.winters@ato.gov.au  
 Address: GST Rulings Unit  
 GPO Box 9990  
 BRISBANE QLD 4001.

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### Commissioner of Taxation

27 October 1999

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<i>Previous draft:</i>	- ANTS(GST)A 29-70(1)(a)
Not previously issued in draft form	- ANTS(GST)A 29-70(3)
	- ANTS(GST)A 29-75
<i>Related Rulings/Determinations:</i>	- ANTS(GST)A 29-75(1)
	- ANTS(GST)A 29-75(1)(a)
<i>Subject references:</i>	- ANTS(GST)A 29-75(1)(b)
- adjustments	- ANTS(GST)A 29-75(1)(c)
- adjustment events	- ANTS(GST)A 29-75(1)(d)
- adjustment notes	- ANTS(GST)A 29-75(2)
- recipient created adjustment notes	- ANTS(GST)A 29-80(2)
- GST branches	- ANTS(GST)A 35-5
- Goods and Services Tax	- ANTS(GST)A 33-5(1)
	- ANTS(GST)A 54-15
<i>Legislative references:</i>	- ANTS(GST)A 54-50(1)(b)
- ANTS(GST)A 9-40	- ANTS(GST)A Div 87
- ANTS(GST)A 11-20	- TAA 70
- ANTS(GST)A 11-25	
- ANTS(GST)A 17-10	
- ANTS(GST)A 19-10	
- ANTS(GST)A 29-20(3)	
	<i>Case references:</i>



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