

# ***GSTR 2001/D9 - Goods and services tax: GST treatment of financial supplies and related supplies and acquisitions***

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There is an Erratum notice for this document.  
This document has been finalised.



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## Draft Goods and Services Tax Ruling

### Goods and services tax: GST treatment of financial supplies and related supplies and acquisitions

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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 as a final ruling 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 entity to whom it applies.*

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#### **What this Ruling is about**

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1. This Ruling explains and clarifies what is, and what is not, a financial supply under Division 40 of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act) and Part 3-1 of the *A New Tax System (Goods and Services Tax) Regulations 1999* (the GST regulations).
2. This Ruling also provides guidance on the types of acquisitions that are reduced credit acquisitions and entitle a financial supply provider to a reduced input tax credit under Division 70 of the GST Act and Part 4-2 of the GST regulations.
3. This Ruling applies to all entities that are registered or required to be registered that make, or facilitate the making of, financial supplies. Reduced input tax credits are only relevant to an entity making financial supplies if that entity exceeds the financial acquisitions threshold. This is because an entity that is below the financial acquisitions threshold is entitled to full input tax credits for creditable acquisitions acquired in carrying on its enterprise.
4. Unless otherwise stated all legislative references in this Ruling are to the GST Act and GST regulations.
5. This Ruling adopts interpretations of the GST Act expressed in other GST public rulings. It also refers to a number of other GST public rulings where it is envisaged that further guidance or more detail on a particular issue may be required. These public rulings include:

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- GSTR 2001/5 - Goods and services tax: when is a 'supply of a going concern' GST-free?
- GSTR 2000/11 - Goods and services tax: grants of financial assistance
- GSTR 2000/15 - Goods and services tax: determining the extent of creditable purpose for claiming input tax credits and for making adjustments for changes in extent of creditable purpose
- GSTR 2000/17 - Goods and services tax: tax invoices
- GSTR 2000/22 - Goods and services tax: determining the extent of creditable purpose for providers of financial supplies
- GSTR 2000/24 - Goods and services tax: Division 129 - making adjustments for changes in extent of creditable purpose
- GSTR 2000/31 - Goods and services tax: supplies connected with Australia
- GSTR 2000/37 - Goods and services tax: agency relationships and the application of the law
- GSTR 2001/6 - Goods and services tax: non-monetary consideration
- GSTR 2001/8 - Goods and services tax: apportioning the consideration for a supply that includes taxable and non-taxable parts

## **Date of effect**

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6. This draft Ruling represents the preliminary, though considered, view of the Australian Taxation Office. This draft may not be relied on by taxation officers, taxpayers or practitioners. When the final Ruling is officially released, it will explain our view of the law as it applied from 1 July 2000. The final Ruling will be a public ruling for the purposes of section 37 of the *Taxation Administration Act 1953* and may be relied upon, after it is issued, by any entity to whom it applies. 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.

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## Background

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7. The GST Act provides that financial supplies are input taxed.<sup>1</sup> Not only financial institutions make financial supplies. You may make financial supplies in the course of carrying on your enterprise if you provide, acquire or dispose of an interest listed in the GST regulations in circumstances that satisfy the requirements for a financial supply under those regulations. No GST is payable on input taxed supplies.

8. You acquire or import something for a creditable purpose to the extent that you acquire or import it in carrying on your enterprise. However, you do not acquire or import it for a creditable purpose to the extent that it relates to making input taxed supplies (such as financial supplies) or is of a private or domestic nature. This means that you are not entitled to input tax credits for an acquisition or importation in those circumstances.

9. There are several exceptions to this general rule for acquisitions or importations that relate to making input taxed supplies. These exceptions include circumstances where:

- the acquisition or importation is not treated as relating to supplies that would be input taxed; or
- the acquisition is specified as a reduced credit acquisition within the meaning of Division 70 of the GST Act.

10. An acquisition or an importation is not treated as relating to supplies that would be input taxed to the extent that:

- the supply you make is through an enterprise or a part of an enterprise that you carry on outside Australia<sup>2</sup>; or
- the acquisition or importation relates to a supply consisting of a borrowing (and the borrowing relates to making supplies that are not input taxed).<sup>3</sup>

11. Furthermore, an acquisition or an importation is not treated as relating to supplies that would be input taxed if the only reason it would be treated as input taxed is because it relates to making financial supplies and you do not exceed the financial acquisitions threshold.<sup>4</sup> (The financial acquisitions threshold is described at paragraph 14).

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<sup>1</sup> Subsection 40-5(1).

<sup>2</sup> Subsections 11-15(3) and 15-10(3).

<sup>3</sup> Subsections 11-15(5) and 15-10(5).

<sup>4</sup> Subsections 11-15(4) and 15-10(4).

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12. If you do not exceed the financial acquisitions threshold, anything you acquire or import will be for a creditable purpose to the extent you import or acquire it in carrying on your enterprise. You do not acquire or import a thing for a creditable purpose to the extent it relates to making other<sup>5</sup> input taxed supplies or the acquisition or importation is of a private or domestic nature.

13. In addition, Division 70 of the GST Act provides that specified acquisitions (reduced credit acquisitions) that relate to making financial supplies give rise to an entitlement to a reduced input tax credit. The GST regulations specify the acquisitions that are reduced credit acquisitions, and that the reduced input tax credit is 75% of any GST paid.

### *Financial acquisitions threshold*

14. You exceed the financial acquisitions threshold if you make (or are likely to make) financial acquisitions<sup>6</sup> where the input tax credits related to making those acquisitions would exceed the lesser of:

- \$50,000; or such other amount specified in the regulations; or
- 10% of the total amount of input tax credits to which you would be entitled.<sup>7</sup>

If you<sup>8</sup> exceed either of these levels, you will have exceeded the financial acquisitions threshold.

### *Reduced input tax credits (RITCs)*

15. If you exceed the financial acquisitions threshold, a reduced input tax credit available to the extent that the acquisition is for a creditable purpose. If you do not exceed the financial acquisitions threshold, you cannot claim reduced input tax credits. You will however, be entitled to input tax credits under Division 11 (provided your acquisitions do not relate to making other input taxed supplies or are of a private or domestic nature). You are not entitled to a reduced input tax credit for an acquisition to the extent you are

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<sup>5</sup> That is, input taxed supplies other than financial supplies covered by the exceptions discussed in paragraphs 9 and 10.

<sup>6</sup> A financial acquisition is an acquisition that relates to the making of a financial supply (other than a financial supply consisting of a borrowing): section 189-15.

<sup>7</sup> Sections 189-5 and 189-10.

<sup>8</sup> For members of a GST group, the financial acquisitions threshold is calculated as if the whole group were a single entity.

entitled to an input tax credit (or you are denied an input tax credit) for that acquisition under another provision of the GST Act.<sup>9</sup>

16. Other jurisdictions input tax services that are not directly financial supplies but involve arranging financial supplies. This is done partly to address a self-supply bias that arises where a financial service provider uses inputs that would normally be taxable. Reduced input tax credits were introduced to overcome this self-supply bias.

17. According to the Explanatory Statement to the GST regulations, 'the RITC was designed to reduce the bias to insource and limit any pressure to extend input taxation up the supply chain...'. Where a financial institution purchases a service that is taxable and eligible for an RITC, the tax effect is similar to where the purchased service is input taxed.<sup>10</sup>

### ***Extent of creditable purpose and changes in creditable purpose***

18. Determining the extent of your creditable purpose and making adjustments when your creditable purpose changes is dealt with in Goods and Services Tax Rulings GSTR 2000/15, GSTR 2000/22 and GSTR 2000/24. You should refer to these Rulings for guidance on how to work out your entitlement to input tax credits and how to make adjustments when your actual use is different to your intended use.

## **Ruling with Explanations**

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### **40-5.09 - When is something a financial supply?**

19. The GST Act provides that financial supplies are input taxed<sup>11</sup> and that *financial supply* has the meaning given by the GST regulations.<sup>12</sup> 'Supply' has the meaning given by section 9-10 of the GST Act<sup>13</sup> and includes a financial supply.<sup>14</sup>

20. The GST regulations identify those supplies that are financial supplies by inclusion and exclusion.<sup>15</sup> Something is a financial supply only if it is mentioned as a financial supply in regulation 40-

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<sup>9</sup> Section 70-5(1A).

<sup>10</sup> Explanatory Statement to Statutory Rule 245 of 1999, Attachment E, page 1.

<sup>11</sup> Subsection 40-5(1).

<sup>12</sup> Subsection 40-5(2).

<sup>13</sup> Regulation 40-5.01, note 1.

<sup>14</sup> Paragraph 9-10(2)(f).

<sup>15</sup> Regulation 40-5.01 states that the object of Subdivision 40-A is to identify a supply that is or is not a financial supply.

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5.09 or is an incidental financial supply under regulation 40-5.10.<sup>16</sup> Regulation 40-5.12 has the effect of excluding things that might otherwise have been included as a financial supply by regulation 40-5.09. Regulation 40-5.12 does not exclude from being a financial supply something that is also an incidental financial supply.<sup>17</sup>

21. We acknowledge that in interpreting whether the requirements in subregulation 40-5.09(1) are satisfied the regulations can either be read literally or more purposively. If the provisions are interpreted literally, something that is intended to be a financial supply might not be a financial supply. Where a literal reading would have such a result, we read the regulations more purposively to give effect to what we believe was intended. Instances where a literal reading of the provisions would have unintended consequences are discussed at paragraphs 22 to 27.

### *Supply includes acquisition*

22. The provision, acquisition or disposal of something is a financial supply where it satisfies the requirements of the GST regulations. Subsection 9-10(1) provides that a supply is any form of supply whatsoever. Subsection 9-10(2) then lists some examples of supplies, and includes a financial supply at paragraph 9-10(2)(f). While the provision and/or disposal of an interest may be a supply within the ordinary meaning of supply, the word 'supply' does not ordinarily contemplate the acquisition of something. For the purposes of the GST regulations and the GST Act, a supply includes a financial supply and a financial supply includes the acquisition of a financial interest.

23. Where the term 'supply' is used in the GST regulations<sup>18</sup> on financial supplies, we consider that it generally applies to all financial supplies, including the acquisition of a financial interest. 'Supply', in these instances, is read to cover both the supply (provision and disposal) and the acquisition of a financial interest.<sup>19</sup> This reading is a more purposive interpretation under the rules of statutory interpretation.<sup>20</sup>

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<sup>16</sup> Regulation 40-5.08.

<sup>17</sup> Regulation 40-5.10.

<sup>18</sup> See regulations 40-5.01, 40-5.07, 40-5.08, 40-5.10, subregulation 40-5.09(4) and subparagraph 40-5.09(1)(b)(ii).

<sup>19</sup> Regulation 40-5.06 is an exception to this as it distinguishes between a supply and an acquisition to make it clear that the acquirer of a financial interest is a financial supply provider.

<sup>20</sup> See for example *A-G v. Carlton Bank* [1899] 2 QB 158 at p 164; *Gartside v. IR Comr* [1968] AC 553 at 612; *Cooper Brookes (Wollongong) Pty Ltd v. Federal Commissioner of Taxation* (1981) 147 CLR 297.

24. In this Ruling, we have used the term ‘financial interest’ where the thing supplied, or thing accepted as being supplied, is mentioned as being a financial supply in the GST regulations. The term ‘financial interest’ is used to describe a supply that may be a financial supply because it is mentioned in an item in the table in subregulation 40-5.09(3) and is capable of satisfying the tests in subregulation 40-5.09(1). The provision, acquisition or disposal of a financial interest is a financial supply once it satisfies those requirements.

### *Supply*

25. The term ‘supply’ is used throughout the GST Act and GST regulations both as a noun and as a verb. In some instances in Part 3-1 of the GST regulations, the verb ‘supply’ is used when we consider the expression ‘provision, acquisition or disposal’ is intended.<sup>21</sup> In other instances, ‘supply’ is used in its more natural sense.

26. In this Ruling, where we use the expression ‘supply’ we refer to the provision or disposal of a financial interest and where we use the expression ‘acquisition-supply’, we refer to the supply which is the acquisition of a financial interest. On the otherhand, when we use the expression ‘acquisition’ we refer to the receipt of a supply (whether or not the supply is financial supply).

### *Supplier*

27. Where the term ‘supplier’ is used in paragraph 40-5.09(1)(b), it could be substituted with the expression ‘provider, acquirer or disposer’. Where the expression ‘financial supplier’ is used in this Ruling, it means the provider, acquirer or disposer (as the case may be) of a financial interest.

### ***Provision, acquisition or disposal***

28. The provision, acquisition or disposal of an interest mentioned in subregulation 40-5.09(3) or (4) is a financial supply where it satisfies the requirements of subregulation 40-5.09(1).

29. Allotment, creation, grant or issue of an interest is regarded as provision<sup>22</sup> of the interest. Disposal<sup>23</sup> of an interest includes assignment, transfer and surrender of the interest. Acquisition<sup>24</sup> in

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<sup>21</sup> Regulation 40-5.06.

<sup>22</sup> Regulation 40-5.03.

<sup>23</sup> Regulation 40-5.04.

<sup>24</sup> Regulation 40-5.05.



relation to the provision or disposal of an interest includes acceptance and receipt of the interest.

30. The provision, acquisition or disposal of the interest mentioned in subregulation 40-5.09(3) or (4) must be:

- for consideration;
- in the course or furtherance of an enterprise; and
- connected with Australia<sup>25</sup>

31. Furthermore, the financial supplier must be registered or required to be registered and a financial supply provider in relation to the provision, acquisition or disposal of the interest.<sup>26</sup>

32. The connected with Australia requirement poses a difficulty in the context of the acquisition of a financial interest. This is discussed at paragraphs 39 to 71. The term financial supply provider is explained at paragraphs 98 to 100.

### ***Consideration***

33. The provision, acquisition or disposal of an interest is a financial supply if it is for consideration and it meets the other requirements of regulation 40-5.09. Thus, a single transaction between two parties can involve two financial supplies – the provision or disposal of an interest for consideration and the acquisition of an interest for consideration.

34. ‘Consideration’ as used in the GST regulations has the same meaning as in the GST Act.<sup>27</sup> Consideration is defined in section 195-1 to mean ‘any consideration, within the meaning given by section 9-15, in connection with the supply or acquisitions’. For there to be a provision, acquisition or disposal of the interest ‘for consideration’, there must be sufficient nexus between the consideration and the particular supply.

35. Consideration for a financial interest is something given for the provision, acquisition or disposal of the financial interest. In the context of financial supplies, the payment received is consideration for the provision or disposal of the financial interest and the payment made is consideration for the acquisition of the financial interest. Where consideration is given for the ‘first’ supply, there is no need to identify consideration specific to the acquisition-supply (the ‘second’ supply), as the acquisition will have been made for consideration. Where the financial supply has been provided *for*

<sup>25</sup> Subparagraphs 40-5.09(1)(a)(i) to (iii).

<sup>26</sup> Subparagraphs 40-5.09(1)(b)(i) to (ii).

<sup>27</sup> Regulation 3 - the Dictionary to the GST regulations defines consideration by reference to the GST Act.

*consideration*', the acquisition-supply will also be *'for consideration*'.

*Example 1: Supply and acquisition-supply are for consideration*

36. *Geo Co. supplies shares to McCulloch for \$2,000. The payment of \$2,000 by McCulloch is consideration for the provision of the shares (the first supply) by Geo to McCulloch. McCulloch acquires the shares for consideration of \$2,000. The acquisition-supply by McCulloch (the second supply) is for consideration, namely the same \$2,000.*

### ***Financial supply given as consideration for a financial supply***

37. Where a transaction involves the provision, acquisition or disposal of a financial interest in return for another financial interest, the transaction may give rise to four financial supplies. That is, both sets of supplies to the transaction will be comprised of a financial supply and an acquisition-supply. An example of this is a share swap. This is a result of the acquisition-supply itself being a financial supply and does not cause any unintended consequences. Input tax credits are denied in respect of any acquisitions that relate to making the financial supplies (unless the acquisitions are reduced credit acquisitions).

### ***Course or furtherance of an enterprise***

38. See Goods and Services Tax Rulings GSTR 2001/5 and GSTR 2000/15, Miscellaneous Taxation Ruling MT 2000/1 and Goods and Services Tax Determination GSTD 2000/8 for an explanation of what is meant by 'carrying on an enterprise' and 'in the course or furtherance of an enterprise'.

### **When is the provision, acquisition or disposal of a financial interest connected with Australia?**

39. The Dictionary<sup>28</sup> to the GST regulations provides that 'connected with Australia' in relation to a financial supply has the meaning given by section 9-25 of the GST Act. Subsection 9-25(5) of the GST Act sets out when the supply of anything other than goods or real property is connected with Australia.

40. It is arguable that while subsection 9-25(5) may apply to the provision or disposal of a financial interest, it cannot apply to the acquisition of a financial interest. This is because while the

<sup>28</sup> Regulation 3.

provision or disposal of a financial interest is a supply within the ordinary meaning of supply, that term does not usually contemplate an acquisition. (See paragraph 22.)

41. The literal interpretation of subsection 9-25(5) of the GST Act may result in an operation for regulation 40-5.09 that is clearly not intended. That is, on a strict reading of the subsection, the acquisition of a financial interest might never be connected with Australia and might therefore never be a financial supply. The GST regulations clearly contemplate that the acquisition of a financial interest, as well as the provision and disposal of a financial interest, is capable of being a financial supply.

42. The expression ‘connected with Australia’ is used consistently throughout the legislation and in our view the intention is to apply the connected with Australia test as contained within subsection 9-25(5) to the acquisition of financial interests and to financial supplies in general.

43. Therefore, in determining whether the provision, acquisition or disposal of the interest is connected with Australia the tests contained in subsection 9-25(5) are relevant. These tests are alternatives, so that the provision, acquisition or disposal of an interest may be connected with Australia if either:

- the thing is done in Australia (see paragraph 45 to 60);  
or
- the provision, acquisition or disposal of the interest is made through an enterprise that the supplier carries on in Australia (see paragraph 61 to 71).<sup>29</sup>

In the context of financial supplies, the supplier is the provider, acquirer, or disposer of the financial interest.

44. Paragraphs 45 to 71 draw on the principles dealing with when something is connected with Australia as set out in Goods and Services Tax Ruling GSTR 2000/31. While consideration of financial supplies does not form part of Goods and Services Tax Ruling GSTR 2000/31, we believe that the principles set out in that Ruling are relevant in the financial supplies context and paragraphs 45 to 71 are intended to illustrate that.

### ***Thing is done in Australia***

45. ‘Thing’ is defined to mean anything that can be supplied or imported<sup>30</sup> and includes a service, advice, information, rights, obligations to do anything, or any combination of these things. It

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<sup>29</sup> Subsection 9-25(6).

<sup>30</sup> Section 195-1.

therefore includes interests that are financial supplies, regardless of whether the financial supply arises from the provision, acquisition or disposal of the financial interest. 'Thing', in the context of paragraph 9-25(5)(a), is what is supplied. It is the subject of the supply (or acquisition-supply). Under paragraph 9-25(5)(a), the connection with Australia requires that the 'thing' being supplied is 'done' in Australia.

46. Thus, in establishing whether a thing is done in Australia it is important to identify:

- what is the 'thing' that is being supplied; and
- where that 'thing' is done.

47. The meaning of 'done' depends on the nature of the 'thing' being supplied. 'Done' can mean, for example, created, accepted, performed, executed, completed, or finished depending on what is supplied. In the context of financial supplies, a conclusion about where the provision or disposal of the financial interest is 'done' may also determine where the acquisition of the financial interest is done. This is discussed further at paragraphs 55 to 60.

#### *Supply of a service*

48. If the 'thing' being supplied is a service, the supply of that service is typically done where the service is performed. If the service is performed in Australia, the service is done in Australia and the supply of that service is connected with Australia. This is the case even if the recipient of the supply is outside Australia.

#### *The creation, grant, transfer, assignment or surrender of a right*

49. If the supply is the creation, grant, transfer, assignment or surrender of any right, the thing that is being supplied is the creation of that right in the recipient, the granting, transfer, or assignment of that right to the recipient, or the surrender of that right.

50. The thing is done where the right is created in that other person, granted, transferred or assigned to that other person or surrendered as the case may be.

51. Whether a right is created, granted, transferred, assigned or surrendered in Australia will depend on how, in any given case, the creation, grant, transfer assignment or surrender is effected. For example, if the right is granted by the execution of a written contract, the grant of that right is done in Australia if that contract is made in Australia.

## *Entry into, or release from, an obligation*

52. If the supply is the obligation to do anything, to refrain from an act, or to tolerate an act or situation, the thing that is being supplied is the obligation to do something, to refrain from something, or to tolerate something. The thing is done where the obligation is entered into.

53. If the supply is the release from an obligation, the thing that is being supplied is that release and the thing is done where the release is effected.

54. Whether an obligation is entered into, or the release from an obligation occurs, in Australia, will depend on where the entry into, or the release from, the obligation is effected.

## *The provision, acquisition or disposal of a financial interest*

55. Where the supply is the provision, acquisition or disposal of a financial interest, the connection with Australia turns on whether the interest is provided<sup>31</sup>, acquired<sup>32</sup>, or disposed<sup>33</sup> of in Australia. Whether an interest is provided, acquired or disposed of in Australia will depend on how, the provision, acquisition or disposal<sup>34</sup> is effected. For example, if the interest is created, issued or transferred by the execution of a written contract, the creation, issue or transfer of that interest is done in Australia if that contract is made in Australia.

### *Example 2: Provision of a financial interest - the thing is not done in Australia*

56. *Quokka Australia Ltd buys shares in a New Zealand company Bilby Ltd through a broker in New Zealand. The contract for purchase is made in New Zealand. The issue (or provision) of the interest in the securities is done in New Zealand as this is where the contract is made. (The supply may still be connected with Australia if made through an enterprise the supplier carries on in Australia - see paragraphs 43 and 61.)*

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<sup>31</sup> Provision of an interest includes allotment, creation, grant or issue of the interest (regulation 40-5.03).

<sup>32</sup> Disposal of an interest includes assignment, transfer and surrender of the interest (regulation 40-5.04).

<sup>33</sup> Acquisition in relation to the provision or disposal of an interest includes acceptance and receipt of the interest (regulation 40-5.05).

<sup>34</sup> This includes, for example, how the interest is created, granted, issued, transferred, assigned, surrendered, accepted or received.

*Example 3: Provision of a financial interest - thing is done in Australia*

57. *Mekka New Zealand Ltd buys shares in an Australia company, Kanga Ltd, through a broker in Australia. The contract for purchase is made in Australia. The issue (or provision) of the interest in the securities is done in Australia, as this is where the contract is made.*

*Example 4: Supply of a guarantee - the thing is done in Australia.*

58. *Constructa Ltd, an Australian construction company has a contract to build warehouses in Malaysia for a South-East Asian importer, Dragon Imports. Dragon Imports requires Constructa Ltd to provide a bank guarantee to finance completion of the project. An Australian bank agrees to provide the guarantee for a fee to be paid by Constructa Ltd. Constructa pays the fee and the guarantee documents are drawn up and executed in Australia. Although the obligee and the project guaranteed are both outside Australia, the creation (or provision) of the interest under the guarantee is done in Australia, as that is where the guarantee agreement is signed.*

59. *Where the supply is connected with Australia because the thing is done in Australia, the acquisition-supply will also be connected with Australia.*

*Example 5: Acquisition of financial interest – the thing is done in Australia*

60. *Manx Australia Ltd buys shares from a New Zealand company, Bobtail Ltd. The contract for purchase is made in Australia. The issue of the interest in the securities is done in Australia, as this is where the contract is made. The supply of the shares is therefore connected with Australia. The acquisition of the interest in the shares is also done in Australia. Therefore the acquisition-supply is connected with Australia and is GST-free if it satisfies the requirements of subsection 38-190(1). See paragraphs 139 to 162.*

***Supply made through an enterprise that the supplier carries on in Australia***

61. *Even if a thing is not done in Australia, it may still be connected with Australia if it is supplied through an enterprise the supplier carries on in Australia.*

62. *For GST purposes, the concept of carrying on an enterprise in Australia is defined in terms of the definition of ‘permanent*

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establishment' in subsection 6(1) of the *Income Tax Assessment Act 1936* (ITAA 1936). An enterprise is carried on in Australia if the enterprise is carried on through a place in Australia that is a permanent establishment or would be a permanent establishment if the definition in subsection 6(1) of the ITAA 1936 did not have specific exclusions. Under paragraph 9-25(5)(b) of the GST Act, the qualifying or excluding paragraphs of (e) to (g) in the ITAA 1936 definition are disregarded. This means that the concept of enterprise in the GST Act is wider in scope than the meaning of permanent establishment under the Income Tax Assessment Act.

63. A supply of a thing (other than goods or real property) is connected with Australia if the supplier carries on an enterprise in Australia by means of a GST permanent establishment in Australia and the supply is made through the permanent establishment.

64. Both a resident and a non-resident can have a GST permanent establishment in Australia for the purposes of the application of paragraph 9-25(5)(b). It is not limited in operation to a non-resident.

65. In the context of financial supplies, the supplier will be the provider, acquirer, or disposer of the financial interest. It follows from this that a financial supply made by the supplier, although 'done' or made offshore, will be connected with Australia if it is made through an enterprise the supplier carries on in Australia. However, a supply of a service or anything other than goods or real property to an offshore recipient may be GST-free under section 38-190 (see paragraphs 139 to 162).

### *Example 6: Supply through an enterprise*

66. *An American company, Marvel Inc. has been advised to invest in medium-term notes issued by an Australian company, Big Blue. Big Blue issues its medium-term notes to a number of dealers who then on-sell the notes into the secondary market. Two of these dealers are Blue Chip Australia, a dealer that carries on its enterprise in Australia, and Integrity Plus, a dealer that carries on its enterprise in Europe. Marvel Inc. acquires ten million dollars worth of notes from each of these two entities.*

67. *The ten million dollars worth of notes acquired from Blue Chip Australia are supplied through an enterprise carried on in Australia and the supply is connected with Australia. (The acquisition-supply by Marvel is also connected with Australia if done in Australia.)*

68. *The ten million dollars worth of notes acquired from Integrity Plus are not supplied through an enterprise carried on in Australia and the supply is not connected with Australia. (The*

*acquisition-supply by Marvel is not made through an enterprise carried on in Australia nor done in Australia and therefore is not connected with Australia.)*

69. Where a supply is not connected with Australia because it is neither done in Australia nor made through an enterprise the supplier carries on in Australia, the acquisition-supply may still be connected with Australia if the acquisition is made through an enterprise the acquirer carries on in Australia. The test in subsection 9-25(5) is applied to both the supply and the acquisition supply.

70. This means that even where the thing is not done in Australia, if the recipient of the 'first' supply acquires the thing through an enterprise it carries on in Australia, the acquisition-supply (the second supply) is connected with Australia. This is the case, whether or not the 'first' supply was made through an enterprise the supplier carries on in Australia.

*Example 7: Acquisition-supply made through an enterprise carried on in Australia*

71. *Boxer Ltd, a resident Australian company that carries on an enterprise only in Australia, buys shares from a New Zealand company, Terrier Ltd. The contract is made in New Zealand and Terrier Ltd does not carry on an enterprise in Australia. The supply is not connected with Australia as the thing (the provision of the shares) is not done in Australia, nor is the supply made through an enterprise the supplier carries on in Australia. The acquisition-supply is connected with Australia as the acquisition of the shares is made through an enterprise Boxer Ltd carries on in Australia. The acquisition-supply is connected with Australia and is GST-free if it satisfies the requirements of subsection 38-190(1). See paragraphs 139 to 162.*

### **What is an 'interest' in relation to a financial supply?**

72. Regulation 40-5.02 provides that an *interest* in relation to a financial supply is anything that is recognised at law or in equity as any form of property. Examples include:

- A debt or a right to credit
- An interest conferred under a public or private superannuation scheme
- A mortgage over land
- A right under a contract of insurance or a guarantee
- A right to receive payment under a derivative



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- A right to future property

73. The term ‘interest’ is taken to be very broad even taking into account the use of the word property. The above examples are property or proprietary rights on a broad interpretation of the term and do not extend or contradict the generally accepted concept of ‘property’. The examples indicate that the term is given its broadest application so that an interest is as wide as the legal and equitable concept of property, including rights arising under a contract.

74. This view is supported by judicial decisions that look to the relevant legislation for assistance in interpreting the term ‘property’. The fact that a right is not assignable does not mean that it cannot be a proprietary right.

75. In their judgment in *Federal Commissioner of Taxation v. Orica Ltd*<sup>35</sup> Gaudron, McHugh, Kirby and Hayne JJ considered the nature of a proprietary interest for the purposes of Part IIIA<sup>36</sup> of the ITAA 1936. In discussing the term ‘any form of property’ in section 160A of the ITAA 1936, they cited with approval a statement by Kitto J in *National Trustees Executors & Agency Co. of Australasia Ltd v. FC of T*<sup>37</sup>:

‘It may be said categorically that alienability is not an indispensable attribute of a right of property according to the general sense which the word ‘property’ bears in the law. Rights may be incapable of assignment, either because assignment is considered incompatible with their nature, as was the case originally with debt (subject to an exception in favour of the King) or because a statute so provides or considerations of public policy so require, as is the case with some salaries and pensions; yet they are all within the conception of ‘property’ as the word is normally understood...’

Gummow J, in discussing the judgment of the lower court in *ICI Australia v. FC of T*,<sup>38</sup> observed that neither of the cases considered in relation to ‘property’ was dealing with rights created under the general law of contract and that it was those rights that were the subject of the case under consideration. He concluded that the

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<sup>35</sup> *FC of T v Orica Limited* (1998) 194 CLR 500; 98 ATC 4494; (1998) 39 ATR 66; [1998] HCA 33; (1998) 154 ALR 1; (1998) 72 ALJR 969.

<sup>36</sup> Part IIIA of the ITAA 1936 dealt with Capital Gains & Losses. These provisions are now incorporated within Division 108 of Part 3-1, ITAA 1997.

<sup>37</sup> *National Trustees Executors & Agency Co. of Australasia Ltd v. FC of T* (1954) 91 CLR 540 at 583.

<sup>38</sup> *ICI Australia v. FC of T* (1996) 68 FCR 122; (1996) 33 ATR 174; 96 ATC 4680.

contractual rights, whether or not assignable, were property for the purposes of Part IIIA of the ITAA.

*Interest in or under*

76. When read in the context of regulation 40-5.09, we do not ascribe any specific technical significance to establishing whether something is covered as an interest in or under an item in the table. The use of the expression ‘or under’ merely clarifies that regulation 40-5.09 is not limited to transactions in which the property being supplied is recognised as being an interest *in* something that is mentioned as an item in the table. Regulation 40-5.09 also covers those transactions where the nature of the interest being supplied arises under (rather than in) an item mentioned in the table.

77. For example, in the case of an interest rate swap contract each party provides the other party with the right to receive a series of cash flows. The proper characterisation of the supply of each party’s property is the provision of an interest under an interest rate swap (derivative) contract. Each party will also make a supply of the acquisition (the acquisition-supply) of an interest under an interest rate swap (derivative) contract.<sup>39</sup>

78. The interest must be an interest in, or under, one of the categories set out in the table in subregulation 40-5.09(3). These categories are:

- An account made available by an Australian ADI (authorised deposit-taking institution) in the course of its banking business or its State banking business. (Subregulation 40-5.09(3), item 1)
- A debt, credit arrangement or right to credit, including a letter of credit. (Subregulation 40-5.09(3), item 2)
- A charge or mortgage over real or personal property. (Subregulation 40-5.09(3), item 3)
- Specified superannuation arrangements. (Subregulation 40-5.09(3), item 4)
- An annuity or allocated pension. (Subregulation 40-5.09(3), item 5)
- Specified life insurance business or related reinsurance business. (Subregulation 40-5.09(3), item 6)

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<sup>39</sup> As discussed at paragraph 37, this may mean the transaction gives rise to four supplies - two ‘actual’ financial supplies and two acquisition-supplies.

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- A guarantee, including an indemnity (except a warranty of goods or a contract of insurance or reinsurance). (Subregulation 40-5.09(3), item 7)
- Credit under a hire purchase agreement. (Subregulation 40-5.09(3), item 8)
- Australian currency or foreign currency or agreements to buy or sell those currencies. (Subregulation 40-5.09(3), item 9)
- Securities. (Subregulation 40-5.09(3), item 10)
- Derivatives. (Subregulation 40-5.09(3), item 11)

79. The provision, acquisition or disposal of an interest may be covered by more than one item in subregulation 40-5.09(3). For example, a loan may be both the *provision* of an interest in credit (item 2) and an interest in an account (item 1). It might also be both the *acquisition* of an interest in a debt or in an account. The supply need satisfy only one item in the subregulation to be a financial supply, although it may be classified under more than one. Similarly, the acquisition-supply may be classified under more than one item. (Conversely, something need only be mentioned in one item under 40-5.12 to be excluded from being a financial supply. See paragraph 179.)

80. So long as the provision, acquisition or disposal is of something that is within one of the items listed in the table in subregulation 40-5.09(3), and meets the other requirements of regulation 40-5.09, it is a financial supply.

81. As stated at paragraph 73, ‘interest’ within the GST regulations includes rights arising under a contract. The provision, acquisition or disposal of an interest in or under particular items of the GST regulations may include contractual rights. The acquisition of an interest in a bank account, for example, includes the acquisition of the contractual rights in relation to the operation of that bank account.

82. The supply of an interest in any of the items in the table in subregulation 40-5.09(3) may be viewed as a single supply, a composite supply, a mixed supply or a series of separate supplies depending on the facts in each case. (Mixed and composite supplies are explained at paragraphs 85 to 92.)

*Example 8: Single supply of an interest in an item in the table in subregulation 40-5.09(3)*

83. *Nostrum has a bank account with Dahg Bank. Dahg provides Nostrum with monthly bank account statements for a fee.*

*The entitlement to a bank statement is given as part of an interest in or under a bank account. The provision of the bank statement is part of the single supply of the account and is an input taxed supply. (It might also be characterised as a composite supply.)*

*Example 9: Supply of something that is an interest in or under an item and something that is not an interest in or under an item*

84. *Handee Lifters enters into a hire purchase agreement with Remarkable Finance to purchase a car. Under the agreement, Remarkable supplies Handee with both a car and credit (that is separately charged and disclosed) in relation to that car. The provision of the credit is an interest under a hire purchase arrangement in relation to goods and is a financial supply. However, in substance and reality the supply of the car is not the supply of an interest in or under one of the items listed in the table in subregulation 40-5.09(3). It has a separate identity and aim in itself. Therefore, the supply of the car is not a financial supply. (The supply might also be characterised as a mixed supply - see paragraph 85.)*

### **Mixed and composite supplies**

85. If you make a supply that contains separately identifiable taxable and non-taxable parts, it is a mixed supply. A composite supply on the other hand is essentially a supply of a single thing. If you make a supply that contains a dominant part and includes something that is integral, ancillary or incidental<sup>40</sup> to that part, then the supply is composite. The word 'incidental' in this context is not to be confused with the term when used in connection with an incidental financial supply.

86. Where a supply contains a part that is a taxable supply and another part that is a financial interest, the relevant facts will determine the treatment of the supply. If it is a composite supply, there will be no need to separate the part that is a financial interest from the taxable part, as one is so integral, ancillary or incidental to the other part of the supply that it cannot be separately identified. If on the facts it is a mixed supply then you will need to separate the parts of the supply.

*Example 10: Composite supply*

87. *Big Truck Haulage Company enters into a contract to transport goods for the Economy Group of retail stores. Under the*

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<sup>40</sup> See Goods and Services Tax Ruling GSTR 2001/8 for a discussion of the expression 'integral, ancillary or incidental'.

*contract, Big Truck indemnifies the Economy Group for any loss or damage caused by Big Truck's drivers. The drivers are independent contractors that provide their own vehicles.*

88. *The supply contracted for is the transport of goods in a timely way and undamaged state. The indemnity under this contract is integral, ancillary or incidental to this supply and can not be separated out and treated as a financial supply.*

*Example 11: Mixed supply*

89. *Convenient Co. provides a charge card called 'The Super Convenient Card' to Nastro. Under the agreement for The Super Convenient Card, Nastro is provided with a charge card facility and the additional benefit of 24-hour roadside assistance. The annual fee charged for the Super Convenient card is \$95. The annual fee charged for charge cards without the additional benefit of roadside assistance is \$30.*

90. *The brochures for the different cards provided by Convenient Co emphasise the benefits and convenience of the Super Convenient Card. The brochures suggest that cardholders of charge cards without the roadside assistance change from their existing charge card to the Super Convenient card to access the roadside service. The brochures also detail the advantages to the Super Convenient road side assistance compared to other road side assistance provided through other organisations.*

91. *Neither of the things embodied by the agreement can be viewed as the dominant part with the other part being integral, ancillary or incidental to it. Under the agreement, the supply can be characterised as consisting of a distinct taxable part (the roadside assistance) and a distinct non-taxable part (an interest in a credit arrangement or a right to credit). Accordingly, Convenient Co. has made a mixed supply of taxable and input taxed parts to Nastro.*

92. *Apportionment of consideration for a supply that includes taxable and non-taxable parts is discussed in Goods and Services Tax Ruling GSTR 2001/8.*

*Money as consideration for money*

93. *While 'money' is not specifically listed in the GST regulations as an item that is a financial supply, many financial supplies involve money like transactions. The definition of supply excludes a supply of money<sup>41</sup> unless the money is provided as*

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<sup>41</sup> Section 195-1 sets out what is included by the term 'money' and is reproduced in the Glossary to this Ruling.

consideration for a supply that is a supply of money.<sup>42</sup> Therefore, where the consideration for a supply is money, the consideration will not itself be a supply unless the other supply is also money.

*Example 12: Money is not a supply*

94. *Shaun sells goods to Mae Ling for \$100. Shaun is making a supply for consideration of \$100. Mae Ling is not making a supply because the \$100 is provided as consideration for a supply of goods and not as consideration for a supply of money.*

*Example 13: Money is a supply*

95. *Jeanette buys a money order from PostOffice Co. for \$200 (in cash). A money order comes within the definition of money. Jeanette is making a supply as she provides the \$200 as consideration for a supply of money, namely the money order. PostOffice Co. is making a supply, as the money order is provided as consideration for a supply of money (the \$200).*

96. An acquisition includes the acquisition of something the supply of which is a financial supply.<sup>43</sup> However, it does not include an acquisition of money unless the money is provided as consideration for a supply that is a supply of money.

**Financial supply provider or financial supply facilitator**

97. The GST regulations distinguish between a financial supply provider<sup>44</sup> and a financial supply facilitator.<sup>45</sup> The Explanatory Statement<sup>46</sup> states that these definitions are used to avoid confusion between the provision of the actual financial supply and another supply made in connection with it (such as agency services).

***Financial supply provider***

98. An entity is the financial supply provider of an interest if:

- the interest was the entity's property immediately before the supply (for example, if an entity sells a debenture that it owns);

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<sup>42</sup> Subsection 9-10(4).

<sup>43</sup> Paragraph 11-10(2)(f).

<sup>44</sup> Regulation 40-5.06.

<sup>45</sup> Regulation 40-5.07.

<sup>46</sup> Explanatory Statement, Statutory Rules 1999, No. 245, Attachment B, page 1.

- the entity created the interest when making the supply (for example, if an entity issues a debenture); or
- the entity acquires the interest supplied.<sup>47</sup>

99. Whether or not an entity is a financial supply provider in relation to an interest will depend on the facts. For example, when an entity takes out a loan with a bank it creates an interest in a debt and is a financial supply provider of that interest.<sup>48</sup> The bank also acquires the interest in the debt created by the borrower, and is a financial supply provider in relation to that acquisition-supply. It supplies, amongst other things, the money that evidences the loan, and the use of that money. The entity in turn promises to repay the loan and to other conditions<sup>49</sup> under the loan. These are also interests in or under a debt, or part of the provision or acquisition of an interest in a debt. Both the bank and the entity provide interests in or under the debt and each acquires the interest in the debt provided by the other. In acquiring the interest, each entity is a financial supply provider of that interest.<sup>50</sup>

100. Regulation 40-5.06 gives an acquirer of a financial interest the status of a financial supply provider. Consequently, the supply of an interest by it is only a financial supply if the other conditions of subregulation 40-5.09(1) are met.

### ***Financial supply facilitator***

101. A financial supply facilitator is an entity that facilitates the supply of an interest for the financial supply provider.<sup>51</sup> The supply by a financial supply facilitator, in that capacity, is not a financial supply.<sup>52</sup> A supply by a facilitator will be a taxable supply, unless it is not taxable under another provision of the GST Act (for example, it is GST-free or input taxed). Only the financial supply provider in relation to a particular supply can make a financial supply of that thing, as only the provider can satisfy the requirements of subregulation 40-5.09(1)(b)(ii).

102. For example, if Alpha sells shares to Beta but does so through Xanthe, a broker, Alpha is making the financial supply of the shares to Beta and Xanthe is making the supply of brokerage

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<sup>47</sup> Regulation 40-5.06.

<sup>48</sup> Subregulation 40-5.06(1).

<sup>49</sup> The conditions and obligations that attach to the provision and/or disposal the and acquisition of the financial interests are not ordinarily themselves separate supplies, or a taxable part of a mixed supply.

<sup>50</sup> Subregulation 40-5.06(2).

<sup>51</sup> Regulation 40-5.07.

<sup>52</sup> subparagraph 40-5.09(1)(b)(ii). This is one situation where the regulations distinguish between a supply and acquisition.

services. The financial supply is input taxed, whilst the brokerage services are taxable.

103. Certain acquisitions from a financial supply facilitator qualify as reduced credit acquisitions. This is explained further at paragraphs 237 to 243.

### ***Acquisition of a financial interest***

104. As stated at paragraph 37 above, the acquisition of a financial supply can be both an acquisition and a financial supply. The acquirer of the financial interest both acquires and *makes* a financial supply, that is, a supply of the acquisition (or the 'acquisition-supply').

#### *Why is an acquirer also a financial supply provider?*

105. The intention is that neither the supplier nor the acquirer of a financial supply should be able to claim input tax credits in relation to the supply or acquisition of the financial supply. This is achieved by denying a creditable purpose to both parties to a transaction in which there is a financial supply.

106. Regulation 40-5.06 treats an acquirer of a financial supply as a maker or provider of the financial supply to draw on the concept of creditable purpose expressed in subsection 11-15(2).

107. The entity that makes or supplies the financial interest and the entity that acquires the financial interest have both made financial supplies. Therefore, anything acquired or imported that relates to making those supplies is not for a creditable purpose, and each entity is denied input tax credits for those acquisitions or importations.

#### *Example 14: Supply and acquisition-supply*

108. *S&T Galore is registered for GST and carries on an enterprise in Australia as a share trader. S&T Galore buys and sells shares in the course of carrying on that enterprise. Both the sale and the acquisition of the shares are financial supplies and S&T Galore is denied input tax credits for acquisitions and importations that relate to making those financial supplies. S&T Galore will be entitled to reduced input tax credits for things acquired in making those financial supplies that are reduced credit acquisitions (for example brokerage). Assuming the other conditions in regulation 40-5.09 are satisfied the acquisition-supply in each case is also a financial supply.*



*Who is the recipient of the acquisition of a financial interest?*

109. A financial supply that consists of the acquisition of a financial interest may not involve anything other than consideration passing from the acquirer to the provider. For example, Nudge Pty Ltd sells shares to Wink Pty Ltd for \$20,000. Wink Pty Ltd has acquired legal interest in the shares and arguably all Nudge Pty Ltd has received in return is the money.

110. A recipient in relation to a supply is defined in section 195-1 as meaning the 'entity to which the supply is made'. A financial supply consisting of the acquisition of a financial interest is treated by the legislation as being 'made to' a recipient, so that it does not matter that the recipient may not actually receive something. In our view, an acquisition of an interest includes the receipt of the interest. The GST regulations treat the receipt of this interest by the acquirer as being a supply to the provider. Therefore, in the example above, Nudge Pty Ltd provides legal title in the shares and Wink Pty Ltd acquires the interest in those shares. In acquiring those shares, Wink Pty Ltd makes a supply (an acquisition-supply) and Nudge Pty Ltd is taken to have received that supply.

111. One consequence of this interpretation is that the acquisition of a financial interest as well as the provision, and disposal of an interest will be GST-free if it satisfies the requirements of subsection 38-190(1) (see paragraphs 139 to 162).

### **Regulation 40-5.10 - What is an incidental financial supply?**

112. As stated at paragraph 20, the supply or acquisition of a financial interest is a financial supply if it is:

- (a) a financial supply in regulation 40-5.09; or
- (b) an incidental financial supply.<sup>53</sup>

113. For a supply to be an incidental financial supply, the requirements of regulation 40-5.10 must be satisfied. That is, something is an incidental financial supply, if it is:

- supplied by the *same supplier* to the *same recipient* as the original financial supply; and
- supplied directly in connection with a financial supply.

Further, the thing supplied will only be an incidental financial supply where it is:

- incidental to the financial supply; and

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<sup>53</sup> Regulation 40-5.08.

- supplied at or about the same time, as the financial supply but not for separate consideration; and
- the usual practice of the entity to supply the thing (or similar things) and the financial supply together in the ordinary course of the entity's enterprise.

*Composite supply versus incidental financial supply*

114. A composite supply is essentially the supply of a single thing. Composite supplies contain one dominant part and also include something that is integral, ancillary or incidental to that part. Regulation 40-5.10, on the other hand, contemplates the supply of two things, one of which is a financial supply, for a single consideration. Where one of the things is an incidental financial supply, you do not need to determine whether there is a mixed or composite supply.

115. The term 'incidental' when used in the context of an incidental financial supply has a meaning different from its meaning when used in the phrase 'integral, ancillary or incidental' in relation to a composite supply<sup>54</sup> (see paragraphs 128 to 130).

116. In practice, it may be difficult to identify something that is an incidental financial supply, because supplies that fit the definition of an incidental financial supply may, in many cases, also be described as a composite supply.

117. Goods and Services Tax Ruling GSTR 2001/8 provides an entity with the option to treat a minor part of the supply as integral, ancillary or incidental if the consideration that would be apportioned to it (if it were part of a mixed supply) does not exceed the lesser of \$3.00 or 20%. However, the Ruling also states that you cannot apply this approach where a provision of the GST Act specifically requires you to treat a part of a supply a particular way.

118. We do not consider that the approach in Goods and Services Tax Ruling GSTR 2001/8 outlined above displaces, or should displace, regulation 40-5.10. Regulation 40-5.10 deals specifically with incidental financial supplies and provides its own tests of what is an incidental financial supply. Some things may be incidental financial supplies even though they are part of a mixed supply and would not be integral, ancillary or incidental under the approach mentioned above.

119. Regulation 40-5.10 operates in a way similar to the option given in Goods and Services Tax Ruling GSTR 2001/8 to treat a

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<sup>54</sup> See Goods and Services Tax Ruling GSTR 2001/8 for a discussion of the expression 'integral, ancillary or incidental'.

minor part of the supply as incidental. As stated at paragraph 114, an incidental financial supply is essentially the supply of two things, one of which is a financial supply. Applying the principles in Goods and Services Tax Ruling GSTR 2001/8, this would be characterised as a mixed supply. A composite supply, on the other hand, is essentially the supply of a single thing.

120. In making something an incidental financial supply, regulation 40-5.10 has the effect of treating something that is the supply of more than one thing as a composite supply. If those conditions are not met, the supply is not an incidental financial supply, however the supply may still be a composite supply if, applying the principles in, Goods and Services Tax Ruling GSTR 2001/8, it would be one.

*When is something ‘directly in connection with’ a financial supply?*

121. The ordinary meaning of ‘directly in connection with’ contemplates a direct or immediate link or association.

122. The expression ‘directly in connection with’ used in regulation 40-5.10 of the GST regulations is also used in the New Zealand GST legislation to determine the link necessary between a supply and goods or real property before the supply can be treated as zero-rated.<sup>55</sup> In examining the expression, the New Zealand courts have found that there must be a direct relationship with the goods or real property.<sup>56</sup>

123. In the financial supply context, in establishing whether a supply is directly in connection with a financial supply, we must look at the supply and determine whether that supply has the requisite connection with the financial supply. For a supply to be ‘directly in connection with’ a financial supply, the supply must have a direct relationship with the financial supply. A causal relationship may be sufficient to determine that a supply is directly in connection with a financial supply for the purposes of regulation 40-5.10.

124. A supply has a direct relationship with a financial supply where the supply:

- is readily identifiable as having occurred because of the financial supply; and
- would not occur if there were not a financial supply.

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<sup>55</sup> Paragraphs 11A(1)(e), (f), (h), (i), (l) and (m) and subparagraph 11A(1)(k)(i) of the *Goods and Services Tax Act 1985* (NZ).

<sup>56</sup> *Wilson & Horton Ltd v. C of IR* (1994) 16 NZTC 11,221 and *Malololailai Interval Holidays New Zealand Ltd v. C of IR* (1997) 18 NZTC 13,337.

125. The provision of information or advice that does not have a direct relationship to a financial supply would not be 'directly in connection with' a financial supply.

*Example 15: Directly in connection with a financial supply*

126. *Paddie SuperFund has an Internet site that its members can use to access information about their superannuation entitlements under their membership account. When members join the fund, Paddie offers training sessions in how to access and use the site. The fee for joining the fund includes the training sessions. The supply of the training sessions is directly connected to the supply of an interest in the superannuation fund because without the supply of the interest in the superannuation fund, the training sessions would not be provided and they have no value or purpose of their own. Where the other requirements of regulation 40-5.10 are satisfied the supply of the training sessions will be an incidental financial supply.*

*Example 16: Not directly in connection with a financial supply*

127. *Goldenweb Ltd is a promoter of managed investment schemes and property developments. When an entity invests in a managed investment scheme, part of the package of information provided is an invitation to a luncheon presentation on inner city townhouse developments currently being marketed by Goldenweb. The invitations are available to the general public from Goldenweb's reception desk and are also distributed by letterbox drop the week before each presentation. The invitation to the luncheon presentation is not 'directly in connection' with the supply of the interest in a managed investment scheme.*

***When is a supply 'incidental' to a financial supply?***

128. 'Incidental' is not defined in the GST Act or GST regulations. 'Incidental' is defined in *Black's Law Dictionary* as 'depending upon or appertaining to something else as primary;...; something incidental to the main purpose'.<sup>57</sup>

129. It follows that the meaning of 'incidental' in the context of regulation 40-5.10 requires that for a supply to be 'incidental' to a financial supply it is subordinate to the financial supply and depends upon or is coincidental to the financial supply.

130. A supply may be regarded as incidental to a financial supply where that supply is something that is of lesser significance or importance to the financial supply.

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<sup>57</sup> *Black's Law Dictionary* 5<sup>th</sup> ed. West Publishing Co. p.686.

***When is something provided not for separate consideration?***

131. Whether a supply is for separate consideration will depend on the facts of a particular transaction. Separate itemisation of the fees on an invoice may indicate that the service is provided for separate consideration, but it is not a conclusive factor. Other factors, including the nature of the service provided, the contractual arrangements and intention of the parties, will also be relevant in determining whether there is separate consideration.

***Example 17: Different consideration not separate consideration***

132. *LotsaCards Finance offers cardholders an option of 3 different types of credit cards - Red, Silver, and Gold cards. There are different annual fees for each card. The fees for each card are based on the types of benefits that are associated with each card and the credit limit available. The Red Card has a credit limit of \$2,000 with an annual fee of \$10. The Silver Card has a credit limit of \$7,500 with an annual fee of \$35. The Gold Card has a credit limit of \$10,000 with an annual fee of \$75. The main benefit of the Silver Card is membership in a loyalty rewards program. The main benefits of the Gold Card are membership in a loyalty reward program plus insurance on certain purchases using the card (for example, domestic airfares). The difference in the annual fees does not mean that there is separate consideration for the different benefits attaching to each card. Red Card and Silver Card cardholders can pay the additional annual fee amount to upgrade to the next level card. This additional amount is not separate consideration. (The supply by LotsaCards is an incidental financial supply provided all the other conditions of regulation 40-5.10 are met.)*

***Example 18: Separate consideration***

133. *Continuing on from the example at paragraph 132, LotsaCards also offers income protection insurance for an extra \$5 a month, regardless of the type of card held. The extra \$5 payable by cardholders for the insurance cover is separate consideration. On these facts, the insurance cover is not an incidental financial supply. However it and the credit card facility may be a composite supply if on a closer analysis of the supply it is in substance and reality the supply of an interest in credit, rather than a mixed supply of insurance and an interest in credit.*

***What amounts to usual practice?***

134. To determine whether something is the ‘usual practice’ of an entity, you look at the context in which an activity is undertaken. The ordinary meaning of ‘usual practice’ contemplates that the ‘usual practice’ of an entity is an action of the entity that is performed consistently within the entity. The adoption of set guidelines or procedures that are to be followed by the entity when transacting business would be indicative of the ‘usual practice’ of that entity. It is sufficient if the entity provides the ‘thing’ together with the financial supply as a matter of course.

135. ‘Usual practice’ is not limited to those activities that are existing and established practices of that entity. It can be a practice new to that entity, or a usual practice established by other financial supply providers, that the entity intends adopting.

***Example 19: Usual practice established***

136. *Kramer is provided with an organiser when taking out a home loan with a mortgage of \$750,000 over his new property. The supply of the organiser satisfies all of the other requirements of an incidental financial supply, however, Kramer is the first customer to whom the bank has provided an organiser. The bank intends to provide organisers to all customers who take out a loan. The bank has acquired 500 organisers in contemplation of this practice. This would be indicative of the commencement of a usual practice. As all the requirements of regulation 40-5.10 are satisfied, the supply of organisers will be an incidental financial supply.*

***When is something provided in the ordinary course of the entity’s enterprise?***

137. Whether a thing is supplied in the ordinary course of the entity’s enterprise is a question of fact taking into account the nature of the enterprise and general customs and practices of its trade.

138. The requirement that the transaction be in the ‘ordinary course’ of the enterprise excludes transactions that are made for purposes other than the carrying on of the enterprise or to achieve ends dissimilar from those of the business activity.<sup>58</sup> Again, there may be a course of business that is new to the enterprise and a single

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<sup>58</sup> *Downs Distributing Co. Pty Ltd v. Associated Blue Star Stores Pty Ltd* (1948) 76 CLR 463 at 477.

transaction carried out with the intention to carry on that business will be in the course of the business.<sup>59</sup>

### **Financial supplies for consumption outside Australia**

139. The table in subsection 38-190(1) lists the supplies of services and things other than goods or real property for consumption outside Australia that are GST-free. Items 2, 3, and 4 of the table set out the circumstances most relevant to financial supplies. Item 5 is not applicable to financial supplies. Supplies that satisfy the circumstances described in one of these items may not be GST-free if they fall within one of the exclusions in subsections 38-190(2) or (3).

#### *Supplies that are both GST-free and input taxed*

140. Subsection 9-30(3) provides that if a supply is both GST-free and input taxed, the supply is GST-free (unless the supply is of the type where the supplier can choose to treat it as input taxed under a specific provision). This means that if something is both GST-free by virtue of subsection 38-190(1) and input taxed because of the GST regulations, it is GST-free. Acquisitions relating to the making of that GST-free supply are creditable.

#### ***Subsection 38-190(1) – GST-free supplies***

141. As discussed at paragraphs 45 and following, ‘thing’ means anything that can be supplied or imported<sup>60</sup> and therefore includes interests that are financial supplies.

142. The supply to a non-resident recipient is GST-free under subsection 38-190(1) if it is a supply made to a non-resident who is not in Australia when the thing supplied is done, and:

- the supply is neither a supply of work physically performed on goods situated in Australia when the work is done, nor a supply directly connected with real property situated in Australia; or
- the non-resident acquires the thing in carrying on the non-resident’s enterprise, but is not registered or required to be registered.<sup>61</sup>

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<sup>59</sup> *Fairway Estates Pty Ltd v. Federal Commissioner of Taxation* (1970) 123 CLR 153; 1 ATR 726; 70 ATC 4061.

<sup>60</sup> Section 195-1.

<sup>61</sup> Subsection 38-190(1), item 2.

However, the supply is not GST-free if either subsection 38-190(2) or (3) applies to that supply.

*Example 20: GST-free supply of services*

143. *Knighly Co. is an Australian resident with a permanent establishment in New Zealand. It is applying for a loan from Kiwi Bank in New Zealand. Kiwi Bank has no operations outside of New Zealand. Kiwi Bank acquires information from a credit rating agency located in Australia about the creditworthiness of Knighly Co. The credit rating agency searches databases and makes telephone calls to other financial institutions (all located in Australia). This supply of information by the credit rating agency in Australia is connected with Australia because the information is prepared in Australia. However, as the recipient is not an Australian resident, the supply is GST-free provided Kiwi Bank is not in Australia in relation to the supply when the information services are performed.*

*Example 21: GST-free supply of a financial supply*

144. *Australian Enterprises is a share-trader resident in Australia with all its activities being in Australia. Therefore, supplies that it makes are connected with Australia. It acquires shares from American Inc. a company located in the US with no GST permanent establishment in Australia and no activities in Australia. The GST regulations and GST Act operate so that in acquiring the shares, Australian Enterprises makes a financial supply (an acquisition-supply) to American Inc. The acquisition-supply to American Inc satisfies the requirements of subsection 38-190(1), item 2 and is GST-free. Anything acquired or imported by Australian Enterprises in making that financial supply (that is, acquiring the shares) is for a creditable purpose.*

*Is the recipient registered or required to be registered?*

145. A supply is GST-free if it is made to a non-resident who is not in Australia when the thing supplied is done and the non-resident acquires the supply in carrying on an enterprise but is not registered, or required to be registered, for GST. In these situations, the financial supply provider needs to be satisfied that the non-resident recipient is not registered, or required to be registered, before it can treat the supply as GST-free.



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146. A supplier is able to ensure that a recipient is not registered by checking the Australian Business Register.<sup>62</sup>

147. The supplier must be satisfied, on reasonable grounds that the entity it supplies to is not required to be registered. Where a supplier is not in a position to be aware of these circumstances, enquires should be made of the recipient.

148. We accept that the supplier has reasonable grounds to be satisfied, if the entity has provided a signed written statement, declaring that the entity is not required to be registered. This is provided the supplier has no other reason to believe that the statement is not accurate.

149. A supply is also GST-free where it is a supply:

- that is made to a recipient who is not in Australia when the thing supplied is done; and
- the effective use or enjoyment of which takes place outside Australia;

other than a supply of work physically performed on goods situated in Australia when the work is done, or a supply directly connected with real property situated in Australia.<sup>63</sup> However the supply will not be GST-free if subsection 38-190(2) or (3) applies to the supply.

*Example 22: Effective use or enjoyment takes place outside Australia*

150. *Ripper Home Loans, an Australian resident company, securitises its mortgages by assigning the income stream from them to a special purpose vehicle, Ripper Securitisation, an Australian resident entity. Ripper Securitisation then issues securities (which are rights) to an offshore bank, Landmark Ltd, which sells them to offshore investors. Ripper Securitisation pays interest on the securities to the investors into their offshore accounts. The effective use and enjoyment of the securities by Landmark is outside Australia. This example specifically illustrates a situation where effective use and enjoyment takes place outside Australia. However the supply may also be GST-free under items 2 and 4 of subsection 38-190(1).*

151. Under item 4 of subsection 38-190(1) a supply in relation to rights is GST-free if:

- the rights are for use outside Australia; or

<sup>62</sup> The Australian Business Register is at [www.bep.gov.au](http://www.bep.gov.au) or [www.abr.gov.au](http://www.abr.gov.au).

<sup>63</sup> Section 38-190(1), item 3.

- the supply is to an entity that is not an Australian resident and is outside Australia when the thing supplied is done.

*Example 23: GST-free supply in relation to rights*

152. Under an agreement entered into in Australia, Never Never Bank agrees to provide the right to credit through an overdraft facility with its London branch to Air Atlantis. Air Atlantis is a non-resident entity that has no GST permanent establishment in Australia. Air Atlantis intends using the loan facility to pay its European suppliers.

153. The supply of the overdraft facility by Never Never Bank is connected with Australia under paragraph 9-25(5)(a) because the agreement is entered into in Australia and the provision of the financial interest is done in Australia. The supply of the right to credit is for use outside Australia. It is not the supply of a right to acquire something the supply of which would be connected with Australia. The supply therefore is GST-free under item 4 of subsection 38-190(1). (The supply may also be GST-free under another item of subsection 38-190(1).)

*Is there a connection between the supply and the GST permanent establishment?*

154. As discussed at paragraph 61 to 71, a supply (including an interest that is a financial supply) is connected with Australia if it is made through an enterprise the supplier carries on in Australia (paragraph 9-25(5)(b)). Where an entity has a permanent establishment in Australia, as defined, a connection must be established between the permanent establishment and the supply. That is the supply must be made through the permanent establishment for it to be connected with Australia. A supply that is connected with Australia in this way may be GST-free if it satisfies the conditions set out in Division 38 of the GST Act.

*Example 24: Supply made through a GST permanent establishment in Australia, but GST-free*

155. Datachip, an Australian resident company that has no offshore operations, grants a resident of New Zealand a right to use software in New Zealand. The supply is the grant of the right to use the software in New Zealand. The right is granted under a legal agreement made in New Zealand to which the managing director of Datachip travels for the signing.

156. *Under paragraph 9-25(5)(a) the thing supplied, the granting of the right to use the software, is not done in Australia because the right is granted in New Zealand. However, as the supply is made by the Australian business operation (i.e., the Australian GST permanent establishment of the Australian resident) the supply of the right to use is connected with Australia under paragraph 9-25(5)(b).*

157. *While the supply is connected with Australia the supply is not a taxable supply because it is GST-free under subsection 38-190 (1). This is because the rights are for use outside Australia.*

*Example 25: Supply made through a permanent establishment outside Australia*

158. *Aus Co. an Australian consultancy services company, has a branch in Taiwan. Aus Co. undertakes to have its Taiwan branch (Aus Co. Taiwan) prepare and provide a report to a client in Australia. The supply made by Aus Co. through Aus Co. Taiwan is not connected with Australia because the service is not performed in Australia (paragraph 9-25(5)(a)). Also, as the supply is made through the Taiwan branch, the supply is not made through an enterprise that the supplier carries on in Australia (paragraph 9-25(5)(b)). Division 84 may apply to the acquisition by the Australian client. See paragraph 163 to 173.*

***Determining whether the recipient is not a resident***

159. Whether a supply is made to a non-resident is not an issue of interpretation but is a question of fact to be established in each case. Section 195-1 defines a non-resident as an entity that is not an Australian resident. Australian resident is defined in terms of the definition of 'a resident of Australia' in section 6 of the ITAA 1936. This definition provides different tests for companies and individuals, and whether an entity satisfies the relevant test is essentially a question of fact to be established in each case, having regard to the decided income tax cases and any income tax public rulings issued.

160. While address information supplied by the recipient of a financial supply may be indicative that the recipient is a non-resident, it is not determinative. Where a financial supply provider has reason to believe that the entity is in fact an Australian resident, further enquires must be undertaken. A financial supply provider must be satisfied that the recipient of the supply is a non-resident before they can treat a supply as GST-free.

161. To satisfy the requirements for a GST-free supply under item 2 in subsection 38-190(1), the non-resident must also not be in

Australia when the thing supplied is done. Whether an entity is ‘not in Australia’ at the time when the thing supplied is done requires an analysis based on the facts.

***Supply not GST-free if supplied under agreement and provided to an entity in Australia - subsection 38-190(3)***

162. Subsection 38-190(3) applies to ensure that a supply made pursuant to item 2 of subsection 38-190(1) is not GST-free if it is supplied under an agreement with a non-resident and the supply is provided or is required to be provided to another entity in Australia. For subsection 38-190(3) to apply, the supply must be provided, or the agreement must require it to be provided, to another entity in Australia.

**Intangible supplies from Offshore - ‘Reverse charge’**

163. If a supply is not connected with Australia, it will not be a taxable supply under section 9-5 of the GST Act. However, the supply of a thing (other than goods or real property) that is not connected with Australia will be a taxable supply under Division 84 if:

- the recipient of the supply acquires the thing supplied solely or partly for the purpose of an enterprise that the recipient carries on in Australia, but not solely for a creditable purpose;
- the supply is for consideration; and
- the recipient is registered, or required to be registered.<sup>64</sup>

However, the supply is not a taxable supply to the extent that it is GST-free or input taxed.

164. You do not acquire a thing for a creditable purpose to the extent that the acquisition relates to making supplies that would be input taxed or the acquisition is of a private or domestic nature. Things acquired by an entity from offshore for use in making financial supplies are not acquired solely for a creditable purpose. This includes reduced credit acquisitions.

165. It is clear that the purpose of Division 84 is to apply to acquisitions that would not be fully creditable because, for example, they relate to making a financial supply. Division 70 is a statutory device the effect of which is to allow partial input tax credits to an entity making financial supplies. The application of Division 70

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<sup>64</sup> Section 84-5.

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should not impede the appropriate operation of Division 84. Support for this is found in regulation 70-5.02A, which contemplates that Division 84 applies to reduced credit acquisitions.

166. Where Division 84 applies, services or other things (excluding goods and real property) acquired from offshore for use in making financial supplies are subject to a 'reverse charge' unless the supply would have been GST-free or input taxed. GST is payable on the supply by the recipient of those services. This means that where a financial supply provider acquires a service from offshore that would be subject to GST if purchased in Australia the recipient is required to remit GST equal to 10% of the price of the supply.

*Example 26: Acquisition from offshore not for a creditable purpose*

167. *Invest Bank, an Australian financial institution, engages Legal UK, solicitors operating in the UK, to prepare an opinion on the legal aspects of a proposed banking operation in Australia in liaison with a subsidiary of a UK bank. The legal advice is prepared in the UK and provided to Invest Bank in Australia. The supply of that advice is not connected with Australia because the advice is not prepared in Australia and Legal UK has no GST permanent establishment in Australia.*

168. *The supply is for consideration, Invest Bank is registered for GST and it acquires the supply for the purpose of its enterprise carried on in Australia. The proposed Invest Bank enterprise will only make input taxed supplies. The acquisition made by Invest Bank is not solely for a creditable purpose because the acquisition relates to making supplies that are input taxed. Thus the requirements of section 84-5 are satisfied and the supply by Legal UK is a taxable supply. Under section 84-10 Invest Bank, the recipient of the supply, is liable to pay GST on the taxable supply.*

169. Where the entity receiving the supply is registered, or required to be registered, the supply is a taxable supply by the acquirer of that service or thing. GST of 10% of the price is payable by the recipient of that supply.<sup>65</sup> If the recipient is not registered or required to be registered, the supply is not a taxable supply and no GST will be payable on that supply.<sup>66</sup>

170. Where you have acquired something that is a taxable supply because of the reverse charge provisions, you may be entitled to input tax credits (including reduced input tax credits) for the

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<sup>65</sup> Sections 84-10 and 84-12.

<sup>66</sup> Paragraph 84-5(1)(c).

acquisition. Any input tax credit for those acquisitions is worked out under section 84-13.

171. The acquisition of some financial interests by a financial supply provider will not be connected with Australia because it is not 'done' in Australia or made through an enterprise the financial supply provider carries on in Australia. In these circumstances, Division 84 would operate to treat those financial interests as taxable. The GST regulations operate so that if Division 84 applies to a financial interest, which would be a financial supply apart from the fact it is not connected with Australia<sup>67</sup>, it is a financial supply.<sup>68</sup>

*Example 27: Financial supply not connected with Australia.*

172. *Earthbound Bank, an Australian resident entity, acquires units in Balmy Unit Trust. Balmy Unit Trust is a resident of the Bahamas, and issues the units in the Bahamas. The supply of the financial interest, which is the interest in the unit trust, is not a financial supply because it is not connected with Australia and the supplier is not required to be registered. As Division 84 would apply to make the supply taxable, subregulation 40-5.09(2) applies to treat the supply of the interest as a financial supply. Division 84 does not apply to make the supply taxable to the extent that it is input taxed. (The acquisition-supply by Earthbound to Balmy would also be a financial supply due to the operation of subregulation 40-5.09(1). It may be GST-free if the requirements of subsection 38-190(1) are met.)*

***Transfers between branches of the same entity***

173. Transfers to an enterprise carried on inside Australia, or the doing of anything for an enterprise carried on in Australia from or by an enterprise carried on outside Australia where these enterprises are branches of the same entity are treated as a supply that is not connected with Australia.<sup>69</sup> Therefore, provided the other requirements of section 84-5 are satisfied, the transfers are a taxable supply and subject to the reverse charge.

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<sup>67</sup> This is separate to the issue that an acquisition on a strict reading of subsection 9-25(5) cannot be connected with Australia.

<sup>68</sup> Subregulation 40-5.09(2). Subregulation 40-5.09(2) also recognises that in these circumstances the supplier does not need to register, or may be unable to register, for GST. For example, the entity does not carry on an enterprise in Australia.

<sup>69</sup> Section 84-15.

**Regulation 40-5.12 - What are not financial supplies**

174. A range of supplies which are sometimes associated with financial transactions, and other supplies that are themselves financial in nature, are excluded by the regulations<sup>70</sup> from being financial supplies. These supplies will be taxable supplies unless specified to be GST-free, input taxed or otherwise not taxable under another provision of the GST Act.

175. Regulation 40-5.12 sets out categories of supplies that are not financial supplies regardless of whether a financial supply provider or a financial supply facilitator makes the supply. The categories, as set out in regulation 40-5.12 of the GST regulations, are:

- Supplies of cheque and deposit forms to an ADI and special forms provided to account holders. (Regulation 40-5.12, items 1 and 2)
- Professional services, including information and advice in relation to a financial supply. (Regulation 40-5.12, item 3)
- An interest in or under a payment system. (Regulation 40-5.12, item 4)
- Stored value cards not linked to an account with an ADI. (Regulation 40-5.12, item 5)
- Goods supplied in accordance with agreements under which the goods are leased, where the lessors dispose of their rights in the goods to the lessees, or the lessees have no obligation or option of acquiring the rights of the lessors in the goods. (Regulation 40-5.12, item 6)
- An option, right or obligation to make or receive a taxable supply. (Regulation 40-5.12, item 7)
- A supply made as a result of the exercise of an option or right, or the performance of an obligation to make or receive a taxable supply. (Regulation 40-5.12, item 8)
- Facilities for trading securities or derivatives and clearance and settlement of those trades. (Regulation 40-5.12, item 9)
- Insurance and reinsurance business (other than life insurance business). (Regulation 40-5.12, item 10)
- Broking services. (Regulation 40-5.12, item 11)

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<sup>70</sup> Regulation 40-5.12 lists those supplies that are not financial supplies.

- Management of the assets or liabilities of another entity. (Regulation 40-5.12, item 12)
- Debt collection services. (Regulation 40-5.12, item 13)
- Sales accounting services under a factoring arrangement. (Regulation 40-5.12, item 14)
- Trustee services. (Regulation 40-5.12, item 15)
- Custodial services in relation to money, documents and other things. (Regulation 40-5.12, item 16)
- Currency with a market value that exceeds its stated value as legal tender. (Regulation 40-5.12, item 17)
- Bailment and floorplan arrangements. (Regulation 40-5.12, item 18)

*Something that is both a financial supply and not a financial supply*

176. If something is a financial supply under regulation 40-5.09 and also **not** a financial supply under regulation 40-5.12, then regulation 40-5.12 prevails. Unless it is also an incidental supply, the supply will be treated as **not** being a financial supply.<sup>71</sup>

*Example 28: Regulation 40-5.12 prevails*

177. *Divest Bank provides a variety of banking services including bank accounts, loans, safe custody services, cash and cheque counting and sorting. It provides these services (for a fee) to both account holders and non-account holders. One of its customers Marrakesh Holdings deposits money, cheques, and credit card vouchers with Divest for overnight storage. Divest provides Marrakesh with wallets for this purpose. The following day, Divest clears and counts the money and cheques in the wallets and deposits the funds into Marrakesh's account. It returns the credit card vouchers to Marrakesh. Custodial services fall within item 16 of regulation 40-5.12 and they may also fall within item 1 of regulation 40-5.09 if they are part of the supply of the account to Marrakesh (or on the facts are parts of a composite supply). The custodial services are not part of an account keeping function for Marrakesh but are a separate supply. Regulation 40-5.12 has the effect that the custodial services are treated as a separate supply to, or separate component of, the supply of the account held by Marrakesh. Therefore regulation 40-5.12 prevails and the service is taxable.*

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<sup>71</sup> Regulation 40-5.08.



*Example 29: Regulation 40-5.10 prevails*

178. Using the same facts as at paragraph 177, however in this scenario Divest Bank does not charge Marrakesh Holdings a separate fee for the storage but absorbs the costs into its monthly account keeping fees. The supply is incidental to the supply of an interest in an account and is an incidental financial supply.<sup>72</sup>

Regulation 40-5.10 prevails over regulation 40-5.12 and therefore the supply is input taxed.

179. Items 1, 2, 5 and 8 of the table in regulation 40-5.12 refer back specifically to an item in subregulation 40-5.09(3). As stated at paragraph 79, the provision, acquisition or disposal of something may fall under more than one item in regulation 40-5.09(3). Even if something mentioned in items 1, 2, 5, or 8 is covered by an item in subregulation 40-5.09(3) in addition to the item specifically mentioned, it is excluded from being a financial supply. For example, special forms provided in connection with an account mentioned in item 1 are excluded from being financial supplies even though an interest in an account may also be covered as an interest in or under a debt in item 2.

180. Items 7 and 10 in the table in regulation 40-5.12 also mention specific items in the table in regulation 40-5.09 but do so only to exclude them from the operation of the item in regulation 40-5.12.

**Recovery and oncharge**

181. Financial supply providers may incur expenses on behalf of a customer (as agent) or as a principal in the ordinary course of providing their services to the customer.

182. Where the cost is incurred as principal, the financial supply provider may seek to build that expense into the fee charged to the customer. We refer to this as ‘on-charging’. On the other hand, where the cost is incurred on the customer’s behalf, the financial supply provider may seek reimbursement for that amount from the customer. We refer to this as ‘recovery’ or reimbursement.

183. The principles on agency relationships set out in Goods and Services Tax Ruling GSTR 2000/37 apply equally to the agent/principal relationships that may exist between a financial supply provider and its customer. The GST treatment of certain costs that are charged for by the financial supply provider depends on whether it incurs the cost as principal or as agent.

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<sup>72</sup> In this example, it is assumed that all the requirements for an incidental financial supply are met.

184. For taxes, fees and charges excluded from GST<sup>73</sup>, such as stamp duties, and bank account debits (BAD) tax, the GST treatment depends on whether the financial supply provider or the customer is liable for meeting the expense. This will determine whether the expense is 'recovered' or 'on-charged' (i.e., whether it was incurred as principal or agent) and whether or not the supply is taxable, input taxed or GST-free.

185. Where a tax, fee or charge excluded from GST is absorbed into the consideration paid for the financial supply and 'on-charged' to the customer, it will be input taxed. The expense incurred is treated as an input into the service or supply made by the financial supply provider. These are the situations contemplated by the examples in Schedule 7 of the regulations.<sup>74</sup> On the other hand, where the expense is incurred on behalf of the customer and then reimbursed, the 'recovery' will not of itself be a financial supply. The recovery of the tax, fee or charge from the customer will continue to be excluded from GST.

186. Where a financial supply facilitator incurs costs in providing the taxable supply of its services and passes on the costs as part of its fee for service (on-charging), the entire fee will be taxable. The facilitator may also incur expenses on behalf of the financial supply provider, and recover those expenses. The recovery will have the same character as the expense incurred on behalf of the financial supply provider.

### **Reduced credit acquisitions - regulation 70-5.02**

187. In some cases, acquisitions that relate to making financial supplies may attract a reduced input tax credit, even though no input tax credit would arise under the basic rules. These acquisitions are reduced credit acquisitions<sup>75</sup> and are listed in regulation 70-5.02. If a reduced credit acquisition is not wholly for a creditable purpose<sup>76</sup> under Division 70 of the GST Act (for example, if it relates to making other input taxed supplies) you will need to determine your extent of creditable purpose. (Subsection 70-20(2) and section 84-13 contain formulae for working out your input tax credit in these

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<sup>73</sup> Certain taxes, fees and charges may be excluded from GST by a determination of the Treasurer under Division 81. The payment of such a tax, fee or charge specified in a determination of the Treasurer does not amount to consideration.

<sup>74</sup> See Schedule 7, item 15 of Part 1 and items 6 and 7 of Part 2 of the GST regulations.

<sup>75</sup> Subsection 70-5(1).

<sup>76</sup> An acquisition or importation is not for a creditable purpose to the extent that the acquisition or importation relates to making other input taxed supplies or is of a private or domestic nature.

circumstances and this is further explained in Goods and Services Tax Ruling GSTR 2000/22.)

188. The list of acquisitions under regulation 70-5.02 is intended to be exhaustive. This is clear from the language in subregulations 70-5.02(1) and (2). Therefore, if something is not specified within the list that follows, then it is not a reduced credit acquisition.

189. An acquisition is not a reduced credit acquisition to the extent that you would be entitled to an input tax credit for the acquisition outside of Division 70 of the Act.<sup>77</sup>

190. For the purposes of subsection 70-5(2), the regulations specify that the percentage of the input tax credit for each reduced credit acquisition is 75%.<sup>78</sup>

#### ***Status of the headings in subregulation 70-5.02(2)***

191. Although the headings used within the table to subregulation 70-5.02(2) are operative provisions, in our view they are not intended to expand, or to restrict the meaning of any of the items listed.

#### ***Is subregulation 70-5.02(2) inclusive or exclusive?***

192. Part 4-2 of the GST regulations lists those acquisitions that are reduced credit acquisitions for the purposes of Division 70 of the GST Act. While Division 70 of the regulations is intended to contain an exhaustive list of the acquisitions that qualify as reduced credit acquisitions, some of the items are listed on an 'inclusive' basis.

193. Items listed in the regulations contain the expressions 'including',<sup>79</sup> 'the following' or 'of the following kind'<sup>80</sup> and 'the following, ... including' or 'including the following'.<sup>81</sup> The words 'the following' are used in those items where the list is intended to be exhaustive. 'Including' is used where the drafter wanted to provide a list of examples rather than an exhaustive list.

194. The word 'including' has been considered in numerous cases.<sup>82</sup> In some instances, the word 'including' is used as an

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<sup>77</sup> Subsection 70-5(1A).

<sup>78</sup> Subsection 70-5(2); regulation 70-5.03.

<sup>79</sup> Items 2, 8, 10, 24 and 29 of subregulation 70-5.02(2).

<sup>80</sup> Items 1, 6, 7, 11, 14, 15, 17, 26 and 30 of subregulation 70-5.02(2).

<sup>81</sup> Items 1, 9, 23 and 24 of subregulation 70-5.02(2).

<sup>82</sup> *Re Proprietary Articles Trade Association of South Australia Inc.* [1949] SASR 88; *Lippett v. Robertson* [1953] SASR 13; *In the Estate of Nicholas* [1955] VLR 291 and *Cuisenaire v. Reed* (1962) 5 FLR 189, *YZ Finance Co. Pty Ltd v. Cummings* (1964) 109 CLR 395, *Cohns Industries Pty Ltd v. Deputy*

extension of the thing defined or described and other times to provide clarification. In the GST regulations, the expression is used in a variety of constructions and you need to look at each item in the regulation to see in what sense it is used. It is often used to simply make clear what the item in the regulation intends to cover by describing a practical activity or acquisitions intended to be covered by the general expression used at the commencement of the item.

195. Different constructions of ‘including’ used in the GST regulations are the expressions ‘*including*’, ‘*including by using the following facilities*’, or ‘*including the following*’. Where these expressions are used, the listings that follow are merely illustrative of the item being described. These illustrations do not enlarge the meaning of the item being described.

196. In determining whether an acquisition is a reduced credit acquisition (because of the illustration), the illustration needs to be read in the context of the item being described. For example, item 2 refers to:

‘Processing services in relation to account information for account providers, including:

- (a) archives storage, retrieval and destruction services; and
- (b) statement processing and bulk mailing; and
- (c) processing and manipulation of information relating to accounts, including information about transactions to which item 7 applies.’

197. The paragraphs in this item provide some examples of ‘processing services in relation to account information’. They are not the only types of ‘processing services in relation to account information’ that item 2 was intended to cover. We interpret similarly constructed items on the same basis.

198. To give an item its correct context, a specific paragraph in an item needs to be read with reference back to the commencing words to any list that follows. For example, a ‘destruction service’ mentioned in paragraph 2(a) is a processing service and a reduced credit acquisition if it is a destruction service ‘in relation to account information for an account provider’. This means that a service acquired to destroy account information for an account provider is a reduced credit acquisition. However, the acquisition of services to destroy other papers, records or assets does not come within the item and is not a reduced credit acquisition.

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199. In relation to the use of the expression '*the following*', the subsequent words are intended to be an exhaustive list of the item being described. Outside of examples given, no other meaning can be attributed to the item. We give this same meaning to the expression '*the following ... including*' in items 23 and 24. The word 'including' in this context clarifies that the item applies to superannuation schemes.

200. The table below describes the interpretation we give to each item that contains an expression mentioned in paragraphs 193 to 199.

| Item No                      | Context of Expression  | Illustrative or Exhaustive |
|------------------------------|--|----------------------------|
| <b>Regulation 70-5.02(2)</b> |  |                            |
| 1                            | The service of ... performing a transaction in respect of an account ... including by using the following facilities | Illustrative               |
| 2                            | Processing services ... including ...  | Illustrative               |
| 5                            | Processing services ... including ...  | Illustrative               |
| 6                            | Supplies to which the following ... relate   | Exhaustive                 |
| 7                            | Processing ... of the following kind   | Exhaustive                 |
| 8                            | Services to a third party mentioned in paragraph 6(b)... including ...   | Illustrative               |
| 9                            | Arrangement ... including the following ...  | Illustrative               |
| 10                           | Securities and unit registry services ..., including ...   | Illustrative               |
| 11                           | The following supplies   | Exhaustive                 |
| 14                           | The following loan application ... services  | Exhaustive                 |
| 15                           | The following loan management services   | Exhaustive                 |
| 17                           | The following debt collection services   | Exhaustive                 |
| 23                           | The following ... functions, including those functions for superannuation schemes                                    | Exhaustive                 |
| 24                           | The following administrative functions... including those functions for superannuation schemes ...                   | Exhaustive                 |
| 26                           | The following life insurance administration services   | Exhaustive                 |
| 29                           | Trustee and custodial services ... including ...   | Illustrative               |
| 30                           | The following master custody services  | Exhaustive                 |

| <b>Regulation 70-5.02B<sup>83</sup></b> |   |              |
|---|---|--------------|
| 1                                       | Provision of senior management services, including: ...   | Illustrative |
| 3                                       | Provision of human resources support services, including: ...   | Illustrative |
| 7                                       | Performance of financial management service functions, including: ...   | Illustrative |
| 7(c)                                    | financial control (including statutory reporting and accounting policy)   | Illustrative |
| 7(d)                                    | general ledger account reporting functions, including paying and processing invoices and payment instructions   | Illustrative |
| 13                                      | Provision of legal services, including: ...   | Illustrative |
| 15                                      | Maintenance and operation of transaction processing systems (including communications and applications systems) | Illustrative |

### **Internally generated management and support services by a non-resident parent entity**

201. An entity making financial supplies in Australia may receive management and support services from an enterprise it carries on outside Australia, a non-resident parent, subsidiary or other closely related enterprise. As the services are supplied from outside Australia, the recipient of the supply is subject to a GST 'reverse charge' on the supply. The imposition of a GST on these services may place the Australian enterprise at a competitive disadvantage when compared to the operations of other financial institutions acquiring similar services in Australia. Resident financial institutions will not incur a GST liability on management and support services that are undertaken wholly within the entity or between GST grouped entities.

202. To address this disadvantage, where an Australian enterprise acquires specified management and support services from a 'closely related' non-resident enterprise, the acquisition may be a reduced credit acquisition. To qualify as a reduced credit acquisition, the acquisition must satisfy the conditions in regulation 70-5.02A. The conditions are that the supply or transfer is a taxable supply because of section 84-5 of the Act and the receiving enterprise and the supplying enterprise are closely related. In addition, the supply or transfer that gives rise to the acquisition must consist in:

<sup>83</sup> The conditions of regulation 70-5.02A(2) must also be met before the acquisition is a reduced credit acquisition. See paragraphs 202 to 203 for an explanation.

- the transfer of something to an enterprise in Australia (the *receiving enterprise*) from an enterprise outside Australia (the *supplying enterprise*); or
- the doing of something for the receiving enterprise by the supplying enterprise.

203. To qualify as a reduced credit acquisition, the acquisition must also be the acquisition of something that is listed within subregulation 70-5.02B(1).

### *Closely related*

204. An enterprise is closely related to another enterprise if:

- both enterprises are carried on by the same entity;
- one enterprise is carried on by a 100% subsidiary of the entity that carries on the other enterprise; or
- both enterprises are carried on by 100% subsidiaries of the same entity.

For example, a supply from a non-resident 'head office' or 'parent' entity, to an Australian branch or 100% subsidiary company of the supplier will involve a supply between 'closely' related entities.

205. In determining the reduced credit acquisition, the price of the relevant supply is reduced by the amount passed on by the supplying enterprise to the receiving enterprise for any unabsorbed contribution from a third party (regulation 70-5.02C).

206. An acquisition is not a reduced credit acquisition where the supplier does no more than seek recovery of the cost of a supply by a third party (with or without additional cost or profit margins). This is also provided that the substance and character of the supply by the third party remains unchanged by the supplier before supply to the Australian enterprise. This will be an unabsorbed contribution for the purposes of regulation 70-5.02C.

### **Differentiating between mixed and composite acquisitions**

207. The supplier of something that is identifiable as having more than one part where each part is taxable does not need to apportion the consideration for the supply. This is because GST is payable on the whole supply. Similarly, if all of the parts of a supply are identifiable as being non-taxable, GST is not payable on any part of the supply.

208. However, a supply consisting only of taxable parts may not be wholly a reduced credit acquisition to the acquirer. Only those

parts that are reduced credit acquisitions give rise to reduced input tax credits.

209. It is not necessary to separate parts of an acquisition into things that are listed in regulation 70-5.02 and parts that are not unless these are separately identifiable parts of the acquisition. Where there are separately identifiable parts of the acquisition it will be necessary to look at the acquisition as a whole to determine whether it is an acquisition specified in the regulations.

*Example 30: Acquisition of more than one thing*

210. *Papier Suppliers supplies Fobick Bank with stationery. The supply is made up of deposit and withdrawal forms, letterhead and business cards. The supply from Papier consists of several parts, all of which are taxable. There is no need for Papier to separately identify the consideration that relates to each part however Papier chooses to separately identify each item on the invoice provided to Fobick Bank.*

211. *Examining the acquisition, Fobick has acquired deposit and withdrawal forms, letterhead and business cards. Business cards and letterhead are not listed as reduced credit acquisitions in regulation 70-5.02. Therefore, the acquisition of those items by Fobick Bank is not a reduced credit acquisition. Deposit and withdrawal forms are listed in item 4 as a reduced credit acquisition in the regulations and therefore, the acquisition of those forms is a reduced credit acquisition by Fobick Bank.*

***Reduced credit acquisition is acquired together with something that is not a reduced credit acquisition***

212. If something that is listed as a reduced credit acquisition is acquired together with something that is not listed as a reduced credit acquisition then you may need to treat those parts separately. This will depend on whether the acquisition is a **‘mixed acquisition’** or a **‘composite acquisition’**. These terms are intended to be similar to the concepts of a mixed supply<sup>84</sup> and a composite supply and to adopt similar principles. The difference is that these terms are used to describe an acquisition that contains parts that are reduced credit acquisitions and parts that are not.

213. The supplier may not need to separate the components of a supply that is a ‘mixed acquisition’ or a ‘composite acquisition’ to the acquirer. That is, there is no automatic symmetry between the terms used to describe the supply by the supplier and the acquisition by the acquirer. The relevant question in this context is not what has

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<sup>84</sup> A mixed supply is a supply that consists of taxable and non-taxable parts.



been supplied but what is acquired. The terms mixed acquisition and composite acquisition are not defined terms but are used in this Ruling as an aid to interpreting the provisions.

214. A mixed acquisition contains separately identifiable parts where one or more of the parts is a reduced credit acquisition and one or more of the parts is not a reduced credit acquisition. In a mixed acquisition, no part is dominant, and each part has a separate identity.

215. On the other hand, a composite acquisition is an acquisition of one dominant part and includes other parts that are not treated as having a separate identity as they are integral, ancillary or incidental to the dominant part of the acquisition. Where an acquisition is a composite acquisition, then it is essentially the acquisition of a single thing, and will be either wholly a reduced credit acquisition or wholly not a reduced credit acquisition.

216. In working out whether you are making a mixed or composite acquisition, the key question is whether the acquisition has parts that should be regarded as being separately identifiable, or whether it is essentially an acquisition of one dominant part with other parts being integral, ancillary or incidental to that dominant part. This is discussed in paragraphs 217 to 236 with a diagrammatical representation at Attachment 1.

### **Mixed acquisition – separately identifiable parts**

217. In many cases, it will be a matter of degree whether the parts of an acquisition are separately identifiable, and retain their own identity. This is a similar process to determining whether or not something is a mixed supply.

218. The principles enunciated in case law from New Zealand and the United Kingdom assist in establishing, by analogy, how to determine whether an acquisition includes separately identifiable parts. These cases illustrate that the relevant factor is what the acquirer in essence acquires. The question is what ‘in substance and reality’ is acquired for the consideration paid.

219. Following the judgment of Lord Slynn of Hadley in *Card Protection Plan v. Customs and Excise Commissioners* [2001] BVC 158 (*Card Protection*) you must have regard to the essential features of the transaction to see whether it is several distinct principal services or a single service. An overall view should be taken and something that is in reality a single service should not be ‘artificially split’.

220. Applying the rationale of the Court in the *Card Protection* case, the question is what is the essential feature of the scheme or its

dominant purpose and why objectively would an entity want to acquire the thing. (In that case, Lord Slynn had ‘no doubt’ that the reason was to obtain provision of insurance cover against loss arising from the misuse of credit cards or other documents.)

221. In the case of *Sea Containers Ltd v. Customs and Excise Commissioners*<sup>85</sup> (*Sea Containers*), Keene J considered that the proper approach was to see whether an element (catering) was significant in its own right or whether it was merely ancillary to the dominant part (transport). Keene J found that:

‘The evidence shows that it [the catering] constituted a very important element in its own right in what was being provided by the appellant. Its significance in these transactions went well beyond the point where it could be seen merely as a way of better enjoying the transport element... it constituted for customers an aim in itself. Not, of course, the sole aim but, given its prominence in the marketing literature, clearly a separate aim from the travel element.’<sup>86</sup>

222. By contrast, in *British Airways plc v. Customs and Excise Commissioners (British Airways)*<sup>87</sup>, the Court of Appeal found that the provision of in-flight catering was, in substance and reality, an integral part of the air transportation. It was not a mixed supply. Stuart-Smith LJ said that:

‘While something that is necessary for the supply will almost certainly be an integral part of it, the converse does not follow ...’<sup>88</sup>

223. *Sea Containers* and *British Airways* show that different conclusions may be reached after taking into account the relevant facts of cases that are similar.

224. In *Commissioners of Customs & Excise v. The Automobile Association*<sup>89</sup> the issue before the Court was whether in ‘substance and reality’ the subscription paid by members was for the bare right of membership or for all the benefits that came with membership.

225. The Court held that on a proper construction of the rules of the Association the contract which existed between the Association and its members did not merely confer on the members a bare right to membership with all the other benefits being merely incidental to

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<sup>85</sup> *Sea Containers Ltd v. Customs & Excise Commissioners* [2000] BVC 60.

<sup>86</sup> *Sea Containers Ltd v. Customs and Excise Commissioners* [2000] BVC 60 at 67.

<sup>87</sup> *British Airways plc v. Customs and Excise Commissioners* (1990) 5 BVC 97.

<sup>88</sup> *British Airways plc v. Customs and Excise Commissioners* (1990) 5 BVC 97 at 102-103.

<sup>89</sup> *Commissioners of Customs & Excise v. The Automobile Association* (1974) 1 BVC 8.

that right. Instead, under the contract each member was entitled to all the benefits that he or she could properly anticipate from having read the brochure. The subscription was paid for a package of individual benefits and could therefore be apportioned.

226. In *Customs and Excise Commissioner v. Wellington Private Hospital Ltd (Wellington)*, Millett LJ also found that courts need to ask whether one part is connected with the other, or whether the two parts are ‘physically and economically dissociable’.<sup>90</sup> In considering the question of separate identity he found that:

‘The proper inquiry is whether one element of the transaction is so dominated by another element as to lose any separate identity as a supply for fiscal purposes, leaving the latter, the dominant element of the transaction, as the only supply. If the elements of the transaction are not in this relationship with each other, each remains as a supply in its own right with its own separate fiscal consequences.’<sup>91</sup>

227. The view expressed in *Wellington* in relation to supplies is consistent with the view expressed in this Ruling that an acquisition has separately identifiable parts where the parts require individual recognition and retention as separate parts, due to their relative significance in the supply.

#### *Example 31: Mixed acquisition*

228. In a particular month, *Clever Counters* provides *Inca Investments* with administrative services such as maintaining records, handling inquiries, and processing application forms. *Clever Counters* also provides *Inca* with a new record keeping software package. The parts of the acquisition are separately identifiable, and retain their own identity. No one part of the acquisition dominates another. In ‘substance and reality’ *Inca* has acquired administration functions and a software package. The acquisition of a software package is not a reduced credit acquisition under any of the items in the regulations. *Inca* will be entitled to a reduced input tax credit for the administrative services but not for the record keeping package.

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<sup>90</sup> *Customs and Excise Commissioners v. Wellington Private Hospital Ltd* [1997] BVC 251 at 266.

<sup>91</sup> *Customs and Excise Commissioners v. Wellington Private Hospital Ltd* [1997] BVC 251 at 266.

### **Composite acquisition**

229. In a composite acquisition, subordinate parts complement and accompany the dominant part of the acquisition. Such an acquisition is essentially the acquisition of a single thing. It need not be broken down, unbundled or dissected any further. A composite acquisition may appear, at first, to have more than one part, but is treated as if it is the supply of one thing.

230. In *Customs and Excise Commissioners v. Madgett and Anor (t/a Howden Court Hotel)*, the European Court of Justice described the term ‘ancillary’ in terms of scale and connection:

‘... a service is ancillary if, first, it contributes to the proper performance of the principal service and second, it takes up a marginal proportion of the package price compared to the principal service. It does not constitute an object for customers or a service sought for its own sake, but a means of better enjoying the principal service.’<sup>92</sup>

231. In *Customs and Excise Commissioners v. British Telecommunications plc*, Lord Slynn of Hadley considered whether delivery was ancillary or incidental to a supply of cars or whether it was separately identifiable. In concluding that, as a matter of commercial reality, there was one contract for a delivered car, Lord Slynn found it necessary to consider all of the circumstances of the supply and said:

‘... the fact that separate charges are identified in a contract or on an invoice does not on a consideration of all the circumstances necessarily prevent all the supplies from constituting one composite transaction nor does it prevent one supply from being ancillary to another supply which for VAT purposes is the dominant supply ... the essential features of a transaction may show that one supply is ancillary to another and that it is the latter that for VAT purposes is to be treated as the supply.’<sup>93</sup>

232. No single factor by itself will provide the sole test as to whether a part of an acquisition is integral, ancillary or incidental to the dominant part of the acquisition.<sup>94</sup> Having regard to all the circumstances, indicators that a part may be integral, ancillary or incidental include where:

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<sup>92</sup> *Customs and Excise Commissioners v. Madgett & Anor (t/a Howden Court Hotel)* [1998] BVC 458 at 464.

<sup>93</sup> *Customs and Excise Commissioners v. British Telecommunications plc* [1999] BVC 306 at 312.

<sup>94</sup> See Lord Hope of Craighead in *Customs and Excise Commissioners v. British Telecommunications plc* [1999] BVC 306 at 314.

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- it represents a marginal proportion of the total value of the package compared to the dominant part;<sup>95</sup>
- it is necessary or contributes to acquisition as a whole, but cannot be identified as the dominant part of the acquisition;
- it contributes to the proper performance of the contract to acquire the dominant part; or
- an acquirer would reasonably conclude that it does not constitute for customers an aim in itself, but is a means of better enjoying the dominant thing acquired.

### *Example 32: Composite acquisition*

233. *Luther Life Co. acquires archives storage and retrieval services from Storit. As part of the service Storit provides a number of things such as archive boxes, labels, as well as collection and storage of the boxes. These things are merely some of the things that go together to make up the acquisition of archive services. The acquisition is a composite acquisition and therefore is a reduced credit acquisition under item 2(a) of subregulation 70-5.02(2).*

### *Example 33: Composite acquisition*

234. *Trusted Bank acquires transaction cards from Trendee Cards. Customers use these cards to operate their accounts with Trusted. The contract for the acquisition of the transaction cards from Trendee cards includes the supply of the card blanks together with artwork and embossing (e.g., with the customer's name, the card number and expiry date, etc. When acquired from a single supplier and as part of a single acquisition the parts can not be separated. Without each of the parts the card is not a transaction card but is simply a piece of plastic. The acquisition is a composite acquisition and therefore a reduced credit acquisition under item 3 of subregulation 70-5.02(2).*

235. In some cases, no matter how insignificant a minor part may be, that part is recognised as being a part in its own right where a provision of the GST Act specifically requires you to recognise it. For example, taxation and auditing services are specifically excluded from being a reduced credit acquisition under item 24(h) and 26(h).

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<sup>95</sup> *C & E Commrs v. Madgett (t/a Howden Court Hotel)* [1998] BVC 458.

*Example 34: Specific exclusion*

236. Continuing the example at paragraph 228, *Clever Counters* also provides *Inca Investments* with taxation services, including completion of its BAS. Under item 24(h) of subregulation 70-5.02(2), taxation services (such as completion of *Inca's* BAS) are excluded from being an eligible administrative function. Specifically, the acquisition of taxation services is not (for the purposes of the item) an acquisition of administrative services for compliance with industry regulatory requirements. Completion of *Inca's* BAS therefore is not a reduced credit acquisition. *Inca* is not entitled to reduced input tax credits for the preparation of its BAS or any other taxation services *Clever Counters* might provide.

**What is a financial supply facilitator - items 9, 18, 21, 27, and 28**

237. The GST regulations distinguish between a supply made by a financial supply facilitator and a financial supply provider. The term financial supply facilitator is only used in particular items in subregulation 70-5.02(2) and it is taken to have the meaning set out in regulation 40-5.07. That is, the financial supply facilitator, in relation to the supply of an interest, is the entity facilitating the supply of the interest for a financial supply provider. For the purposes of the relevant items<sup>96</sup> in subregulation 70-5.02(2), if a financial supply facilitator does not provide the service then it will not be a reduced credit acquisition.

238. In determining whether an entity is a financial supply facilitator, the entity's activities must be directly linked to the supply of an interest by a financial supply provider. That is, a financial supply facilitator is an entity that does not own property in the supply of the interest and either:

- the supply is made through the entity (by acting in an agent-like capacity); or
- the entity directly assists in the provision, acquisition or disposal of the interest for a financial supply provider.

Only where there is such a close nexus between the activities of the facilitator and the supply, is it necessary to distinguish between the actions of a financial supply facilitator and those of a financial supply provider.

239. As a general rule, acting in an agent-like capacity on behalf of a financial supply provider indicates a direct linkage with the supply of an interest, as the supply is typically made through, or with

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<sup>96</sup> See items 9, 11, 18, 21, 27 and 28 of subregulation 70-5.02(2).

the direct assistance, of such an entity. In the absence of this direct connection, an entity's involvement with the supply of an interest cannot be as financial supply facilitator. These principles are illustrated by the examples set out below.

*Example 35: Financial supply facilitator*

240. *ABC Ltd engages XYZ Ltd to locate borrowers for ABC Ltd. XYZ Ltd receives money from ABC Ltd for this purpose and then provides that money as loans to borrowers. In this scenario, XYZ Ltd makes the supply of the loan monies to borrowers as agent for ABC Ltd. For the purposes of the GST regulations, XYZ Ltd is acting as a financial supply facilitator in relation to the supply of the interest in the loan funds. XYZ Ltd facilitates this supply for ABC Ltd (who is the financial supply provider by virtue of being the entity that owns the interest in the loan funds) and supplies that interest to borrowers.*

241. *XYZ Ltd also facilitates the borrowing for Bob, a borrower from ABC Ltd. XYZ Ltd is the financial supply facilitator in relation to the supply by Bob. By acquiring the interest in the loan funds, Bob is a financial supply provider.*

*Example 36: Directly bring about supply for financial supply provider*

242. *For the purpose of strategic planning, DMW Ltd engages Radical Ltd to provide advice on suitable takeover targets. Based on the advice supplied by Radical, DMW selects a company and engages Jones RD Ltd to facilitate the acquisition of a controlling interest in the company selected. In this scenario, despite the fact that the advice is relied upon to ultimately make a financial supply, Radical Ltd. is not a financial supply facilitator. This is because the acquisition of the controlling interest is not made through, or with the direct assistance, of Radical Ltd. However, Jones RD Ltd. is considered a financial supply facilitator because it directly brings about the supply of the interest for DMW Ltd.*

*Example 37: input into supply by financial supply facilitator*

243. *Following on from the example at paragraph 242, instead of engaging Radical Ltd to provide advice, DMW Ltd engages Jones RD Ltd to arrange for the acquisition of a controlling interest in a suitable company. As part of its brief, Jones RD Ltd engages Radical Ltd to provide advice on which company it should target (on behalf of DMW Ltd). In this scenario, Jones RD Ltd is acting as a financial supply facilitator for DMW Ltd. Jones RD Ltd's*

*acquisition of Radical Ltd's services merely forms part of its inputs in relation to the arrangement of the acquisition.*

### **Something acquired to make a reduced credit acquisition is not a reduced credit acquisition**

244. Something that is used in making a reduced credit acquisition is not, for that reason, a reduced credit acquisition.<sup>97</sup> This means that an input used by a supplier in providing something that is a reduced credit acquisition in the hands of the recipient, is not itself a reduced credit acquisition.

#### *Example 38: Something acquired to make a reduced credit acquisition*

245. *Loaner Bank engages Retro Inc. to process its loan applications. Retro Inc. is short staffed and hires staff from an employment agency to process the loan applications. Retro invoices Loaner separately for the labour hire and for the processing services. While the acquisition of processing services is a reduced credit acquisition, the labour hire is not. Therefore, Loaner Bank is not entitled to a reduced input tax credit for the labour hire services.*

246. Inputs into a supply that become an integral part of that supply do not need to be segregated out. In the example at paragraph 245, assume that in performing the processing services, Retro uses (amongst other things) stationery, electricity, office premises and hired labour. While these things are not themselves reduced credit acquisitions, Retro does not need to separately identify the inputs into the supply to Loaner Bank.

### **When does an acquisition relate to making a financial supply?**

247. Where a financial supply provider acquires the services of a financial supply facilitator to effect a financial supply transaction, the complexity of the transaction may require that the facilitator supply services over an extended period. The financial supply provider is entitled to reduced input tax credits from the time it has formed the intention to make a financial supply. That is, the financial supply provider does not have to wait until the financial supply has been concluded before the entitlement arises.

248. How much reduced input tax credit an entity can claim and when it can be claimed will depend on the usual attribution rules. If your actual use of the acquisition changes from your planned use,

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<sup>97</sup> Subregulation 70-5.02(3).



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you may need to make an adjustment to reflect any changes in the extent of your creditable purpose. (See Goods and Services Tax Ruling GSTR 2000/24.)

## **Tax Invoices**

249. No special tax invoice requirements apply to suppliers of reduced credit acquisitions. That is the supplier is not required to identify that a particular supply is a reduced credit acquisition. However, the supplier must comply with the tax invoice requirements generally.

250. In particular, subregulation 29-70.01(2) of the GST regulations provides that where the total amount payable for the supply or supplies to which the tax invoice relates is \$1000 or more, the tax invoice must include:

- a brief description of each thing (paragraph 29-70.01(2)(f)); and
- for each description, the quantity of the goods or the extent of the services supplied (paragraph 29-70.01(2)(g)).

251. Subdivision 29-C of the GST Act and Subdivision 29-C of the GST regulations and Goods and Services Tax Ruling GSTR 2000/17 set out the information requirements for tax invoices. These information requirements do not include any specific requirements for tax invoices issued for reduced credit acquisitions. Tax invoices issued must comply with the information requirements for tax invoices that would apply to a supply of that kind.

## **What this Ruling does**

### ***Schedule 1***

252. Schedule 1 of this Ruling contains a glossary of terms to explain what is understood by the financial product or acquisition described in Schedules 2 and 3 to this Ruling. Not all of these terms are legislative definitions. Most terms have been taken from banking and finance dictionaries or are based on explanations provided by industry bodies. (A list of references appears at the back of the glossary.)

253. Schedule 1 forms part of this Ruling.

### ***Schedule 2***

254. Schedule 2 of this Ruling sets out the GST treatment of supplies and fees, commonly provided by financial supply providers.

Many of these are expressed by reference to the consideration provided for the supply of the services.

255. These supplies, fees, and charges are divided into these categories:

- Transaction banking/ cash management services
  - Accounts
  - Payment/ fund transfers services
  - Stored value and similar cards
  - Deposits and investment
- Advances, loans and mortgages
  - Loan transactions
  - Mortgages and charges
  - Debt and credit arrangements
- Trade finance, asset based finance transactions and inventory based finance
  - Trade finance
  - Asset based finance
  - Inventory/receivables finance
- Securities transactions
- Guarantees and indemnities
- Currency
- Superannuation, annuities and allocated pensions
  - Superannuation
  - Annuities or allocated pensions
- Derivatives
- Insurance
- Advisory and professional services
  - Advisory and professional services
  - Financial planning
- Brokerage and facilitator services
- Trustee and custodial services
- Funds management
- Commodities and collectibles

**GSTR 2001/D9****How to read Schedule 2 of the Ruling***Requirements for financial supply:*

256. The provision, acquisition or disposal of an interest mentioned in subregulation 40-5.09(3) or (4) is a financial supply if:

- the provision, acquisition or disposal is:
  - for consideration;
  - in the course or furtherance of an enterprise; and
  - connected with Australia; and
- the supplier is:
  - registered or required to be registered; and
  - a financial supply provider in relation to the supply of the interest.

257. This is represented in the table as:

| <i>Line No</i> | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>                            |
|----------------|---|----------------------------------|-------------------|---|
|                | <b>ACCOUNTS</b>   |                                  |                   |   |
| A.1            | The following fees and charges by Australian ADIs as account provider to account holders, or by an ADI to a non-account holder for a fee of less than \$1,000 |                                  |                   |   |
| A.2            | <ul style="list-style-type: none"> <li>• Account opening, keeping, maintenance and service fees</li> </ul>  | 40-5.09(3)<br>Item 1             | Input taxed       | Subregulation 40-5.09(4) may also apply |

258. This means that the supply satisfies the requirement for a financial supply within the GST regulations because it is:

- the provision of an interest in or under an account made available by an ADI in the course of its banking business;
- the provision is:
  - for consideration;

- in the course or furtherance of an enterprise;  
and
- connected with Australia;
- the supplier is a financial supply provider in relation to the supply of the interest; and
- the supplier is registered or required to be registered.

As a financial supply, this supply is input taxed.

259. If relevant, subregulation 40-5.09(4) will also apply. The supply of those services to a non-account holder will be input taxed if supplied for a fee of less than \$1,000 and if item 1 in subregulation 40-5.09(3) would have applied to that supply in relation to an account with the ADI.

*Requirements for Incidental Financial supply:*

260. The supply may be an incidental financial supply if it satisfies the requirements of regulation 40-5.10, namely it is:

- something that is supplied by the *same supplier* to the *same recipient* as the original financial supply; and
- supplied directly in connection with a financial supply; and
- incidental to the financial supply; and
- supplied at or about the same time, as the financial supply but not for separate consideration; and
- the usual practice of the entity to supply the thing (or similar things) and the financial supply together in the ordinary course of the entity's enterprise.

261. This is represented in the table as:

| <i>Line No</i> | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>   | <i>GST Status</i> | <i>Notes</i> |
|----------------|---|------------------------------------|-------------------|--------------|
|                | <b>LOAN TRANSACTIONS</b>  |                                    |                   |              |
| B.50           | <ul style="list-style-type: none"> <li>• Card insurance (supplied with card - no separate fee)</li> </ul> | 40-5.09<br>Item 1 & 2<br>& 40-5.10 | Input taxed       |              |

262. This means that the supply of the insurance, provided with a transaction card for no separate (additional) fee, is incidental to the supply of an account under item 1 or an interest in credit under item 2 in subregulation 40-5.09(3). The supply is an incidental financial

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supply within the requirements of regulation 40-5.10. Being a financial supply, the supply is input taxed. (The supply, on the facts might also be characterised as a composite supply.)

*Requirements for non-financial supply:*

263. If the supply does not satisfy the requirements of regulations 40-5.09, or if it is a supply listed within regulation 40-5.12, then it will not be a financial supply. It may be taxable, GST-free, input taxed or otherwise non-taxable under another provision of the GST Act. Some supplies may come within both regulation 40-5.09 and 40-5.12. Where this is the case, regulation 40-5.12 prevails and the supply will not be a financial supply (unless it is also an incidental financial supply).

264. This is represented in the table as:

| <i>Line No</i> | <i>Supply, Service or Consideration</i>                                      | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i> |
|----------------|--|----------------------------------|-------------------|--------------|
|                | <b>PAYMENT &amp; FUNDS TRANSFER</b>  |                                  |                   |              |
| A100           | The following fees and charges relating to credit card merchant operations:  |                                  |                   |              |
|                | <ul style="list-style-type: none"> <li>Joining/establishment fees</li> </ul> | 40-5.12<br>Item 4<br>section 9-5 | Taxable           |              |

265. This means that the supply is specified not to be a financial supply under regulation 40-5.12. Supplies under regulation 40-5.12 are generally taxable supplies, unless they are specifically treated as GST-free, input taxed or non-taxable under another provision of the GST Act. Joining/establishment fees that relate to credit card merchant operations are taxable supplies under section 9-5 of the GST Act.

266. The line number in the table is used merely as a device for referring to a particular item.

267. Schedule 2 forms part of this Ruling.

**Definitions**

268. See the Glossary in Schedule 1 of this Ruling

## Detailed contents list

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269. Below is a detailed content list for this draft Good and Services Tax Ruling:

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## Your comments

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270. If you wish to comment on this draft Ruling, please send your comments by **1 March 2002** to:

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- acquisition
- acquisition-supply
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- ancillary
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- offshore supplies
- provision
- reduced input tax credits
- reduced credit acquisition

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- reverse charge
- separate consideration
- taxable supply
- tax invoices
- usual practice

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## ATO references:

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## ATTACHMENTS



**Schedule 1****Glossary of Terms*****Abbreviations***

| <b>Act Name</b>  | <b>Abbreviation</b> |
|--|---------------------|
| <i>Corporations Act 2001</i>                                     | Corporations Act    |
| <i>Superannuation Industry (Supervision) Act 1993</i>            | SIS Act             |
| <i>New Tax System (Goods and Services Tax) Act 1999</i>          | GST Act             |
| <i>A New Tax System (Goods &amp; Services Tax) Regulations A</i> | GST Regulations     |
| <i>Income Tax Assessment Act 1936</i>                            | ITAA 1936           |
| <i>Income Tax Assessment Act 1997</i>                            | ITAA 1997           |

**=A=****Acceptance Fee**

A fee charged by a financial institution which accepts bills of exchange (drawn up by customers) to enhance their marketability.

**Account**

The Dictionary to the GST Regulations defines account by ways of a 'means and includes' definition. For the purposes of item 1 of subregulation 40-5.09(3) and subregulation 40-5.09(4), the meaning of account means an account made available by an Australian ADI within the meaning of section 9 of the Corporations Act. For the purposes of regulation 70-5.02, the meaning of account is not limited to Australian ADIs but extends to accounts provided by non-ADIs.

It includes an account in relation to which the account holder (the customer) has the right to:

- have the account maintained by the account provider (the provider); and
- repayment of the amount credited to the account by the provider; and
- require the provider to act on directions by the customer that are in accordance with the arrangements, or any agreement, between the provider and the customer in relation to operation of the account.

The definition of account does not extend to an 'account' that records non-monetary balances such as reward/loyalty point and 'frequent flyer' point balances.

### **Account Receivable Financing**

A facility whereby a firm uses its book debts as security for a loan or series of loans from finance companies. The difference between account receivable finance and debt factoring is that the former is a secured loan arrangement, while the latter is an outright purchase of receivables.

### **Actuary**

A professional person who applies mathematical, statistical and financial analyses to a wide range of business risks. Actuaries are experienced in analysing financial transactions and assessing risks and operate mainly in the superannuation, investment and insurance industries. In Australia, an actuary will most likely be a Fellow of the Institute of Actuaries of Australia (FIAA) or an accredited member of that institute, having gained similar overseas qualifications.

### **Additional Reports**

In relation to a trustee administration service, are reports prepared to address regulatory and compliance obligations associated with taxation and funds administration.

### **Advance**

A synonym for loans, overdrafts and other types of financial accommodation.

### **Allocated Pension/Annuity**

Pension/annuity paid by a managed fund from investment of personal superannuation and rollover moneys. The amount and timing of the pension are nominated by the recipient. If the pension amount exceeds the income earned by the fund, the balance is made up by a partial return of capital. Withdrawals of capital are permitted and are concessional tax as eligible termination payments. Income payments themselves attract tax concessions. Allocated pension/annuity payments are paid at monthly, quarterly, half yearly or yearly intervals.

### **Annuity**

Regular income payments, akin to a pension, which are purchased from a life assurance company. The purchaser is known as an annuitant. There are many variations, but annuities are broadly classed as immediate (payment commences on purchase of the annuity) or deferred (payment commences on a specified future date).

## **Approved Deposit Fund**

A type of fund into which lump sum eligible termination payments are deposited and can be 'rolled over' upon a person's retirement, resignation or retrenchment. Tax is deferred until funds are withdrawn, or rolled over into an annuity or allocated pension, which must be prior to age 65. In regulatory terms, an approved deposit fund has an approved trustee which is a constitutional corporation.

## **Asset Allocation Services**

The apportionment of an investment portfolio among different asset classes (shares, bonds, property, cash and overseas investments) from time to time in accordance with the investment outlook of the investor or investment manager.

## **Asset Backing**

The value of a company's assets standing behind its issued shares. Some companies may have a strong asset backing even if the dividends they pay on shares are relatively low.

## **Asset Reconciliation**

In relation to custody services, where the bailee supplies these services for valuables such as jewellery or documents etc, there are rules which provide for the reconciliation of the bailor's assets held in custody.

## **Assignment**

Legal transfer of liabilities, rights or property from one person (the assignor) to another (the assignee). The assignee acquires rights subject to equity and cannot obtain a better title than that of the assignor. The assignee can however, obtain a lesser title than that of the assignor.

## **Assurance**

A term which is used interchangeably with insurance, for example, life assurance/life insurance. Historically, assurance was used to describe insurance based on human life, for example, a life assurance policy which would pay out when the person either reached a certain age or died. In contrast, insurance dealt with insurance other than life insurance. The distinction today between the two terms in contemporary usage is minimal.

## **Austraclear Limited**

Unlisted public company that acts as a clearing house for securities trading on Australian stock exchanges. The securities are held by Austraclear in a central depository and physical delivery is eliminated. Trading in securities takes place electronically, with Austraclear recording changes in ownership records.



### **Australian ADI**

An Australian ADI (authorised deposit-taking institution) is defined under section 9 of the Corporations Act to mean:

- (a) an ADI within the meaning of the *Banking Act 1959*; or
- (b) a person who carries on State banking within the meaning of paragraph 51(xiii) of the Constitution.

### **Australian Prudential Regulation Authority (APRA)**

The Commonwealth agency responsible for prudential regulation of banks, life insurance companies, general insurance companies and superannuation funds having taken over these functions from the Insurance and Superannuation Commission and the Reserve Bank of Australia.

### **Australian Securities and Investments Commission (ASIC)**

The primary regulatory body responsible for administering the Corporations legislation, replacing the National Companies and Securities Commission, Australian Securities Commission and the Corporate Affairs Commission of the co-operative scheme.

### **Authorised Deposit-Taking Institution (ADI)**

A body corporate in relation to which an authority under subsection 9(3) of the *Banking Act 1959* is in force.

### **Automatic Teller Machine (ATM)**

A customer activated online terminal which enables customers to access account balances, deposit and withdraw cash and transfer funds between accounts. The ATM operates by the insertion of a plastic identification card in the terminal, entry of a personal identification number (PIN) and activation of an instruction keyboard.

**=B=**

### **B-PAY**

A national bill payment scheme for telephone and internet banking services.

### **Bailment**

Delivery of goods or property from one party (the bailor) to another (the bailee) upon a condition, express or implied, that they will be returned to the bailor when the purpose for which they were bailed ceases. Although possession passes to the bailee, ownership remains with the bailor. A bailee owes a duty to the bailor to take due care of the property and to restore it to the bailor in accordance with the terms of the bailment. The bailee may pay bailment fees under the arrangement.

## **Bank Cheque**

A cheque drawn on a particular bank and obtained from that bank by a payer for the payment of an amount.

## **Banking Business**

Subsection 5(1) of the *Banking Act 1959* defines banking business as:

- (a) a business that consists of banking within the meaning of paragraph 51(xiii) of the Constitution; or
- (b) a business that is carried on by a corporation to which paragraph 51(xx) of the Constitution applies and that consists, to any extent, of:
  - (i) both taking money on deposit (otherwise than as part-payment for identified goods or services) and making advances of money; or
  - (ii) other financial activities prescribed by the regulations for the purposes of this definition.

For the purposes of subparagraph (b)(ii) of the definition of banking business in subsection 5(1) of the *Banking Act 1959*, the provision of a purchased payment facility is banking business if APRA determines that the facility:

- (a) is of a type for which the purchaser of the facility is able to demand payment, in Australian currency, of all, or any part, of the balance of the amount held in the facility that is held by the holder of the stored value; and
- (b) is available, on a wide basis, as a means of payment, having regard to:
  - (i) any restrictions that limit the number or types of people who may purchase the facility; and
  - (ii) any restrictions that limit the number or types of people to whom payments may be made using the facility.

## **Bare Trust**

A trust that merely holds property on trust for a beneficiary, with the trustee having no duty (as to the trust property) other than to convey the property according to the instructions of the beneficial owner. It is different from a custodial agreement, because a bare trustee has legal title in the property.

## **Bare Trustee**

The trustee of a 'bare trust' (see above).

### **Barter**

A type of countertrade, where goods and services are exchanged for goods and services instead of money.

### **Bearer Security**

A negotiable security such as a bond or debenture payable to the holder on maturity, title to which passes by mere delivery.

### **Bill of Exchange**

An unconditional order in writing requiring the party to whom it is addressed to pay on demand, or at a fixed or determinable future time, a stipulated amount in money to, or to the order of, a specified person or to bearer. It is a negotiable instrument, usually sold at a discount to face value. A bill of exchange includes a promissory note, cheque, bank draft, bank cheque and order.

### **Biller**

In relation to a payment system, means a business or organisation which collects payments through B-PAY.

### **Biller Institution**

In relation to a payment system, means a participating financial institution which provides transactional processing services to billers, by collecting payments from the B-PAY central interchange processor and delivering the payments to the biller.

### **Bond**

Debt instrument issued by government, semi-government and statutory bodies as well as corporates. Bonds are generally fixed interest securities with interest paid half-yearly, and are of medium to long term.

### **Brokerage**

Payment made to a broker (an intermediary between buyers and sellers), usually calculated as a percentage of the amount of the transaction.



### **Capital Fees**

Fees charged in relation to the holding and or management of capital assets on behalf of another entity. Also referred to as capital commission.

## **CHAMP**

CHAMP is the CHESS Interface System. It is the PC based software for Australian institutions, custodians, and brokers who have a requirement to connect to the Australian Stock Exchange's CHESS settlement system.

## **Charge**

A form of security for the payment of a debt or performance of an obligation, consisting of the right of a creditor to receive payment out of some specific fund or out of the proceeds of the realisation of specific property. The fund or property is said to be charged with the debt thus payable out of it.

## **Charge Card**

An article, commonly known as a charge card, entitling the holder to obtain cash, goods or services, usually up to a prescribed limit, and requiring payment in full, or of an agreed proportion, at regular intervals. Charge cards usually only cover purchases from the issuer's retail outlets. However, some financial institutions issue charge cards which have a wide acceptability similar to credit cards.

## **Chattel**

A chattel in law refers to any property other than freehold land. 'Chattels personal' include movable and tangible property. 'Chattels real' comprise leasehold and interests in land less than actual freehold.

## **Chattel Mortgage**

A loan agreement that grants to the lender a lien (the right to retain property or goods of another in the lender's possession until payment of a debt) on property other than freehold land.

## **Cheque**

A bill of exchange, or draft on a bank drawn against deposited funds to pay a specified sum of money to a specified person on demand.

## **Clean Bill**

A bill of exchange that has no commercial documents or special conditions attached.

## **Clean Collection**

Collection of bills of exchange drawn on an Australian ADI by an overseas party.

### **Clearing Account**

A clearing account is either an accumulation account (a holder record maintained in CHESSE by a broker to facilitate settlement of CHESSE approved securities with clients who are not participants) or a settlement account (a holder record maintained in CHESSE by a participant non-broker to facilitate settlement of CHESSE approved securities with other participants).

### **Clearing House Electronic Subregister System (CHESSE)**

A clearing and settlement system for equities involving the Australian Stock Exchange and the banking system. It provides electronic transfer of title to securities and electronic payment rather than payment by cheque. Settlement for transactions between brokers must take place on the third business day after the date of the transaction (T+3).

### **Clearing Transactions**

An institutional arrangement for transferring securities and monetary transfers by way of a simple and efficient means of exchange.

### **Collateral**

Term for security given by a borrower to support a loan.

### **Commercial Bills**

Accommodation bills which have no underlying trade transactions.

### **Commercial Paper**

Negotiable, short-term, unsecured promissory notes issued in bearer form, usually on a discount basis. A commercial paper is issued by a corporation for a term that is usually up to 180 days to raise working capital.

### **Commission**

Payment to an agent or employee for particular services rendered. The payment may be made on a fixed sum basis or on a sliding scale based on the value of the transaction.

### **Commitment Fee**

Fee charged by a financial institution to keep open a line of credit or to provide a specified amount of financial accommodation in the future at a nominated interest rate. The fee is designed (in theory) to offset the cost of keeping funds available.

## **Common Fund**

An account established to pool the funds of particular entities, such as the members or beneficiaries of a superannuation fund or trust. The authority to establish a common fund, and the rules on the nature and operation of the common fund, usually arise under relevant trust legislation. The pooled monies are invested in a mix of assets determined by the investment option selected.

## **Company Title**

The grant to a shareholder by a company of a right attached to the holding of shares of exclusive use or occupancy of real property that the company owns or holds under lease. The right may be a lease, licence or a contractual right. The company's constitution must permit the granting of such rights.

## **Compliance Services**

Fulfilling the compliance needs of clients that may arise under various statutes or contracts.

## **Continuous Disability Policy**

A contract of insurance that is, by its terms, to be of more than 3 years duration and under which a benefit is payable in the event of:

- (i) the death, by accident or by some other cause stated in the contract, of the person whose life is insured; or
- (ii) injury to, or disability of, the insured as a result of accident or sickness; or
- (iii) the insured being found to have a stated condition or disease.

A contract of insurance is not a continuous disability policy if the terms of the contract permit alteration, at the instance of the life company concerned, of the benefits provided for by the contract or the premiums payable under the contract unless the only alterations that are permitted to be made are alterations that improve the benefits and are made following an offer made by the life company and accepted by the owner of the policy.

A contract of consumer credit insurance within the meaning of the *Insurance Contracts Act 1984* or a contract of insurance entered into in the course of carrying on health insurance business is not a continuous disability policy.

## **Convertible Notes**

Unsecured debt instruments issued to existing shareholders with the right to either redeem the note for cash or convert it into ordinary shares at a fixed price at certain specified dates. Notes carry a fixed interest rate based on the issue price and known as the coupon rate.

**Core Custody**

A mixture of services relating to the holding of assets on behalf of other entities. Typically, core custody or global custody includes holding certificates, changing the name on certificates, and making and receiving payments in respect of assets.

**Corpus Commission**

Commission calculated on the value of capital assets held in trust and estate administration.

**Counterparty**

The responding party to a foreign exchange or swap transaction.

**Countertrade**

International commercial operations in which the exporter of merchandise agrees to full or partial payment in the form of goods and services from another country. Transactions generally pass through the hands of a compensator (i.e., countertrade broker). The basic types of countertrade include barter, counterpurchase, buy-back and offsets.

**Coupon**

A detachable interest voucher which forms part of a bearer bond and entitles the holder to a cash payment on presentation to the issuer on or after the due date (half yearly or yearly).

**Credit Card**

An article, commonly known as a credit card and any similar article used in obtaining cash, goods or services on credit. It includes an article commonly issued by persons conducting business to their customers, or prospective customers, for use in obtaining goods or services from the business on credit.

**Credit Union**

A type of non-bank financial institution for personal savings and loans, structured on a co-operative basis. Traditionally, credit unions were established on the basis of a common bond among their membership (for example workplace or community oriented) and existed to provide savings and personal loan facilities to their members. Credit unions are now recognised as ADIs and operate under the *Banking Act 1959* and the Corporations Act. For the purposes of the GST regulations, a credit union includes the Cairns Penny Bank Limited (ACN 087 933 757).

**Custodian**

An entity or person holding assets and safeguarding property on behalf of another. Unlike a trustee, a custodian does not hold legal title in the property.

In relation to a superannuation entity, a custodian means a person (other than the trustee of the entity) who, under a contract with the trustee or an investment manager of the entity, performs custodial functions in relation to any of the assets of the entity. In most cases, the 'superannuation custodian' will become the legal owner, but not the beneficial owner, of some or all of the assets of the fund.

**Custody**

Legal responsibility for the property of another. This generic term includes a variety of custodial roles including core custody, safe custody and services in relation to property.

**=D=**

**Debenture**

A debenture of a body, for the purposes of the GST regulations, is a chose in action that includes an undertaking by the body to repay as a debt, money deposited with or lent to the body. The chose in action may (but need not) include a charge over property of the body to secure repayment of the money.

A debenture is a security under the definition in section 92 of the Corporations Act. Item 10(a) of subregulation 40-5.09(3) of the GST regulations includes as a security, certain exclusions from the definition of debenture under the Corporations Act.

It includes:

- (a) an undertaking to repay money deposited with or lent to the body by a person if:
  - (i) the person deposits or lends the money in the ordinary course of a business carried on by the person; and
  - (ii) the body receives the money in the ordinary course of carrying on a business that neither comprises nor forms part of a business of borrowing money and providing finance; or
- (b) an undertaking by an Australian ADI to repay money deposited with it, or lent to it, in the ordinary course of its banking business; or
- (c) an undertaking to pay money under:
  - (i) a cheque; or
  - (ii) an order for the payment of money; or
  - (iii) a bill of exchange; or
- (d) an undertaking to pay money under a promissory note that has a face value of at least \$50,000; or



- (e) an undertaking by a body corporate to pay money to a related body corporate; or
- (f) an undertaking to repay money that is prescribed by the regulations.

The Corporations Act definition also provides that for the purposes of the definition [of debenture], if a chose in action that includes an undertaking by a body to pay money as a debt is offered as consideration for the acquisition of securities under an off-market takeover bid, or is issued under a compromise or arrangement under Part 5.1 of the Corporations Act, the undertaking is taken to be an undertaking to repay as a debt money deposited with or lent to the body.

### **Debit Card**

An article intended for use by an entity in obtaining access to an account held by the entity for the purpose of withdrawing or depositing cash or obtaining goods or services. Use of a debit card transfers funds directly from client account to merchant account or provides a voucher cashable by the merchant.

### **Debt**

A sum of money due from one person to another.

### **Debt Security**

As defined in the glossary of sharemarket terms by the Australian Stock Exchange (ASX):

- (a) an unsecured note, except one convertible to a share or unit;
- (b) a debenture, except one convertible to a share or unit;
- (c) any security that ASX decides to classify as a debt security;
- (d) but not a security ASX decides to classify as an equity security.

### **Deed**

A written document evidencing a legal transaction.

### **Deposit**

- (a) money lodged in an account at a financial institution at call or at term;
- (b) to lodge for safekeeping;
- (c) initial down payment on a terms purchase;
- (d) money paid as proof of intent to complete a contract.

**Deposit Splitting**

Money deposited with a financial institution is 'split' and credited to a number of different accounts held by the same account holder.

**Deposit Taking Account**

Refers to the contractual relationship with a person, usually evidenced by a deposit against which withdrawals can be made. Accounts may be in Australian or foreign currency. Evidence of accounts may take the form of passbooks, statements which are sent to account holders, or certificates. Accounts may be differentiated into demand deposits (chequing accounts which can be drawn upon at any time) and time or term deposits (savings or other accounts which pay interest and have a set time to maturity). Some deposit taking accounts may technically (if not in practice) require some period of notice prior to withdrawal of the funds. Accounts may combine features of chequing and savings accounts.

The following are examples of deposit-taking accounts:

- savings account;
- current account;
- term deposit account;
- chequing account;
- nostro/vostro (interfinancial institution) account.

**Derivative**

Financial instruments such as options, forwards, futures, swaps, etc whose value is tied to or derived from an underlying security, commodity, currency, liability or index. Entities usually use derivatives to hedge against changes in interest rates and foreign exchange risks or to minimise business risks. Derivatives are also called synthetics or exotics.

**Direct Credit**

This system is designed for the benefit of a company or other organisation which pays large numbers or regular payments of fixed amounts to its creditors, and prefers to originate credits itself in the accounts of its creditors with the financial institutions concerned.

**Direct Debit**

This system is designed for the benefit of a company or other organisation which receives large numbers of regular payments of fixed amounts by standing orders from its debtors, and which prefers to originate debits itself on the accounts of its debtors with the financial institution concerned.

**Dishonoured Cheque**

A cheque duly presented for payment that a drawee financial institution refuses to pay because the account of the drawer contains insufficient funds or because payment would make the account overdrawn beyond any overdraft limit.

**Dividend**

Periodic distribution, usually from profits, to ordinary shareholders. It is generally expressed as a percentage of the nominal or par value of the ordinary share capital or as an absolute amount per share. Most companies pay dividends half yearly (interim) or yearly (final).

**Documentary Collection**

A method of financing international trade where the exporter presents a bill of exchange plus shipping documents to the importer's local bank with instructions as to the collection of the debt. The collection will include the exporter's explicit instructions as to the manner of payment and collection of proceeds.

**Documentary Credit**

Credit advice issued by a financial institution at the request of an importer authorising the payment of money to a beneficiary against delivery of specified shipping documents (usually accompanied by a bill of exchange covering the cost of goods plus freight, etc).

**Drafts**

Bills of exchange on demand are called drafts because they are drawn by one person on another. Cheques are sometimes called drafts.

**Drawdown**

To utilise all or part of a large loan facility.

**=E=**

**Electronic Funds Transfer at Point of Sale (EFTPOS)**

A computerised system whereby a customer can electronically transfer funds from its account where the proceeds are immediately credited to the retailer's account with a financial institution in consideration for goods and services purchased from the retailer. The transaction involves the customer utilising a plastic card to activate the transfer of funds.

**Encashment**

Encashment (settlement) in relation to share trading, is an arrangement between brokerage houses for the payment or receipt of cash or securities. It represents the final consummation of a securities transaction and is handled through the stock clearing corporation.

**Endorsement**

A writing on the back of an instrument such as a bill of exchange, cheque, bill of lading, deed, writ, etc. A bill or cheque payable to order is negotiated by the endorsement of the holder, completed by delivery. If the endorser simply signs their name on the bill or cheque it becomes payable to bearer. If the instrument is transferred to a named payee this becomes a special endorsement. A restrictive endorsement destroys the negotiability of the instrument.

**Entry Fee**

A charge levied on money invested in a managed fund such as a unit trust, superannuation fund or life insurance policy.

**Equity Security**

- (a) a share;
- (b) a unit;
- (c) a right to a share or unit or option;
- (d) an option over a security;
- (e) a security convertible into another class of securities;
- (f) any security that ASX decides to classify as an equity security;
- (g) but not a security ASX decides to classify as a debt security.

**Escrow Agent**

The holder of property to be delivered by the agent upon the fulfilment of agreed contractual conditions. Similar to a bare trustee, the role of an escrow agent usually originates to ensure completion of a contract.

**Establishment Fee**

A scale of charges applied by a financial institution, where a customer takes up a loan offer, in order to cover the cost of processing the loan application, taking security, etc.

**Exit Fee**

A fee charged on withdrawal of funds by a unit holder from a managed fund.

### **Extendable Bond**

Bond whose maturity can be extended at the option of the lender or issuer.

### **Extendable Notes**

Note with maturity that can be extended by mutual agreement between the issuer and investors.

**=F=**

### **Factoring**

The sale and purchase of book debts, invoices payable etc, for cash. The factor operates by buying from his or her clients their invoiced debts. These are purchased without recourse, the factor becoming responsible for all credit control, sales accounting and debt collection. The factor has no call on his client unless there is a dispute over the delivery or quality of the goods. It is a form of specialisation which enables companies to sell their outstanding book debts for cash. The selling company receives payment for the debts purchased on a calculated average settlement date instead of a number of small payments spread over an indefinite period.

### **Financial Planning Services**

Provision of financial and portfolio advice to internal and external clients provided directly by in-house resources or indirectly by external service providers.

### **Financial Supply**

A financial supply has the meaning given by the regulations made for the purposes of subsection 40-5(2) of the GST Act. The provision, acquisition or disposal of an interest mentioned in the regulations is a financial supply where that provision, acquisition or disposal satisfies the requirements in the regulations. Examples of financial supplies include maintaining and operating cheque and savings accounts for account holders; lending, including maintaining and discharging loans; mortgages; life insurance contracts; conversion of foreign currency; futures contracts, commodity derivatives, options; and shares or debentures.

### **Financial Supply Facilitator**

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

### **Financial Supply Provider**

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

- (a) immediately before the supply, the property of the entity; or
- (b) created by the entity in making the supply

is the financial supply provider of the interest.

The entity that acquires the interest is also the financial supply provider of the interest.

## **Floating Rate Note**

Long term (>5 years) debt securities whose interest rates are adjusted periodically in line with a benchmark rate.

## **Floor Plan Arrangement/Finance**

An agreement under which a financier purchases capital goods from a manufacturer or distributor for the purposes of display and sale by a wholesaler or retailer. The financier retains legal title to the goods, while possession and limited rights over the goods (and the obligation to return the goods if unsold) are granted to the dealer. Floor plan finance is a form of bailment.

## **Foreclosure**

A remedy available to a mortgagee on default of the mortgagor, enabling the mortgagee to seek an order for extinguishing the mortgagor's equity of redemption (relevant only to general law land, not to Torrens title). Its effect is to vest full title in the mortgagee and thus enable the sale of the property with an unencumbered title.

## **Foreign Currency Draft**

A draft payable in a foreign currency.

## **Foreign Currency Notes**

Monetary notes otherwise than in Australian currency.

## **Foreign Investment Fund (FIF)**

Income tax provisions apply (to interests in FIFs) for the purposes of determining the assessable income of resident beneficiaries that hold interests in certain foreign companies and trusts.

## **Forfaiting**

A fixed interest trade financing technique whereby an exporter (seller) who receives a bill of exchange, promissory note or any other freely negotiable instrument for the supply of goods and services, discounts the debt instrument with a financial institution (the forfaiter) on a non-recourse basis after having accepted the instrument. (This means that the forfaiter cannot claim payment of the debt from the exporter if the importer defaults.) Effectively, the exporter passes all risks and responsibility for

collection to the forfaiter in exchange for immediate cash payment. Unless the importer is of undoubted creditworthiness, the forfaiter will cover any risk by obtaining security by way of an 'aval' or unconditional, irrevocable bank guarantee, from the importer's bank. The forfaiter either holds the notes until full maturity (as an investment) or sells them to another forfaiter, again on a non-recourse basis. The holder of the instruments then presents each receivable to the financial institution at which they are payable, as they fall due.

### **Forward Contract**

A cash market transaction in which two parties agree to the purchase and sale of a commodity at some future time under such conditions as the two agree. In contrast to futures contracts, the terms of forward contracts are not standardised, a forward contract is not transferable and there is no margin or collateral requirement to assure performance of the contract.

### **Forward Rate Agreement (FRA)**

A hedge agreement between two parties to fix the interest rate of a future loan or deposit of a specified amount and term. No principal amounts are exchanged and the FRA is separate from the underlying loan or deposit.

### **Front-End Fee**

A fee payable to a lender at the beginning of a loan or a deduction from the principal amount when investing in a rollover fund or unit trust.

### **Futures Contract**

A standardised agreement between two parties to buy or sell a specified quantity of a commodity of a given grade or quality, or a financial instrument, or to make a cash adjustment based on a change in the price of the commodity or instrument, at an agreed time in the future. Futures contracts can be used to hedge the cost of future borrowings and the rate of return on future money market investments. A futures contract differs from a forward contract in that the former is traded on a futures exchange.

### **Futures Exchange**

Futures exchange means:

- (a) a body corporate in relation to which an approval under section 1126 of the Corporations Act is in force; or
- (b) a body corporate that is recognised as a futures exchange in a foreign country and operates as a futures exchange under the laws of that country.

## **G**

### **Garnishee**

To attach money held for another by means of a garnishee order.

### **Garnishee Order**

A court order obtained by a judgment creditor attaching funds in the hands of a third party (the garnishee) who owes money to the judgment debtor. If the garnishee is a financial institution holding funds in the name of a judgment creditor, it is obliged to pay the amount in the garnishee order as the court directs.

### **Giro Post**

Service provided by Australia Post to customers of a number of participating banks and other financial institutions. Customers of these institutions are able to use credit and debit cards at post offices to make deposits and withdrawals and obtain account balances.

### **Guarantee**

A promise in writing made by one party (the guarantor or surety) that should another party (the principal debtor) fail to carry out an engagement made with a lender, the guarantor will be liable for the debt, default or miscarriage of the debtor. A contract of guarantee must be supported by consideration, unless it is in the form of a deed under seal.

## **H**

### **Hedging**

Taking steps to protect against, or reduce, the risk of future price or exchange rate fluctuations.

### **Hire Purchase**

A contract for the purchase of goods whereby the hirer acquires possession and use of, but not title to, the goods until all instalments have been paid.

Within the meaning of section 995-1 of the ITAA 1997 hire purchase means:

- (a) a contract for the hire of goods where:
  - (i) the hirer has the right, obligation or contingent obligation to buy the goods; and
  - (ii) the charge that is or may be made for the hire, together with any other amount payable under the contract (including an amount



- to buy the goods or to exercise an option to do so), exceeds the price of the goods; and
- (iii) title in the goods does not pass to the hirer until the option referred to in subparagraph (a)(i) is exercised; or
- (b) an agreement for the purchase of goods by instalments where title in the goods does not pass until the final instalment is paid.



### **Income Commission**

Commission based fees calculated on the income derived from assets held and/or managed on behalf of another.

### **Indemnity**

A contractual obligation under which a person assumes primary responsibility for the debt or undertaking of another.

### **Interchange**

The process of passing transactions from payer institutions to biller institutions.

### **Interchange Fees**

The fee charged by a payer institution to another biller institution to recover the cost of capturing the transaction.

### **Internal Common Fund**

Funds within each statutory trustee organisation made up of balances from various client trusts pooled for greater investment capability. (See also 'common fund')

### **Investment Account Contract**

A contract that:

- provides for benefits to be paid on death or on a specified date(s) or on death before the specified date, or the last of the specified dates; and
- provides for the benefits to be calculated by reference to a running account under the contract or units, the value of which are guaranteed by the contract not to be reduced; and
- provides for the account to be increased (for example, by the amounts of premiums paid or interest payable).

A contract is not an investment account contract if it provides for the account to be reduced otherwise than by the amounts of withdrawals by the person responsible for the payment of premiums or by the amounts of charges payable under the contract.

A contract will be an investment account contract where APRA makes a written declaration upon the request of a life company that contracts of a kind specified in the declaration and entered into by the company are, or would be, investment account contracts.

### **Investment-Linked Contract**

A contract:

- for the provision of benefits calculated by reference to units, the value of which is related to the market value of a specified class or group of assets of the party by whom the benefits are to be provided; and
- that provides for benefits to be paid on death or on a specified date(s) or on death before the specified date, or the last of the specified dates.

A contract will be an investment-linked contract where APRA makes a written declaration upon the request of a life company that contracts of a kind specified in the declaration and entered into by the company are, or would be, investment-linked contracts.



### **Lease**

A contract whereby one party (the lessor) grants to another party (the lessee) the exclusive right to use the lessor's property for an agreed period of time, usually in return for the payment of rent over the term of the lease agreement.

### **Letter of Administration**

A grant by a Court authorising an administrator to administer a deceased estate. The grant of letters of administration empowers the administrator to deal with a deceased's property similar to an executor.

### **Letter of Credit (Documentary Credit)**

Letters of credit substitute the lender's credit for the borrower's credit. A letter of credit is frequently used by companies ordering goods from foreign suppliers with whom they have no credit relationship. A letter of credit is a short-term negotiable security where payment is assured upon presentation of certain documents or meeting certain conditions.

Different forms of letters of credit include: revolving, standby, irrevocable, revocable, confirmed, unconfirmed, commercial, traveller's, performance, transferable, back-to-back.

### **Letter of Identification**

A letter issued by a financial institution to a customer to whom a letter of credit has been supplied. It is used with the latter as proof of the bearer's signature and identity.

### **Life Insurance Business**

Business that consists of issuing of life policies; issuing of sinking fund policies; undertaking of liability under life policies; undertaking of liability under sinking fund policies; and any related business. It includes business declared to be life insurance business.

### **Life (insurance) Policy**

Each of the following constitutes a life policy for the purposes of the *Life Insurance Act 1995*:

- (a) a contract of insurance that:
  - (i) provides for the payment of money on the death of a person or on the happening of a contingency dependent on the termination or continuance of human life;
  - (ii) is subject to payment of premiums for a term dependent on the termination or continuance of human life;
  - (iii) provides for the payment of an annuity for a term dependent on the continuance of human life;
- (b) a contract that provides for the payment of an annuity for a term not dependent on the continuance of human life but exceeding the term prescribed by the regulations for the purposes of this paragraph;
- (c) a continuous disability policy;
- (d) a contract (whether or not it is a contract of insurance) that constitutes an investment account contract or investment-linked contract.

A contract that provides for the payment of money on the death of a person is not a life policy if:

- (a) by the terms of the contract, the duration of the contract is to be not more than one year; and
- (b) payment is only to be made in the event of:
  - (i) death by accident; or
  - (ii) death resulting from a specified sickness.

**Line of Credit**

A flexible loan arrangement with a financial institution agreeing to lend funds to a client on a 'come and go' basis up to a prescribed maximum figure. The client only pays interest on the funds actually borrowed. The facility is similar to an overdraft but can include fixed term borrowing as well as bank bill and other facilities. The exposure limit is reviewed regularly.

**Loans - (Including Borrowing and Lending)**

A loan establishes a business contract whereby a borrower agrees to pay interest for the use of a lender's funds. Loans may be made in Australian or foreign currency.

Loans are classified by a variety of variables including:

- the lender, the size of the borrower (commercial, corporate);
- the purpose of the loan (personal, business, mortgage, franchise, venture, operating, capital or bridge);
- what is lent (Australian dollars, gold, securities);
- the nature of the interest rate (fixed or variable);
- the nature of the payment;
- whether there is collateral (secured, unsecured);
- the time to maturity, conditions of repayment (call, fixed term).

**Loyalty Program**

A 'consumer loyalty program' is described in Taxation Ruling TR 1999/6 as a marketing tool operated by a supplier of goods or services (including credit card providers), or a group of such suppliers, to encourage customers to be loyal to the supplier(s). The standard features of these programs are:

- (a) the customer is dealing with the supplier in a personal capacity, that is, in accordance with the normal arm's length commercial relationship that exists between consumers and suppliers;
- (b) membership is restricted to natural persons;
- (c) membership of the program is usually by application, which may require an application fee and/or annual fees;
- (d) points are received with each purchase of goods or services;
- (e) members and non-members of the program pay the same amount for goods or services purchased; and
- (f) points are redeemable for goods or services.

The definition does not extend to commercial business to business loyalty programs such as trade or volume discounts.

**=M=**

### **Macroeconomics**

Economic analysis concerning broad trends and influences on the economy, such as the interaction of fiscal and monetary policies, GDP, balance of payments, etc.

### **Managed Investment Scheme**

A managed investment scheme is defined under section 9 of the Corporations Act to mean:

- (a) a scheme that has the following features:
  - (i) people contribute money or money's worth as consideration to acquire rights (interests) to benefits produced by the scheme (whether the rights are actual, prospective or contingent and whether they are enforceable or not);
  - (ii) any of the contributions are to be pooled, or used in a common enterprise, to produce financial benefits, or benefits consisting of rights or interests in property, for the people (the members) who hold interests in the scheme (whether as contributors to the scheme or as people who have acquired interests from holders);
  - (iii) the members do not have day-to-day control over the operation of the scheme (whether or not they have the right to be consulted or to give directions); or
- (b) a time-sharing scheme;

but does not include the following:

- a partnership that has more than 20 members but does not need to be incorporated or formed under an Australian law because of regulations made for the purposes of subsection 115(2);
- a body corporate (other than a body corporate that operates as a time sharing scheme);
- a scheme of a kind declared by the regulations not to be a managed investment scheme;
- a statutory fund maintained under the *Life Insurance Act 1995*;
- a regulated superannuation fund, an approved deposit fund, a pooled superannuation trust, or a public sector superannuation scheme, within the meaning of the *SIS Act*;
- a franchise;
- the issue of debentures or convertible notes by a body corporate.

A managed investment scheme is a security for the purposes of the Regulations. Item 10(c) of subregulation 40-5.09(3) includes as a security, for the purposes of the

Regulations, the exclusions contained in paragraphs (e), (i), (k) and (m) of the definition of *managed investment scheme* in section 9 of the Corporations Act as listed below.

- a scheme in which all the members are bodies corporate that are related to each other and to the body corporate that promotes the scheme;
- a scheme operated by an Australian ADI in the ordinary course of its banking business;
- a barter scheme under which each participant may obtain goods or services from another participant for consideration that is wholly or substantially in kind rather than in cash;
- a retirement village scheme operating within or outside Australia:
  - (i) under which the participants, or a majority of them, are provided, or are to be provided, with residential accommodation within a retirement village (whether or not the entitlement of a participant to be provided with accommodation derives from a proprietary interest held by the participant in the premises where the accommodation is, or is to be, provided); and
  - (ii) which is not a time-sharing scheme;
- a scheme that is operated by a co-operative company registered under Part VI of the Companies (Co-operative) Act 1943 of Western Australia or under a previous law of Western Australia that corresponds to that Part.

### **Management Fee**

The fee charged by a managed fund's manager(s) or superannuation fund's manager(s) for investment management, administration, trusteeship, etc, services.

### **Mandate**

The agreed objectives given by an investor to his or her investment manager, often including a benchmark portfolio, guidelines as to maximum and minimum sector exposures, and prohibited investments. A mandate is usually set out as part of the Management Agreement between a fund manager and its client.

### **Margin**

- (a) the difference between a cost-price price and sale price of goods, securities and other property;
- (b) a deposit of money on the purchase of securities;
- (c) the difference between a benchmark rate and the interest rate charged to individual borrowers;

- (d) the difference in dollar terms between financial accommodation and security lodged by a borrower;
- (e) the difference between the spot price and forward price of a currency;
- (f) the difference between the interest rate paid on deposits and charged for loans.

### **Master Custody**

Custody of all assets of clients domiciled in a particular market with which the master custodian has a direct contractual arrangement so that the master custodian has primary control of the client's assets. In addition to providing core custody services, master custody delivers consolidated tax reporting of multiple investment manager portfolios in domestic and foreign currency, as well as performance analysis, and reporting that complies with Australian accounting standards.

### **Master Fund**

An investment vehicle that enables individual investors or small superannuation funds to channel money into one or more underlying investments, most commonly wholesale or retailed pooled funds operated by professional investment managers.

Master funds can generally be categorised into three distinct types:

- discretionary funds – where the individual investor selects the underlying investment product(s) from a list drawn up by the master fund manager;
- fund of funds – where the investor selects a general risk profile (for example, growth, capital stable), but the master fund manager selects the underlying investments from among a range of products managed by external managers;
- feeder funds – operate similarly to fund of funds arrangements, but with the master fund manager also being responsible for managing the underlying investments.

Master funds that are structured as prescribed interests are commonly referred to as master trusts. However, the term master fund encompasses the broader scope of the industry including products offered by life insurance companies.

### **Merchant**

An entity who buys and sells commodities for profit.

### **Microeconomics**

Economic analysis dealing with individual companies or markets and their impact on the economy.

## **Money**

Money is defined by section 195-1 of the GST Act to mean:

- (a) currency (whether of Australia or of any other country); and
- (b) promissory notes and bills of exchange; and
- (c) any negotiable instrument used or circulated, or intended for use or circulation, as currency (whether of Australia or of any other country); and
- (d) postal notes and money orders; and
- (e) whatever is supplied as payment by way of:
  - (i) credit card or debit card; or
  - (ii) crediting or debiting an account; or
  - (iii) creation or transfer of a debt.

However, it does not include:

- (f) a collector's piece; or
- (g) an investment article; or
- (h) an item of numismatic interest; or
- (i) currency the market value of which exceeds its stated value as legal tender in the country of issue.

## **Money Order**

An order for the payment of money, issued by one post office and payable at another, usually for a sum larger than ten dollars, and requiring proof of ownership before being cashed.

## **Mortgage**

A conveyance or transfer of title (either equitable or legal) to property by the owner (mortgagor) to another person (mortgagee) to secure repayment of money. The borrower remains in possession of the property and, once the loan has been repaid, the property is reconveyed to the mortgagor. In the event of default, the property may be sold and the surplus proceeds, if any, after expenses of sale and repayment of indebtedness, go to the mortgagor.

## **Mortgage-backed securities**

Securities backed by a pool of mortgage loans.

## **Mortgage Broking**

Mortgage broking is the execution of the mortgage.



### **Mortgage Investment Schemes**

A mortgage investment scheme differs from a simple loan secured by a mortgage in the following three ways:

- more than one person contributes money to buy an interest in the benefits produced by the scheme (in some instances the scheme may include single investor loans);
- the money people contribute is pooled or used in a common enterprise for the scheme members;
- members of the scheme do not have day-to-day control over the scheme's operation.

Types of mortgage investment schemes include registered managed investment schemes, small industry supervised schemes, runout schemes, twenty investor or less schemes.

### **Mortgagee**

A lender who provides finance which is secured by a mortgage or charge over the property being financed.

### **Mortgagor**

A borrower who takes out a mortgage over its property to secure a debt in favour of a mortgagee.

### **Mutual Fund**

The US equivalent of a unit trust in operation, but managed by an investment company.

**=N=**

### **Negotiable Instrument**

An instrument such as a bill, promissory note or cheque which is capable of being transferred by delivery or endorsement and delivery, so as to give a good title to the transferee, taking bona fide and for value, thus constituting him or her the true owner, notwithstanding any defect in title in the transferor.

### **Negotiation**

Transfer of a cheque or bill of exchange to another party for valuable consideration in such a manner as to constitute the transferee its holder.

## **Negotiation Fee**

Fee charged for arranging financial accommodation, particularly by the lead bank of a consortium of lending institutions.

## **Night Safe/Wallet**

An overnight safe custody facility offered by financial institutions whereby traders can deposit monies through a form of letterbox that is accessible from the street after operating hours. The money is deposited in either a locked bag or wallet. Some wallets or bags are locked by the customer and held unopened for collection by the customer the next working day. Other wallets or bags are locked by the customer and opened by the financial institution and credited to the customer's account.

## **Nominee**

A person named by another (the nominator) to act on his or her behalf, often to conceal the identity of the nominator.

## **Nominee Company**

A financial institution or other company which holds shares, securities or other property for another, sometimes with a view to concealing ultimate beneficial ownership. A nominee company performs the usual administrative functions of portfolio management such as registration of securities and collection of dividends and interest.

## **Nostro Account**

An account maintained by an Australian bank with another bank in a foreign country. The account is kept in the currency of that country, with the equivalent AUD value listed separately, and is used for settling foreign exchange transactions and for making and receiving foreign payments.

## **Numismatic**

Means an item of, relating to, or consisting of, coins and medals. Numismatics refers to the collecting of coins, commemorative or military medals and more recently, currency notes.

**=O=**

## **On-Charge**

An expense the payer has the liability to pay but seeks to pass on in the price charged for a subsequent supply.

### **Option**

A contractual right but not an obligation to buy or sell a fixed quantity of a commodity, currency, financial security, etc, at a particular price (the exercise or strike price). Options are frequently used for speculation or hedging against future market prices. An option to buy is known as a call option and an option to sell is a put option.

### **Overdraft**

A facility which enables an account to go into debit (overdraw) up to a maximum figure – the overdraft limit. Charges in relation to the overdraft may include interest charged on the daily balance, a total facility fee, a usage fee and an unused limit fee to compensate the financial institution for having the additional funds on standby.

**-P-**

### **Participant**

In relation to a payment system, is defined in the dictionary to the GST regulations to mean a person who is a participant in the system in accordance with the rules governing the operations of the system.

### **Passbooks**

A passbook is a record in debit and credit form of the ledger entries in a customer's current account. It provides the customer with a list of all account transactions including interest. If the financial institution is expressed to be in account with the customer, credit items are entered on the left-hand side and debit items on the right-hand side, and vice versa if the customer is expressed to be in account with the financial institution.

### **Pawnbroker**

One whose business is to lend money, usually in small amounts, on security of pledged personal articles that are redeemable on payment of the sum owed, including interest.

### **Payer**

In relation to a payment system, a payer is a consumer or business banking customer who pays a bill through B-PAY.

### **Payer Institution**

In relation to a payment system, a payer institution is a participating financial institution which accepts payments from consumers or business banking customers on behalf of participating billers.

## **Payment Order**

An unconditional order in writing that requires a person to pay on demand a stipulated sum in money to another person. Section 9 of the Corporations Act defines payment order to mean a cheque (including a cheque that a bank or other institution draws on itself), bank draft, money order or postal order.

## **Payment System**

Payment system is defined in the dictionary to the GST regulations as a funds transfer system that facilitates the circulation of money, including any procedures that relate to the system.

## **Personal Services Fees**

The provision of a range of services including client portfolio management services, powers of attorney, court award administrations and estates managed pursuant to awards from guardianship boards.

## **PIN**

Abbreviation for personal identification number. A PIN is used like a password to access or activate an account.

## **Pooled Superannuation Trust**

A superannuation trust which complies with certain conditions set out in the SIS Act and regulations, and into which complying funds may place their investments.

## **Power of Attorney**

A formal authority usually conferred by deed on one person (called the donee or attorney) to represent another (the donor or principal) or act in the donor's stead either generally or for specified purposes.

## **Precious Metal**

Precious metal is defined under section 195-1 of the GST Act to mean:

- (a) gold (in an investment form) of at least 99.5% fineness; or
- (b) silver (in an investment form) of at least 99.9% fineness; or
- (c) platinum (in an investment form) of at least 99% fineness; or
- (d) any other substance (in an investment form) specified in the regulations of a particular fineness specified in the regulations.

### **Premium**

In relation to insurance, a periodic or single payment made by the insured (policyholder) in consideration for the insurance cover provided by the insurer. Insurance premiums are based on the degree of risk involved.

In relation to the issue of shares, 'premium' refers to shares purchased for more than their par value.

In relation to options, the premium is the cost of buying the option; it represents the maximum amount the option-buyer can lose and is income of the option-seller.

In relation to futures, a 'premium' is the excess of one futures contract price over that of another. It also refers to the difference by which one spot commodity sells over another grade of the same or another spot commodity.

### **Principal**

In relation to investments and loans refers to the capital sum invested, or the capital sum advanced and owing under a loan, on which interest payable is calculated.

In relation to an agency relationship, refers to a person who authorises another to be that person's agent or broker in a transaction.

### **Probate**

The confirmation by a Court, on the application of the executor appointed under a will, that the will is valid and that the executor is authorised to administer the estate of deceased person in accordance with the will.

### **Promissory Note**

An unconditional promise in writing requiring the party to whom it is addressed to pay the amount stipulated on demand or at a fixed or determinable future time.

### **Prospectus**

A formal written document setting out the nature and objects of an offer of securities to potential investors which, under the Corporations Act, is required to be lodged with the Australian Securities & Investments Commission in certain circumstances.

### **Proxy Voting**

A written authorisation given by a shareholder to someone else to vote his or her shares at a shareholder's meeting. Fund management agreements often delegate the authority to the fund manager to exercise proxy votes on behalf of the client.

### **Public Sector Superannuation Scheme**

A superannuation fund which provides benefits for government employees.

**=R=**

## **Real Time Gross Settlement (RTGS)**

A system of settlements for high value exchange transactions between clearing house members which take place progressively each day in order to reduce settlement risk.

## **Recourse**

The right of a lender to claim payment of a debt from the debtor, or any guarantor of that debt (if demand on the principal debtor is unsatisfied).

## **Recovery**

Where the payer seeks to recover the payment of expenses made on behalf of another party and that the payer did not have a liability to pay.

## **Redemption and Capital Repayment**

Redemption is the act of withdrawal, retirement or repayment of a debt before or on maturity, recovery of mortgaged property by payment of the mortgage debt in full or cashing in of units in a unit trust.

## **Redrawing**

Gives borrowers access to additional payments they have made to their loan without having to go through a complete application process. Example: a borrower's minimum loan repayment is \$100 per month, but he or she makes repayments of \$200. The difference of \$100 goes into a redraw account and once the amount reaches \$2000, the borrower can redraw it.

## **Reduced Credit Acquisitions**

Regulation 70-5.02 of the GST regulations provides that for the purposes of subsection 70-5(1) of the GST Act, an acquisition mentioned in subregulation (2) that relates to making financial supplies gives rise to an entitlement to a reduced input tax credit. Subregulation (2) contains an exhaustive list of the acquisitions that are reduced credit acquisitions.

## **Registered Office Fee**

Fee levied for acting as the registered office of an entity under the Corporations Act.

## **Registry**

An entity engaged by another entity to issue its securities. Duties of the registry can include the maintenance of shareholder records (including the registration of transfers), recording changes of name and address, replacing share certificates, etc.

### **Regulated Superannuation Fund**

Under the SIS legislation, a fund is eligible to receive the taxation concessions only if it is classed as a regulated superannuation fund and meets specified standards of operation. A regulated superannuation fund is one which:

- elects to comply with the SIS legislation;
- has either a corporate trustee or pays retirement benefits as pensions;
- is a superannuation, pension provident or benefit fund that is indefinitely continuing.

### **Reinsurance**

A means whereby an original insurer distributes its potential liability by laying off part of its risk to another insurer (the reinsurer) with the object of reducing the amount of their possible loss.

### **Related Business**

Related business includes business relating to the investment, administration and management of the assets of a statutory fund.

### **Rent Card**

A rent card is a valid payer identification card containing a barcode or other unique identifier issued by a bank. It is used to facilitate the payment of rent by a tenant.

A rent card is akin to a stored value facility card or prepayment and is not usually linked to an account with an ADI. Some rent cards may be more akin to a debit card and linked to an ADI.

### **Repurchase Agreement (Repos)**

An agreement whereby securities are sold by one party to another party on the proviso that the first party may repurchase them at a specified price and time.

### **Reserve Bank of Australia (RBA)**

The RBA is Australia's central bank. The Reserve Bank's main function is monetary policy. Policy decisions are made by the Reserve Bank Board, with the objective of achieving low and stable inflation over the medium term. Other major roles are maintaining financial systems stability and promoting the safety and efficiency of the payments system. The Bank is an active participant in financial markets, manages Australia's foreign reserves, issues Australian currency notes and serves as banker to the Commonwealth Government.

## **Responsible Entity (RE)**

The RE role, established in the Managed Investments Act 1998, combines the functions of both the trustee and fund manager, with the RE directly responsible for the fiduciary duties and responsibilities previously held by the trustee.

## **Restructured Loans**

Loans on which repayments were in default or likely to be in default and which have had the term extended to assist the borrower to meet repayment terms.

## **Retirement Savings Accounts (RSAs)**

A facility offered by banks, life offices, building societies, credit unions or prescribed financial institutions which allows account holders to accumulate their own superannuation funds. This superannuation product is not managed as a trust on behalf of beneficiaries, but enables those institutions to provide superannuation from their balance sheets direct by treating superannuation contributions as deposits or premium payments.

## **Reverse Repurchase Agreement (Reverse Repos)**

An agreement whereby the Reserve Bank sells Commonwealth Government Securities to the market on the basis that it will repurchase them at a price and date agreed upon at the time of the transaction.

## **Revolving Credit**

A credit facility with a fixed limit which can be drawn against and repaid within the terms agreed upon provided the agreed limit is respected. This facility operates similarly to an overdraft. Credit cards are an example of consumer revolving credit.

## **Risk Management**

Monitoring and systematic assessment of the risk profile of an investment portfolio or of an entire organisation to achieve a balance between risk minimisation and reward for risks accepted. Financial risks can be alleviated by hedging, financial futures and other devices.

## **Rollover**

Means to renew or extend an investment beyond its maturity date. For example, a term deposit may be 'rolled over' when it matures.

Rollover of an ETP refers to the transfer of an eligible termination payment to a rollover fund or to another superannuation fund or retirement savings account.



### **Rollover Bond**

A rollover bond is a fixed rate bond that can be 'rolled over' each year without any action being required by the bondholder. ('Rolled over' in this context means continued or renewed.)

### **Rollover Fund**

A fund which can accept eligible termination payments and which is eligible for the same concessional tax treatment as a superannuation fund.

**=S=**

### **Safe Custody**

The physical safekeeping of property or belongings on behalf of others.

### **Salary Continuance Insurance**

A contract of insurance that provides for the payment of income benefits during the absence of a person from work due to temporary disability. Sometimes referred to as income disability cover, income protection cover or temporary disablement cover.

### **Scrip (Subscription)**

A document with an identifying number evidencing ownership of shares in a company.

### **Securities**

For the purposes of item 10 of subregulation 40-5.09(3) of the GST regulations, securities has the meaning given by subsection 92(1) of the Corporations Act and includes:

- (a) a debenture described in paragraph (a), (b), (c), (d), (e) or (f) of the definition of debenture in section 9 of the Corporations Act ; and
- (b) a document issued by an individual that would be a debenture if it were issued by a body corporate; and
- (c) a scheme described in paragraph (e), (i), (k) or (m) of the definition of managed investment scheme in section 9 of the Corporations Act ; and
- (d) the capital of a partnership or trust.

Under section 92(1) of the Corporations Act 'securities' means:

- (a) debentures, stocks or bonds issued or proposed to be issued by a government; or
- (b) shares in, or debentures in, a body; or

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- (c) interests in a managed investment scheme; or
- (ca) in Parts 7.3 to 7.6 (inclusive) - interests that would be interests in a managed investment scheme but for paragraph (h) of the definition of *managed investment scheme* in section 9; or units of such shares; or
- (d) an option contract within the meaning of Chapter 7;

but does not include a futures contract or an excluded security.

- paragraph (h) of the definition of a managed investment scheme is a regulated superannuation fund, an approved deposit fund, a pooled superannuation trust, or a public sector superannuation scheme, within the meaning of the SIS Act.
- an option contract within the meaning of Chapter 7 is option contract in Chapter 7 means:
  - (a) a contract under which a party acquires from another party an option or right, exercisable at or before a specified time, to buy from, or to sell to, that other party a number of specified securities, or of a specified class of securities, being securities of a kind referred to in paragraph 92(1) (a),(b),(c) or (d), at a price specified in, or to be determined in accordance with, the contract; or
  - (b) a contract entered into on a stock market of a securities exchange or on an exempt stock market, being a contract under which a party to the contract acquires from another party to the contract an option or right, exercisable at or before a specified time:
    - (i) to buy from, or to sell to, that other party an amount of a specified foreign currency, or a quantity of a specified commodity, at a price specified in, or to be determined in accordance with, the contract; or
    - (ii) to be paid by that other party an amount of money to be determined by reference to the amount by which a specified number is greater or less than the number of a specified index, being the Australian Stock Exchange's All Ordinaries Price Index or a prescribed index, as at the time when the option or right is exercised;

“Excluded security” means:

- (a) where:
  - (i) there is attached to a share a right to participate in a retirement village scheme; and
  - (ii) each of the other rights, and each interest (if any) attached to the share or debenture is a right or interest that is merely incidental to the right referred to in subparagraph (i);

- the share or debenture or a unit in the share or debenture; or
- (b) an interest in a managed investment scheme constituted by a right to participate in a retirement village scheme.

### **Securities Lending Arrangement**

An arrangement where the holder of securities (the lender) agrees to make those securities available to a borrower for a certain period. At the end of that period, securities which are either the original securities lent, or replacement securities of the same number and type as the original securities are returned to the lender. The borrower pays a fee for the use of the securities for the period.

A key factor in such securities lending arrangements is that legal title in the securities passes from lender to borrower so that the borrower can deal with the securities in any manner deemed to be necessary. Typically, the borrower provides security to the lender in order to secure the borrowing. The security provided may be cash deposited with the lender, equal to the market value of the securities (including accrued interest) plus a margin to cover the lender for increases in the value of the security during the borrowing period in the event that the borrower defaults on the obligation to return the securities at the end of the borrowing period.

Section 26BC of the ITAA 1936 enables both borrowers and lenders involved in securities lending arrangements to treat these transactions as loans rather than sales and purchases of securities. This type of arrangement is commonly known as a 'securities lending agreement' or 'stock loan'.

### **Securitisation**

The process whereby an entity packages and converts legal or beneficial title to future receivables and kindred assets into marketable debt securities which are traded in the capital market.

The key participants in a securitisation program are:

- the **program vehicle** - the entity (in Australia, generally a special purpose vehicle (SPV) company or trust) that acquires the assets and issues securities to investors;
- the **investors** - who subscribe for debt or equity securities issued by the SPV. The SPV employs the subscription moneys to acquire the assets being securitised;
- the **program manager** - the party that co-ordinates the establishment of the program and manages it on an on-going basis;
- the **seller or originator** - the party that sells the assets to the program vehicle or, if the program generates its own assets, the party that locates ("originates") the assets. This entity often continues to manage the assets (as the servicer) after they have been acquired by the program vehicle;

- the **trustee** - in structures that use a trust as the SPV, this will normally be a professional trustee company. Its role is usually fairly limited, with the day-to-day administration of the program vehicle being carried out by the program manager;
- the **security trustee** - the program vehicle will normally be required to give a mortgage or other securities over its assets to a security trustee, who holds the benefit of the securities on trust for all the investors from time to time;
- the **providers of any external credit enhancements** - such as credit or liquidity lines, letters of credit and currency or interest rate swaps; and
- the **ratings agencies** - the investors will usually require that the securities receive a high rating from at least one recognised rating agency.

## Securitisation Vehicles Rating Services

The service provided by at least one recognised rating agency for a fee to credit rate the securities of the program vehicle (such as the special purpose vehicle (SPV)).

## Security Trustee (Securitisation)

The securitisation vehicle will normally be required to give a mortgage or charge over its assets to a security trustee that holds the benefit of the mortgage or charge on trust for all the investors from time to time.

## Set Off

A common law right by which any debtor is entitled to take into account a debt owing to the debtor by a creditor when being sued for a debt due to the creditor. In order that this right of set off may be exercised, the debt must be a sum certain, due by and to the same parties, and in the same right. Set off by agreement arises where the customer executes a document which enables a lending institution to set off the customer's accounts. A statutory set off is available to individuals under the *Bankruptcy Act 1966* and to companies under the Corporations Act where there have been mutual credits, mutual debts or other mutual dealings.

## Settlement

- (a) payment of outstanding accounts;
- (b) the discharge of a debt or obligation, particularly to a financial institution, or the exchange of value on the acquisition of assets (i.e., the transfer of consideration in a securities transaction).

**Share**

A share in the capital of a company and includes stock except where a distinction between stock and share is expressed or implied. The main types of shares are: ordinary shares, which confer a right to vote and a right to share in the surplus assets of the company on dissolution, plus (usually) a right to a dividend; and preference shares, which give the holder a preference, generally in the form of priority in the payment of a declared dividend, or in the distribution of capital.

**Single Responsible Entity**

The statutory requirement under the Corporations Act is to have a single responsible entity whose role is to act as trustee and manager (see definition of Responsible Entity).

**Smart Card**

An article, commonly known as a smart card, is a plastic card imbedded with a computer memory chip (integrated circuit) which is programmable and has memory storage capacity, that when used has the capacity to keep a record of financial transactions (debits and credits) without the aid of a central computer.

**Society for Worldwide Interbank Financial Telecommunication (SWIFT)**

Co-operative society created under Belgian Law, registered in Brussels, and owned by over 2000 banks throughout the world. It aims to enable members to transmit to other members international payments, statements and other messages connected with international banking. The SWIFT system provides rapid transmission of messages in standardised and computer readable form.

**Special Purpose Vehicle**

In relation to a securitisation arrangement, the company or trust that acquires the assets and issues securities to investors.

**Spread**

The difference between interest rates charged on loans and paid to borrowers; the margin between buying and selling rates in foreign exchange; the margin above a benchmark rate; dispersion of risks underwritten by an insurer.

**Stored Value Card**

Stored value cards record a prepaid dollar amount that can be used to purchase products or services. In addition to cash, the card can record other items of value, such as points, etc. The card is "loaded" with a prepaid dollar amount or point value, against which purchases are deducted (debited), until the value becomes zero. When the value reaches zero, the card is either discarded or can be recharged with additional

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dollars/points. Cards usually have an encoded magnetic stripe with a unique serial number and/or PIN number. In some systems, a bar code or microchip can provide the same function as the magnetic stripe.

## **Structured Note**

A derivative investment that will change in value with movements of an underlying index; or a note whose issuer makes swap arrangements to alter its required cash flows.

## **Subordinated Notes**

Unsecured bonds that rank behind other debt, but ahead of shareholders, in the event of liquidation.

## **Subpoena**

A writ issued in action or suit requiring the person to whom it is directed to be present at a specified place and time, and for a specified purpose, under a penalty. A subpoena can compel a witness to attend in court or before an examiner or referee, to give evidence and also to bring certain documents in their possession specified in the subpoena (*subpoena duces tecum*).

## **Subrogation**

The substitution of one person or thing for another, so that the same rights and duties which attached to the original person or thing attach to the substituted one. An insurer is subrogated to the rights of (steps into the shoes of) the insured on paying the latter's claim. A guarantor who is called upon to honour a guarantee may be subrogated to the rights of the creditor, including security, if any, given by the creditor to support the guaranteed debt.

## **Superannuation Fund**

Superannuation fund has the meaning given by section 10 of the SIS Act to mean:

- (a) a fund that:
  - (i) is an indefinitely continuing fund; and
  - (ii) is a provident, benefit, superannuation or retirement fund; or
- (b) a public sector superannuation scheme.

## **Superannuation Trustee**

Trustee of a superannuation fund.

**Swaps**

Swaps are the exchange of one entitlement or obligation for another.

**Sweep Facility**

A facility whereby surplus funds in a customer's cheque account are automatically transferred across to an investment account which earns a higher rate of interest.

**SWIFT Payment Delivery System**

A communications system that advises member institutions to transfer funds from one member to another.

**SWIFT Telex Message**

A non-profit electronic confirmation system that provides secure messaging services and interface software to financial institutions globally.

**Syndicated Loan**

Accommodation provided by a consortium of financial institutions where the loan size is beyond the capacity of a single lender and it is desired to spread the risk.

Generally, one institution acts as a lead manager, earning a fee based on a percentage of the total facility. A number of other lenders provide the financial facility on a joint basis.

**Syndication**

An arrangement between a number of different parties or financial institutions to jointly devote resources to a particular undertaking.

**Telegraphic Transfer**

A method of transmitting money overseas, generally in the currency of the payee, by cable or telex between banks or bank branches. The payments may be credited to the payee's account at a designated bank or held at the disposal of the payee for payment in cash on application and identification.

**Term Deposit**

Money invested for a fixed period of time (usually short or medium term) at a specified rate of interest which applies for the length of the deposit.

## **Time Sharing Scheme**

A time sharing scheme is defined under section 9 of the Corporations Act to mean a scheme, undertaking or enterprise, whether in Australia or elsewhere:

- (a) participants in which are, or may become, entitled to use, occupy or possess, for 2 or more periods during the period for which the scheme, undertaking or enterprise is to operate, property to which the scheme, undertaking or enterprise relates; and
- (b) that is to operate for a period of not less than 3 years.

## **Trailing Commission**

Commission paid upon the introduction of investment and/or continued investment in a financial product. It is usually calculated on the capital amount invested.

## **Traveller's Cheques**

Instruments issued by a financial institution in both domestic and foreign currencies authorising payment to be made to, or value accepted from, the holder. These instruments must be signed in front of the issuing agent and countersigned when cashed or negotiated. Travellers' cheques are neither 'cheques' nor 'bills of exchange'. They are not unconditional orders to pay, as they require a countersignature when requesting payment.

## **Trust**

An equitable obligation, binding a person (a trustee) to deal with property over which he or she has control (the trust property) for the benefit of persons (beneficiaries or *cestius que trust*) of whom he or she may himself or herself be one, and any one of whom may enforce the obligation. A trust may be express (i.e., arising by an expressed intention to create a trust) or implied (i.e., where the law creates a trust).

## **Trust and Estate Administration**

The administration of deceased estates under the terms of a will or the laws of intestacy and the administration of related deceased trusts and trusts emanating from deeds.

## **Trust Deed**

The formal document which establishes a trust and conveys title to trust property to the trustee acting on behalf of the beneficiaries. The deed contains the name of the trustee(s), the trust manager (if any) and the beneficiaries, as well as the powers and duties of the trustee. If a unit trust, the deed will also cover investment guidelines, dividend payments, etc.



## **Trustee**

A person who holds the legal title to property for the benefit of another or others.



## **Underwriting**

Underwriting is simply defined in section 9 of the Corporations Act to include 'sub-underwrite'. In general, underwriting means assuming a risk - an underwriting must involve some element of risk taking by the underwriter. For this reason, underwriting is often likened to a form of insurance.

## **Unit Pricing**

The periodical pricing of units in a unit trust, the underlying values of which are represented by various securities and investments.

## **Unit Registry**

The maintenance of records relating to the investors in property investment trusts or funds, including, for example, the registration of transfers, recording changes of name and address etc.

## **Unit Trust**

Unit trust is defined in section 195-1 of the GST Act as having the meaning given by subsection 202A(1) of the ITAA 1936.

It is a form of pooled investment, where a number of investors buy units in a trust which is promoted and managed by professional investment managers. The value of the units is set either by the market (if the trust is listed) or by the trustees (if it is unlisted).



## **Vostro Account**

An account of a correspondent bank held with an Australian bank, in Australia, in Australian currency.

## **Voucher**

A document that supports deposits or withdrawals made from an account (for example, deposit or withdrawal slips; credit, debit and charge card duplicates). It does not refer to a voucher as defined in section 100-25 of the GST Act.

**=W=****Warrant**

A certificate giving the holder the right to purchase shares of stock at a stipulated price within a specified time span, or in some cases, indefinitely. Warrants are sometimes attached to other securities as an added purchase inducement and may be traded separately after issue.

**Withdrawal**

Taking money out of an account by means of a voucher or through an ATM.

**Without Recourse**

The lender cannot claim payment of the debt from the debtor in the event of default. (Also known as non-recourse).

**Wrap Account**

An investment consulting relationship for management of a client's funds by one or more money managers, that bills all fees and commissions in one comprehensive fee charged quarterly.

**=Z=****Zero-Balance Facility**

Cheque account operated by a company by which cheques are drawn against the account balance, which at the start of the day is always zero. At the end of the day the value of all cheques drawn is totalled and the amount is transferred into the account, so that the account balance reverts from a debt to zero.

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We also drew upon information provided by the following organisations, and wish to acknowledge their contributions:

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Australian Bankers' Association

American Express International Inc

AMP Bank Limited

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Australian Friendly Societies Association

Australian Prudential Regulation Authority website ([www.apra.gov.au](http://www.apra.gov.au))

Australian Securities and Investment Commission website ([www.asic.gov.au](http://www.asic.gov.au))

Australian Stock Exchange Limited website ([www.asx.com.au](http://www.asx.com.au))

Australian Superannuation Funds of Australia (including the ASFA website [www.superannuation.asn.au](http://www.superannuation.asn.au))

Canada Customs and Revenue Agency

Commonwealth Bank of Australia

Computershare website ([www.computershare.com.au](http://www.computershare.com.au))

CPS Credit Union (ACT)

Credit Union Services Corporation (Australia) Ltd

Duke University website ([www.duke.edu.au](http://www.duke.edu.au))

Financial Review website ([www.afr.com.au](http://www.afr.com.au))

Investment and Financial Services Association

International Banks and Securities Association of Australia (including the IBSA website - [www.ibsa.asn.au](http://www.ibsa.asn.au))

National Bank of Australia

Reserve Bank of Australia website ([www.rba.gov.au](http://www.rba.gov.au))

St George Bank Limited

Trustee Corporations Association of Australia

Westpac Banking Corporation

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**SCHEDULE 2 - supplies of financial interests and related supplies by financial supply providers\* and financial supply facilitators\***

**References**

The table below uses the following style of abbreviations

"9-5" - means section 9-5 of the GST Act

"40-5.09" - means regulation 40-5.09

"40-5.09(3)" - means subregulation 40-5.09(3)

"40-5.09(3) Item 1 " - means Item 1 of subregulation 40-5.09(3)

"40-5.12 Items 1 & 2" - means Items 1 and 2 of regulation 40-5.12

"40-5.09(4)" - means subregulation 40-5.09(4)

"70-5.02(2) Item 6(c)" - means item 6(c) of subregulation 70-5.02(2)

**Please note:**

1. Fees, charges and payments received or charged for a supply are generally regarded as consideration for a financial supply rather than a financial supply themselves. For example, interest payable on money loaned or deposited is generally regarded as consideration for the use of money (a debt).  

In this table the listed fees, charges and payments are given a GST status which technically corresponds to the supply for which they are given as consideration. Interest, for example, paid as consideration for a loan is categorised as 'input taxed'. Where consideration is listed in the second column, the item (or legislative provision) that relates to it is listed in the third column.
2. Some supplies (fees, charges, etc) may be covered by more than one item. The fact a supply appears under a particular heading in this Schedule does not mean that it cannot also be covered by another item, however that does not make it more than one supply. The fact something is not mentioned as being covered by an item does not mean that it isn't or cannot be covered by that item.
3. The supply of something is not a financial supply if it does not satisfy the requirements of regulation 40-5.09 or if it is mentioned within an item in regulation 40-5.12. Where this is the case, the table contains a reference to the relevant item in the GST regulations as well as the provision in the GST Act (if any) that determines its GST status. Items of this kind in the table are identified by the symbol “⚡”.
4. If something is said to be taxable, GST-free or input taxed, within column 4 of the table, it is assumed that the other conditions for a supply of that type are also met (e.g., for a taxable supply, that the requirements of section 9-5 are able to be satisfied.) These items in the table are identified by the symbol “♣”. The actual status will depend on all the facts and circumstances of the supply. Each transaction will need to be judged and its GST status determined by having regard to all the facts and circumstances particular to that case.
5. Any references to item 1 of regulation 40-5.09(3) in column 3 of the table are only relevant to ADIs however most things covered by item 1 should apply (where relevant) to non-ADIs.
6. Line numbers in column 1 are used for ease of reference to a particular item and have no legislative basis. The symbol “♠” indicates that the term is defined in the glossary.



## A. Summary of fees and services - Transaction banking & cash management

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>   | <i>GST Status</i> | <i>Notes</i>  |
|-----------------|---|------------------------------------|-------------------|---|
|                 | <b>ACCOUNTS*</b>  |                                    |                   |   |
| A1              | The following fees and charges by Australian ADIs* as account provider to account holders, or by an ADI to a non-account holder for a fee of less than \$1,000: |                                    |                   | Where supplied to a non-account holder the following conditions must also be met:<br><ol style="list-style-type: none"> <li>1. item 1 in subregulation 40-5.09(3) would have applied to that supply in relation to an account with the ADI; or</li> <li>2. the fee relates to an application to the ADI that, if accepted, would result in the creation of an account by the ADI<sup>98</sup></li> </ol> If the fee or charge is greater than \$1,000, the supply is taxable unless listed elsewhere. |
| A2              | <ul style="list-style-type: none"> <li>• Account opening, keeping, maintenance and service fees</li> </ul>  | 40-5.09(3) Item 1                  | Input taxed       |   |
| A3              | <ul style="list-style-type: none"> <li>• Account application fees</li> </ul>  | 40-5.09(3) Item 1<br>40-5.09(4)(b) | Input taxed       | Charge is in relation to application and input taxed. Even if bank to bank, if fee is less than \$1,000 subreg 40-5.09(4)(b) will apply.  |
| A4              | <ul style="list-style-type: none"> <li>• Transaction fees</li> </ul>  | 40-5.09(3) Item 1                  | Input taxed       |   |
| A5              | <ul style="list-style-type: none"> <li>• Fees and charges for account transactions by ATM*, telephone or other electronic means</li> </ul>                      | 40-5.09(3) Item 1                  | Input taxed       |   |

<sup>98</sup> Subregulation 40-5.09(4) may apply to these fees where relevant and provided the conditions set out in the subregulation are satisfied

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| <i>Line No.</i>          | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>  |
|--------------------------|--|----------------------------------|-------------------|---|
| <b>ACCOUNTS (Cont'd)</b> |  |                                  |                   |   |
| A6                       | <ul style="list-style-type: none"> <li>Fees and charges for account transactions performed by accessing Internet banking services</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       | Transactions must be in relation to an account with the ADI. Payment to a third party to provide a link to the Internet site of the ADI will be a separate (taxable) supply because the third party is not a financial supply provider <sup>*</sup> . |
| A7                       | <ul style="list-style-type: none"> <li>Enquiry/account information fees</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       |   |
| A8                       | <ul style="list-style-type: none"> <li>Closure of account fee</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       |   |
| A9                       | <ul style="list-style-type: none"> <li>Preparation, reconciliation and replacement of account statement or duplicate statement</li> </ul>  | 40-5.09(3) Item 1                | Input taxed       |   |
| A10                      | <ul style="list-style-type: none"> <li>Photocopies and facsimiles of account information</li> </ul>  | 40-5.09(3) Item 1                | Input taxed       |   |
| A11                      | <ul style="list-style-type: none"> <li>Confirmation of account(s) fee</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       |   |
| A12                      | <ul style="list-style-type: none"> <li>Deposit<sup>*</sup> fees</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       |   |
| A13                      | <ul style="list-style-type: none"> <li>Deposit<sup>*</sup> splitting fees (money<sup>*</sup> deposited is "split" and credited to a number of different accounts held by the same account holder)</li> </ul> | 40-5.09(3) Item 1                | Input taxed       |   |
| A14                      | <ul style="list-style-type: none"> <li>Withdrawal<sup>*</sup> fees</li> </ul>  | 40-5.09(3) Item 1                | Input taxed       |   |
| A15                      | <ul style="list-style-type: none"> <li>Excess withdrawal<sup>*</sup> fee</li> </ul>  | 40-5.09(3) Item 1                | Input taxed       |   |
| A16                      | <ul style="list-style-type: none"> <li>Balance below minimum fees</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       |   |
| A17                      | <ul style="list-style-type: none"> <li>Direct debit<sup>*</sup> fees</li> </ul>  | 40-5.09(3) Item 1                | Input taxed       |   |
| A18                      | <ul style="list-style-type: none"> <li>Dishonoured direct debit<sup>*</sup> fees</li> </ul>  | 40-5.09(3) Item 1                | Input taxed       |   |
| A19                      | <ul style="list-style-type: none"> <li>Stopped payment fees</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       |   |
| A20                      | <ul style="list-style-type: none"> <li>Set-off fees</li> </ul>   | 40-5.09(3) Item 1                | Input taxed       |   |
|                          | <i>Passbooks<sup>*</sup> and Transaction cards</i>   |                                  |                   |   |

| <i>Line No.</i>          | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>   |
|--------------------------|--|----------------------------------|-------------------|--|
| <b>ACCOUNTS (Cont'd)</b> |  |                                  |                   |  |
| A21                      | • Fees for issue and replacement of passbook   | 40-5.09(3) Item 1                | Input taxed       |  |
| A22                      | • Fees for issue and replacement of transaction card and PIN <sup>*</sup>              | 40-5.09(3) Item 1                | Input taxed       |  |
| A23                      | • Fees for issue and replacement of debit, credit, charge and smart cards <sup>*</sup> | 40-5.09(3) Item 1                | Input taxed       | Stored value cards <sup>*</sup> not linked to accounts provided by an Australian ADI <sup>*</sup> are not a financial supply <sup>*</sup> under reg 40-5.12 Item 5. See also line items A118 to A120 and B32 to B51.             |
| <i>Cheques</i> ♦         |  |                                  |                   |  |
| A24                      | • Fees for sales of standard cheque <sup>*</sup> and deposit <sup>*</sup> books        | 40-5.09(3) Item 1                | Input taxed       | Printing of special forms and overprinting of standard forms are not input taxed as covered under regulation 40-5.12 item 2.   |
| A25                      | • Fees for cheques <sup>*</sup> deposited  | 40-5.09(3) Item 1                | Input taxed       |  |
| A26                      | • Fees for post dated cheques <sup>*</sup> and clearing cheques                        | 40-5.09(3) Item 1                | Input taxed       |  |
| A27                      | • Stopped cheque <sup>*</sup> fees   | 40-5.09(3) Item 1                | Input taxed       |  |
| A28                      | • Fees for early clearance of cheque <sup>*</sup>                                      | 40-5.09(3) Item 1                | Input taxed       |  |
| A29                      | • Dishonoured cheque <sup>*</sup> fees   | 40-5.09(3) Item 1                | Input taxed       |  |
| A30                      | • Fees for cashing cheques <sup>*</sup> and payment orders <sup>*</sup>                | 40-5.09(3) Item 1                | Input taxed       |  |
| A31                      | • Fees for clearing bank cheques <sup>*</sup>  | 40-5.09(3) Item 1 & 10           | Input taxed       | A bank cheque <sup>*</sup> is a provision of an interest in a security under subreg 40-5.09(3) Item 10; Sch 7, Part 8, item 9 and definition of <i>debenture</i> <sup>*</sup> in section 9 of the <i>Corporations Act 2001</i> . |
| A32                      | • Repurchase of bank cheque <sup>*</sup>   | 40-5.09(3) Item 1 & 10           | Input taxed       |  |
| A33                      | • Duplicate of bank cheque <sup>*</sup> already issued                                 | 40-5.09(3) Item 1 & 10           | Input taxed       |  |

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| <i>Line No.</i> | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>    | <i>GST Status</i> | <i>Note</i>  |
|-----------------|--|-------------------------------------|-------------------|--|
|                 | <i>Vouchers</i> ♦, <i>deposit and withdrawal slips</i>   |                                     |                   |  |
| A34             | <ul style="list-style-type: none"> <li>Information about deposit<sup>†</sup> and withdrawal<sup>†</sup> slips and credit/charge card<sup>†</sup> vouchers<sup>†</sup> used on account transactions</li> </ul>  | 40-5.09(3) Item 1 & 2               | Input taxed       |  |
| A35             | <ul style="list-style-type: none"> <li>Supply to customers of deposit<sup>†</sup> books including those with identifying information (e.g., real estate agents deposit<sup>†</sup> book for tenant)</li> </ul> | 40-5.09(3) Item 1<br>40-5.12 Item 2 | Input taxed       | If regulation 40-5.12 item 2 applies, this overrides regulation 40-5.09. |
| A36             | <ul style="list-style-type: none"> <li>Reconciliation of deposit<sup>†</sup> and withdrawal<sup>†</sup> slips and credit/charge card<sup>†</sup> vouchers<sup>†</sup></li> </ul>                               | 40-5.09(3) Item 1                   | Input taxed       |  |
| A37             | <ul style="list-style-type: none"> <li>Retention and storage of deposit<sup>†</sup> and withdrawal<sup>†</sup> slips and credit/charge card<sup>†</sup> vouchers<sup>†</sup></li> </ul>                        | 40-5.09(3) Item 1&2                 | Input taxed       |  |
|                 | <i>Transfers</i>   |                                     |                   |  |
| A38             | <ul style="list-style-type: none"> <li>Cash transfers, money orders<sup>†</sup> and other forms of direct funds remittance</li> </ul>  | 40-5.09(3) Item 1                   | Input taxed       |  |
| A39             | <ul style="list-style-type: none"> <li>Electronic transfer to another Australia ADI (e.g., telegraphic transfer<sup>†</sup>)</li> </ul>  | 40-5.09(3) Item 1                   | Input taxed       | Subregulation 40-5.09(4) may also apply.                                 |
| A40             | <ul style="list-style-type: none"> <li>Domestic and international money<sup>†</sup> transfer</li> </ul>  | 40-5.09(3) Item 1                   | Input taxed       |  |
|                 | <i>Overdrafts</i> ♦  |                                     |                   |  |
| A41             | <ul style="list-style-type: none"> <li>Unauthorised overdraft<sup>†</sup> fee</li> </ul>   | 40-5.09(3) Item 1                   | Input taxed       |  |
| A42             | <ul style="list-style-type: none"> <li>Overdraft<sup>†</sup> fees</li> </ul>   | 40-5.09(3) Item 1                   | Input taxed       |  |
| A43             | <ul style="list-style-type: none"> <li>Maintenance of overdraft<sup>†</sup> facility</li> </ul>  | 40-5.09(3) Item 1                   | Input taxed       |  |

| <i>Line No.</i>           | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>    | <i>GST Status</i> | <i>Note</i>  |
|---------------------------|--|-------------------------------------|-------------------|--|
| <b>ACCOUNTS (Cont'd)</b>  |  |                                     |                   |  |
| <i>Wallets/Nightsafes</i> |  |                                     |                   |  |
| A44                       | • Supply and use of wallets for night safe   | 40-5.09(3) Item 1                   | Input taxed       | Input taxed provided the contents in the wallet are held by bank for safe custody <sup>†</sup> and are credited to the customers account.<br>If not credited to the customer's account the supply of wallet and key for this facility will be taxable as a custodian <sup>†</sup> service under item 16, reg 40-5.12.  |
| A45                       | • Alternative or additional key to night safe  | 40-5.09(3) Item 1                   | Input taxed       |  |
| A46                       | • Fee for lost key to night safe/wallet <sup>†</sup>   | 40-5.09(3) Item 1                   | Input taxed       |  |
| A47                       | • Supply of permanent wallet   | 40-5.09(3) Item 1,<br>40-5.09(4)(a) | Input taxed       |  |
| <i>Other</i>              |  |                                     |                   |  |
| A48                       | • Fee for negotiation <sup>†</sup> of a clean bill <sup>†</sup> of exchange <sup>†</sup>             | 40-5.09(3) Items 1 & 10             | Input taxed       |  |
| A49                       | • Collection, handling and sorting of cash, and cheques (including lottery, art union proceeds etc)  | 40-5.09(3) Item 1                   | Input taxed       | Limited to those types of collection handling and sorting services generally provided to account holders by account providers in connection with an account. Where done for a non-account holder, and NOT in relation to a payment system <sup>†</sup> would also be input taxed, provided subregulation 40-5.09(4) is satisfied. Collection, handling and sorting done in relation to a payment system <sup>†</sup> , is taxable under item 4, regulation 40-5.12 even if fee charged is less than \$1,000. |
| A50                       | • Changing cash into different cash denominations  | 40-5.09(3) Item 1                   | Input taxed       |  |
| A51                       | • Establishing, operating and terminating letters of credit  | 40-5.09(3) Item 2 & 10              | Input taxed       |  |
| A52                       | • Fee for collecting interest payments under a debenture <sup>†</sup> on behalf of an account holder | 40-5.09(3) Item 1                   | Input taxed       | Payment under a debenture <sup>†</sup> may also be covered by items 2 and 10 or regulation 40-5.09.  |

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| <i>Line No.</i>          | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>  | <i>GST Status</i>  | <i>Note</i>  |
|--------------------------|--|---|--|--|
| <b>ACCOUNTS (Cont'd)</b> |  |   |  |  |
| A53                      | • Sweep and zero balance facility fees   | 40-5.09(3) Item 1   | Input taxed  |  |
| A54                      | • Garnishee <sup>†</sup> of accounts   | 40-5.09(3) Item 1   | Input taxed  |  |
| A55                      | • Nostro account <sup>†</sup> (account held by Australian bank in foreign bank in foreign currency)                  | <i>See note</i>   | Not subject to GST   | The account is supplied by a foreign bank, outside Australia and does not satisfy regulation 40-5.09. See paragraph 30 of this Ruling.                               |
| A56                      | • Vostro account <sup>†</sup> (account held by foreign bank in Australian bank in Australian currency)               | Subsection 38-190(1)<br>Item 2  | GST-free   | Supply is GST-free subject to section 38-190. See paragraphs 140 to 163 of this Ruling.  |
| A57                      | Providing letter of identity to government statutory body (e.g., Centrelink) for account holder                      | 40-5.09(3) Item 1   | Input taxed  |  |
| A58                      | Recovery <sup>†</sup> of Commonwealth, State and Territory fees, duties and taxes incurred in relation to an account | 40-5.09(3) Item 1<br>Examples for item 1 in regulation 40-5.09(3) as set out in Schedule 7, Part 1, item 15 | No supply where recovery <sup>†</sup><br>Input taxed where on-charged. | See paragraphs 181-186 of the Ruling for a discussion.   |
| A59                      | Disbursements on-charged to customers as account-related fees  | 40-5.09(3) Item 1   | Input taxed  |  |
| A60                      | The following computer banking services:   |   |  |  |
| A61                      | • Software licence fee (annual or once off)  | Section 9-5   | Taxable <sup>†</sup>   | Taxable <i>not</i> as a payment system <sup>†</sup> but because service provided by the financial institution does not come within subregulation 40-5.09 (3) or (4). |
| A62                      | • Maintenance/software access fee (for maintenance and support services)   | Section 9-5   | Taxable <sup>†</sup>   |  |
| A63                      | • Support services (as and when required)  | Section 9-5   | Taxable <sup>†</sup>   |  |

| <i>Line No.</i>                     | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Note</i>   |
|-------------------------------------|--|----------------------------------|----------------------|---|
| <b>ACCOUNTS (Cont'd)</b>            |  |                                  |                      |   |
| A64                                 | Fees for the reversal of amounts incorrectly deposited to an account (good value claims) and administration between financial institutions   | 40-5.09(3) Item 1                | Input taxed          |   |
| A65                                 | Fees charged to customer for extra cost of special printing of special forms   | Section 9-5<br>40-5.12 Item 2    | Taxable <sup>†</sup> |   |
| A66                                 | Fees charged to customer for extra cost of overprinting of standard forms  | Section 9-5<br>40-5.12 Item 2    | Taxable <sup>†</sup> |   |
| A67                                 | Fees charged to customer for bulk bank cheque <sup>†</sup> printing and production (bill paying service)   | Section 9-5<br>40-5.12 Item 2    | Taxable <sup>†</sup> |   |
| A68                                 | Information about account or customer's dealing with bank under Subpoena <sup>†</sup>  | Section 9-5                      | Taxable <sup>†</sup> | In relation to third party and not connected with an account.             |
| A69                                 | Fee for access to secure packet/envelope in safe custody <sup>†</sup> facility or in bank branch safe where contents are not credited to customer's account                                  | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> | The supply is taxable because item 16 overrides subregulation 40-5.09(4). |
| A70                                 | Fees and charges of less than \$1,000 for a clearing account <sup>†</sup> for use within a day (intra day facility) made available by an Australian ADI <sup>†</sup> for non-account holders | 40-5.09(4)(a)                    | Input taxed          |   |
| <b>PAYMENT &amp; FUNDS TRANSFER</b> |  |                                  |                      |   |
| A71                                 | The following fees and charges by Australian ADIs <sup>†</sup> to account holders in operating and maintaining an account:   |                                  |                      | Account holders are not participants in a payment system <sup>†</sup> .   |
| A72                                 | <ul style="list-style-type: none"> <li>• Transfers between accounts</li> </ul>   | 40-5.09(3) Item 1                | Input taxed          |   |

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|  |   |                                  |                      |  |
|--|---|----------------------------------|----------------------|--|
| A73  | • Direct credits <sup>†</sup>   | 40-5.09(3) Item 1                | Input taxed          |  |
| <b>Line No.</b>                              | <b>Supply, Service or Consideration</b>   | <b>GST Regulation or GST Act</b> | <b>GST Status</b>    | <b>Note</b>  |
| <b>PAYMENT &amp; FUNDS TRANSFER (Cont'd)</b> |   |                                  |                      |  |
| A74  | • Direct debits <sup>†</sup>  | 40-5.09(3) Item 1                | Input taxed          |  |
| A75  | • Automatic and electronic funds transfers (such as telegraphic transfers <sup>†</sup> and EFTPOS <sup>†</sup> )  | 40-5.09(3) Item 1                | Input taxed          | Applies to network access by account holder overseas because account is in Australia.  |
| A76  | • Use of ATM (automated teller machine) <sup>†</sup>  | 40-5.09(3) Item 1                | Input taxed          | Applies to network access by account holder overseas because account is in Australia.  |
| A77  | Fees and charges to an account holder for real time gross settlement (RTGS) <sup>†</sup>  | 40-5.09(3) Item 1                | Input taxed          | Access provided to an account provider in relation to an approved RTGS <sup>†</sup> payment system <sup>†</sup> is a taxable supply. |
| A78  | Inward, outward clean collections <sup>†</sup> (Collection of bills of exchange drawn on an Australian ADI <sup>†</sup> by an overseas party)   | 40-5.09(3) Item 1                | Input taxed          |  |
| A79  | Fees charged by a financial supply facilitator <sup>†</sup> to an account provider for processing, settling, clearing and switching transactions (in relation to a payment system <sup>†</sup> ) for: |                                  |                      |  |
| A80  | • Charge, credit and debit card <sup>†</sup> transactions   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |  |
| A81  | • Cheque transactions   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |  |
| A82  | • Internet banking  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |  |



|                |  |                                  |                      |  |
|----------------|--|----------------------------------|----------------------|--|
| A83            | <ul style="list-style-type: none"> <li>Giropost</li> </ul>   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |
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|                | <b>PAYMENT &amp; FUNDS TRANSFER (Cont'd)</b>   |                                  |                      |  |
| A84            | <ul style="list-style-type: none"> <li>SWIFT<sup>†</sup> (Society for Worldwide Interbank Financial Telecommunications Payment Delivery System)</li> </ul>           | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |
| A85            | <ul style="list-style-type: none"> <li>Austraclear<sup>†</sup></li> </ul>  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |
| A86            | Supply to other Australian ADIs <sup>†</sup> for access to credit and debit electronic payments system   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |
| A87            | Fees and charges to an account provider in relation to an approved RTGS <sup>†</sup> system  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |
| A88            | The following fees and charges paid by participants in a payment system <sup>†</sup> to operators to participate in a payment system:                                |                                  |                      | Account holders are not (in that capacity) participants in a payment system <sup>†</sup> . |
| A89            | <ul style="list-style-type: none"> <li>Joint initiative/co-branding establishment fees<sup>†</sup></li> </ul>  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |
| A90            | <ul style="list-style-type: none"> <li>Fee charged to affiliate (co-branded credit cards<sup>†</sup>) for processing credit card<sup>†</sup> transactions</li> </ul> | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |
| A91            | <ul style="list-style-type: none"> <li>Direct entry fees<sup>†</sup> for bulk corporate payment services, including payments from lists</li> </ul>                   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |  |

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|                |   |   |                      |  |
|----------------|---|---|----------------------|--|
| A92            | <ul style="list-style-type: none"> <li>Fees for outsourced remittance and mail preparation services</li> </ul>  | Section 9-5<br>40-5.12 Item 4   | Taxable <sup>†</sup> |  |
| <b>Line No</b> | <b>Supply, Service or Consideration</b>   | <b>GST Regulation or GST Act</b>  | <b>GST Status</b>    | <b>Notes</b>   |
|                | <b>PAYMENT &amp; FUNDS TRANSFER (Cont'd)</b>  |   |                      |  |
| A93            | <ul style="list-style-type: none"> <li>Fees for outsourced cheque production</li> </ul>   | Section 9-5<br>40-5.12 Items 2 & 4  | Taxable <sup>†</sup> |  |
| A94            | <ul style="list-style-type: none"> <li>Fees paid by participants in the B-pay<sup>†</sup> scheme</li> </ul>   | Section 9-5<br>40-5.12 Item 4   | Taxable <sup>†</sup> |  |
| A95            | <ul style="list-style-type: none"> <li>Fees payable by participants to the operator under the B-pay<sup>†</sup> Scheme</li> </ul>   | Section 9-5<br>40-5.12 Item 4   | Taxable <sup>†</sup> |  |
| A96            | <ul style="list-style-type: none"> <li>Fees payable by a participant to other participants under the B-pay<sup>†</sup> Scheme</li> </ul>  | Section 9-5<br>40-5.12 Item 4   | Taxable <sup>†</sup> |  |
| A97            | Supply of a service by one participant in a payment system <sup>†</sup> to another participant in the system in relation to charge, credit and debit card <sup>†</sup> transactions | Section 9-5<br>40-5.12 Item 4<br>Example in Schedule 8,<br>Part 2, Item 3 | Taxable <sup>†</sup> | Account holders are not (in that capacity) participants in a payment system <sup>†</sup> . |
| A98            | The following fees and charges payable by a merchant <sup>†</sup> for credit, debit and charge card <sup>†</sup> merchant operations:   |   |                      |  |
| A99            | <ul style="list-style-type: none"> <li>Sales processed fee</li> </ul>   | Section 9-5<br>40-5.12 Item 4   | Taxable <sup>†</sup> |  |
| A100           | <ul style="list-style-type: none"> <li>Joining/establishment fees<sup>†</sup></li> </ul>  | Section 9-5<br>40-5.12 Item 4   | Taxable <sup>†</sup> |  |
| A101           | <ul style="list-style-type: none"> <li>Service fees</li> </ul>  | Section 9-5<br>40-5.12 Item 4   | Taxable <sup>†</sup> |  |

|                |  |                                  |                      |              |
|----------------|--|----------------------------------|----------------------|--------------|
| A102           | • Merchant <sup>†</sup> annual fees  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| <b>Line No</b> | <b>Supply, Service or Consideration</b>  | <b>GST Regulation or GST Act</b> | <b>GST Status</b>    | <b>Notes</b> |
|                | <b>PAYMENT &amp; FUNDS TRANSFER (Cont'd)</b>   |                                  |                      |              |
| A103           | • Merchant <sup>†</sup> transaction fees   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A104           | • Merchant <sup>†</sup> monthly processing fees  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A105           | • Merchant <sup>†</sup> establishment fees <sup>†</sup>  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A106           | • Imprinter and card terminal rental   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A107           | • Terminal installation and maintenance fee  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A108           | • Telecommunications line rental   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A109           | • Marketing fees   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A110           | • Risk management <sup>†</sup> fees  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A111           | • Multi-Currency fees  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |
| A112           | • Fees for envelopes to pass vouchers <sup>†</sup> to debit, credit and charge card <sup>†</sup> providers | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>‡</sup> |              |

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| A113   | The following fees and charges for electronic financial services between payment system <sup>†</sup> participants: |                                  |                      |   |
|--|--|----------------------------------|----------------------|---|
| <i>Line No.</i>                              | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>  |
| <b>PAYMENT &amp; FUNDS TRANSFER (Cont'd)</b> |  |                                  |                      |   |
| A114   | • Payment system <sup>†</sup> access and interchange <sup>†</sup> facilities                                       | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |   |
| A115   | • Clearing and collection of funds on behalf of third parties  | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |   |
| A116   | • Operation of debit, credit and charge card <sup>†</sup> payment facilities on behalf of third parties            | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |   |
| A117   | • Processing of account data   | Section 9-5<br>40-5.12 Item 4    | Taxable <sup>†</sup> |   |
| <b>STORED VALUE ♦ AND SIMILAR CARDS</b>      |  |                                  |                      |   |
| A118   | Stored value <sup>†</sup> facility cards not linked to an account with an ADI                                      | Section 9-5<br>40-5.12 Item 5    | Taxable <sup>†</sup> | For credit, debit & charge cards <sup>†</sup> with ADIs see page line no's A21 to 23. For cards with non-ADIs see line number B32 to B51.   |
| A119   | Stored value facility cards linked to an account with an ADI   | 40-5.09(3) Item 1                | <i>Input taxed</i>   | See the Glossary for a definition of a stored value card <sup>†</sup> .   |
| A120   | Rent card <sup>†</sup> (not a direct debit card <sup>†</sup> and not linked to an ADI)                             | Section 9-5<br>40-5.12 Item 5    | Taxable <sup>†</sup> | Akin to a stored value facility card or prepayment not linked to an account with an ADI. If the card is linked to an ADI and more akin to a debit card, the facility will be input taxed. |
| <b>DEPOSIT♦ &amp; INVESTMENT</b>             |  |                                  |                      |   |

|  |   |                                  |                   |   |
|--|---|----------------------------------|-------------------|---|
| A121   | The following fees and charges between Australian ADIs <sup>†</sup> and account holders:            |                                  |                   |   |
| A122   | <ul style="list-style-type: none"> <li>Interest payments (including contingent payments)</li> </ul> | 40-5.09(3) Item 1                | Input taxed       | Payment of interest forms part of the consideration for a financial supply <sup>‡</sup> . |
| <i>Line No.</i>                                      | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>  |
| <b>DEPOSIT<sup>‡</sup> &amp; INVESTMENT (Cont'd)</b> |   |                                  |                   |   |
| A123   | <ul style="list-style-type: none"> <li>Early redemption penalties</li> </ul>                        | 40-5.09(3) Item 1                | Input taxed       |   |

**GSTR 2001/D9****B. Summary of fees and services – Advances\*, Loans\* and Mortgages\***

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>                | <i>GST Regulation or GST Act</i>     | <i>GST Status</i> | <i>Notes</i> |
|-----------------|--|--------------------------------------|-------------------|--------------|
|                 | <b>LOAN* TRANSACTIONS</b>                              |                                      |                   |              |
| B1              | The following charges and payments relating to loans*: |                                      |                   |              |
| B2              | • Application fees                                     | 40-5.09(3) Items 1 & 2<br>40-5.09(4) | Input taxed       |              |
| B3              | • Approval fees  | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B4              | • Establishment and agreement fees                     | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B5              | • Late payment/penalty fees                            | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B6              | • Rate lock fees                                       | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B7              | • Administration fees                                  | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B8              | • Participation fees                                   | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B9              | • Discharge fees                                       | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B10             | • Service fees   | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B11             | • Commitment fees*                                     | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B12             | • Drawing and redrawing* fees                          | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B13             | • Enquiry fees   | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B14             | • Limit fees   | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B15             | • Line of credit* fees                                 | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B16             | • Statement and voucher* fees                          | 40-5.09(3) Items 1 & 2               | Input taxed       |              |
| B17             | • Settlement* fees                                     | 40-5.09(3) Items 1 & 2               | Input taxed       |              |

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>                           | <i>GST Status</i>  | <i>Notes</i>   |
|-----------------|---|--|--------------------|--|
|                 | <b>LOAN◆ TRANSACTIONS</b>   |  |                    |  |
| B18             | • Document inspection fees  | 40-5.09(3) Items 1 & 2                                     | Input taxed        |  |
| B19             | • Early repayment fees  | 40-5.09(3) Items 1 & 2                                     | Input taxed        |  |
| B20             | • Restructure fees  | 40-5.09(3) Items 1 & 2                                     | Input taxed        |  |
| B21             | Advancement of principal <sup>†</sup>   | Not a supply for consideration /<br>40-5.09(3) Items 1 & 2 | Not subject to GST | Advancement and repayment of principal◆ occurs under an agreement for a loan◆ (a financial supply◆) but is not itself a financial supply◆ i.e., it is not itself the provision, acquisition or disposal of an interest in or under item in subregulation 40-5.09(3). |
| B22             | Repayment of principal <sup>†</sup>   | Not a supply for consideration                             | Not subject to GST |  |
| B23             | Fees and charges by pawnbrokers <sup>†</sup> to establish, maintain and discharge loan <sup>†</sup>       | 40-5.09(3) Items 2 & 3                                     | Input taxed        | Depending on facts, fee payable on collection of the goods may be for loan◆ administration or storage. If for storage - fee is consideration for a taxable supply. As it is for separate consideration it is not an incidental financial supply.                     |
| B24             | Fees, charges and payments related to loans <sup>†</sup> made to Australian residents in foreign currency | 40-5.09(3) Items 1 & 2                                     | Input taxed        |  |
| B25             | The following fees, charges and payments relating to provision of credit:                                 |  |                    |  |
| B26             | • Interest payments   | 40-5.09(3) Items 1 & 2                                     | Input taxed        | Payment of interest forms part of the consideration for a financial supply◆.   |
| B27             | • Early repayment penalties   | 40-5.09(3) Items 1 & 2                                     | Input taxed        |  |
| B28             | • Other loan <sup>†</sup> or advance related fees   | 40-5.09(3) Items 1 & 2                                     | Input taxed        |  |
| B29             | • Dishonour fee   | 40-5.09(3) Items 1 & 2                                     | Input taxed        |  |
| B30             | • Fee for moving to/from variable or fixed interest rate  | 40-5.09(3) Item 1 & 2                                      | Input taxed        |  |

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| <i>Line No.</i> | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>   |
|-----------------|--|----------------------------------|-------------------|--|
|                 | <b>LOAN◆ TRANSACTIONS (Cont'd)</b>   |                                  |                   |  |
| B31             | <ul style="list-style-type: none"> <li>Disbursements on-charged to customers as account-related fees</li> </ul>                      | 40-5.09(3) Item 1 & 2            | Input taxed       |  |
|                 | <i>Credit* and charge cards*</i>   |                                  |                   |  |
| B32             | The following fees and charges for providing credit and charge cards*:   |                                  |                   |  |
| B33             | <ul style="list-style-type: none"> <li>Application fees</li> </ul>   | 40-5.09(3) Items 1 & 2           | Input taxed       |  |
| B34             | <ul style="list-style-type: none"> <li>Establishment and closing fee</li> </ul>  | 40-5.09(3) Items 1 & 2           | Input taxed       |  |
| B35             | <ul style="list-style-type: none"> <li>Additional card (same holder) fees</li> </ul>   | 40-5.09(3) Items 1 & 2           | Input taxed       |  |
| B36             | <ul style="list-style-type: none"> <li>Additional (or second) cardholder fees</li> </ul>   | 40-5.09(3) Items 1 & 2           | Input taxed       |  |
| B37             | <ul style="list-style-type: none"> <li>Replacement card fees and any associated courier costs</li> </ul>                             | 40-5.09(3) Items 1 & 2           | Input taxed       | Courier costs may be taxable if charged for separately.                      |
| B38             | <ul style="list-style-type: none"> <li>Interest payments</li> </ul>  | 40-5.09(3) Items 1 & 2           | Input taxed       | Payment of interest forms part of the consideration for a financial supply◆. |
| B39             | <ul style="list-style-type: none"> <li>Increase and exceed limit fees</li> </ul>   | 40-5.09(3) Items 1 & 2           | Input taxed       |  |
| B40             | <ul style="list-style-type: none"> <li>Fee for not making a payment by due date</li> </ul>   | 40-5.09(3) Item 1 & 2            | Input taxed       |  |
| B41             | <ul style="list-style-type: none"> <li>Fee for duplicate card statement or voucher*</li> </ul>                                       | 40-5.09(3) Item 1 & 2            | Input taxed       |  |
| B42             | <ul style="list-style-type: none"> <li>Annual credit card* fee</li> </ul>  | 40-5.09(3) Item 1 & 2            | Input taxed       |  |
| B43             | <ul style="list-style-type: none"> <li>Foreign currency to Australian currency conversion fee</li> </ul>                             | 40-5.09(3) Item 1 & 2            | Input taxed       |  |
| B44             | <ul style="list-style-type: none"> <li>Over the counter and cash advance fee</li> </ul>  | 40-5.09(3) Item 1 & 2            | Input taxed       |  |
| B45             | <ul style="list-style-type: none"> <li>Fee for effecting an ATM* transaction (for Australian resident) at an overseas ATM</li> </ul> | 40-5.09(3) Item 2                | Input taxed       | Supply is input taxed because the account is supplied in Australia.          |
|                 |  |                                  |                   |  |
| B47             | <ul style="list-style-type: none"> <li>Revolving credit* facility fee</li> </ul>   | 40-5.09(3) Item 2                | Input taxed       |  |



| <i>Line No.</i>                                      | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>  | <i>GST Status</i>    | <i>Notes</i>  |
|--|---|-----------------------------------|----------------------|---|
| <b>LOAN◆ TRANSACTIONS (Cont'd)</b>                   |   |                                   |                      |   |
| B48  | • Loyalty program <sup>+</sup> membership (supplied with card – no separate fee)  | 40-5.09(3)Items 1 & 2<br>40-5.10  | Input taxed          |   |
| B49  | • Loyalty program <sup>+</sup> membership (supplied for separate fee)   | Section 9-5<br>40-5.10            | Taxable              | Not a composite supply and not incidental to supply of account under regulation 40-5.09, therefore taxable. |
| B50  | • Card insurance (supplied with card – no separate fee)   | 40-5.09(3) Items 1 & 2<br>40-5.10 | Input taxed          |   |
| B51  | • Card insurance (supplied for separate fee)  | Section 9-5<br>40-5.10            | Taxable              | Not a composite supply and not incidental to supply of account under regulation 40-5.09, therefore taxable. |
| <b>MORTGAGES<sup>+</sup> AND CHARGES<sup>+</sup></b> |   |                                   |                      |   |
| B52  | Mortgage <sup>+</sup> over land, premises or chattel <sup>+</sup>   | 40-5.09(3) Item 3                 | Input taxed          |   |
| B53  | In relation to mortgage <sup>+</sup> over a chattel <sup>+</sup> :  |                                   |                      |   |
| B54  | • Assignment <sup>+</sup> /reassessment of asset fees   | 40-5.09(3) Item 3                 | Input taxed          |   |
| B55  | • Registration of interest in the asset   | 40-5.09(3) Item 3                 | Input taxed          |   |
| B56  | Mortgage <sup>+</sup> over a share <sup>+</sup> or bond <sup>+</sup>  | 40-5.09(3) Item 3                 | Input taxed          |   |
| B57  | Switching of mortgages  | 40-5.09(3) Item 3                 | Input taxed          |   |
| B58  | Charge <sup>+</sup> over the assets of a company  | 40-5.09(3) Item 3                 | Input taxed          |   |
| B59  | Fees and charges for documentation of the mortgage <sup>+</sup> facility supplied by the mortgagee <sup>+</sup> to the mortgagor <sup>+</sup> | 40-5.09(3) Item 3                 | Input taxed          |   |
| B60  | Legal fees for preparing mortgage <sup>+</sup>  | Section 9-5                       | Taxable <sup>+</sup> |   |

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| <i>Line No.</i>                         | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>  |
|---|--|----------------------------------|-------------------|---|
| <b>MORTGAGES♦ AND CHARGES♦ (Cont'd)</b> |  |                                  |                   |   |
| B61                                     | Fees and charges for the following activities in relation to a charge♦ or mortgage♦ over real or personal property:                        |                                  |                   | Assumes the services are provided as part of the supply of the charge♦ or mortgage♦ by the financial supply provider♦ and not by a third party. |
| B63                                     | <ul style="list-style-type: none"> <li>Valuation of the collateral♦ or security for a credit or an advance</li> </ul>                      | 40-5.09(3) Item 3                | Input taxed       |   |
| B64                                     | <ul style="list-style-type: none"> <li>Allowing mortgagor♦ to inspect mortgage♦ and security documents held by mortgagee♦</li> </ul>       | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B65                                     | <ul style="list-style-type: none"> <li>Making loan♦ available on an ongoing basis</li> </ul>   | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B66                                     | <ul style="list-style-type: none"> <li>Allowing more than one drawing down against mortgage♦ loan♦ account♦</li> </ul>                     | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B67                                     | <ul style="list-style-type: none"> <li>Duplicate statements or statements outside the normal cycle for loan♦</li> </ul>                    | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B68                                     | <ul style="list-style-type: none"> <li>On-charge♦ of costs to insure risk under loan♦ or facilities secured by mortgage♦</li> </ul>        | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B69                                     | <ul style="list-style-type: none"> <li>Registration of mortgage♦ with Land Titles Office</li> </ul>  | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B70                                     | <ul style="list-style-type: none"> <li>Changes to certificate of title e.g., to update encroachments, note subsequent borrowing</li> </ul> | 40-5.09 Item 2 & 3               | Input taxed       |   |
| B71                                     | <ul style="list-style-type: none"> <li>Moving to/from variable or fixed interest rate</li> </ul>   | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B72                                     | <ul style="list-style-type: none"> <li>Change to the mortgage♦ to reflect changes to mortgaged property</li> </ul>                         | 40-5.09(3) Item 2 & 3            | Input taxed       |   |
| B73                                     | <ul style="list-style-type: none"> <li>Draw down facility</li> </ul>   | 40-5.09(3) Item 2                | Input taxed       |   |

| <i>Line No.</i>                         | <i>Supply, Service or Consideration</i>                                  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>   |
|---|--|----------------------------------|-------------------|--|
| <b>MORTGAGES♦ AND CHARGES♦ (Cont'd)</b> |  |                                  |                   |  |
| B74                                     | <ul style="list-style-type: none"> <li>Discharge of mortgage♦</li> </ul> | 40-5.09(3) Item 3                | Input taxed       | Where additional fee charged otherwise consequence of the mortgage♦ rather than a separate supply i.e., not itself the provision, acquisition or disposal of an interest in an item under the regulations. |

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| <i>Line No.</i>                        | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>                    | <i>GST Status</i>  | <i>Notes</i>  |
|--|---|---|--|---|
| <b>MORTGAGES♦ AND CHARGES (Cont'd)</b> |   |   |  |   |
| B76                                    | Recovery <sup>†</sup> of Commonwealth, State and Territory fees, duties and taxes   | 40-5.09(3) Item 3<br><i>See note</i>                | No supply if recovered<br>Input taxed if on-charged        | See paragraphs 181-186 of the Ruling for a discussion about recovery♦ and on-charge♦.   |
| B77                                    | Recovery <sup>†</sup> of loan <sup>†</sup> protection and title insurance   | 40-5.09(3) Item 3<br><i>See note</i>                | Input taxed  | No supply where recovery♦.<br>Input taxed where on-charged.   |
| B78                                    | Recovery <sup>†</sup> of professional and third party costs in connection with a mortgage <sup>†</sup>  | 40-5.09(3) Item 3                                   | Input taxed  | See paragraph 181 to 186 of the Ruling for a discussion about recovery♦ and on-charge♦.   |
| B79                                    | Fee charged for production and inspection of title and mortgage <sup>†</sup> documents for purposes other than under compulsion of law (e.g., subpoena <sup>†</sup> ) | 40-5.09(3) Item 3                                   | Input taxed  |   |
| B80                                    | Fee charged for production and inspection of title and documents produced under compulsion of law (e.g., by subpoena <sup>†</sup> )                                   | Section 9-5   | Taxable <sup>†</sup>                                       | Not provided in connection with the mortgage <sup>†</sup> and therefore not covered by 40-5.09(3) item 3 or 40-5.10.                                      |
| B81                                    | Sale of debtor's property by mortgagee <sup>†</sup> in possession (where sale by debtor would <b>not</b> have been a taxable supply under subsection 105-5(1))        | Section 105-5(1)<br>Section 9-5<br>Div 38<br>Div 40 | Not a taxable supply<br>Varies according to fact situation | The GST status of the sale varies depending on the facts e.g., the sale may be input taxed, GST-free or 'out of scope' depending on the particular facts. |
| B82                                    | Sale of debtor's property by mortgagee <sup>†</sup> in possession (where sale by debtor would <b>not</b> have been a taxable supply because of subsections 105-5(3))  | Section 105-5(3)<br>Section 9-5<br>Div 38<br>Div 40 | Not a taxable supply                                       | The GST status of the sale varies depending on the facts e.g., the sale may be input taxed, GST-free or 'out of scope' depending on the particular facts. |

| <i>Line No.</i>                         | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>              | <i>GST Status</i> | <i>Notes</i> |
|---|---|---|-------------------|--------------|
| <b>MORTGAGES♦ AND CHARGES* (Cont'd)</b> |   |   |                   |              |
| B83                                     | Sale of debtor's property by mortgagee* in possession (where sale by debtor would have been a taxable supply) | Section 105-5(1)<br>40-5.12 Item 8<br>Div 105 | Taxable*          |              |
| <b>DEBT♦ &amp; CREDIT ARRANGEMENTS</b>  |   |   |                   |              |
| B84                                     | Right to an income stream that is in or under a debt*   | 40-5.09(3) Item 2                             | Input taxed       |              |
| B85                                     | Establishing, operating and terminating letters of credit   | 40-5.09(3) Item 2                             | Input taxed       |              |

**GSTR 2001/D9****C. Summary of fees and services – Trade Finance, Asset Based Finance and Inventory Based Finance**

| <i>Line No.</i>      | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i> |
|----------------------|--|----------------------------------|-------------------|--------------|
| <b>TRADE FINANCE</b> |  |                                  |                   |              |
| C1                   | The following fees, charges and payments relating to the provision of import documentary letters of credit (service provided by Australian bank to Australian importer - guarantees debt <sup>†</sup> ): |                                  |                   |              |
| C2                   | • Establishment and termination fees   | 40-5.09(3) Item 2                | Input taxed       |              |
| C3                   | • Issuance fees  | 40-5.09(3) Item 2                | Input taxed       |              |
| C4                   | • Document handling fees   | 40-5.09(3) Item 2                | Input taxed       |              |
| C5                   | • Acceptance fees <sup>†</sup>   | 40-5.09(3) Item 2                | Input taxed       |              |
| C6                   | • Amendment fees   | 40-5.09(3) Item 2                | Input taxed       |              |
| C7                   | • Reimbursement fees   | 40-5.09(3) Item 2                | Input taxed       |              |
| C8                   | • Extension and increase fees  | 40-5.09(3) Item 2                | Input taxed       |              |

| <i>Line No.</i>             | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>                                       | <i>GST Status</i>   | <i>Notes</i>  |
|-----------------------------|--|--|---|---|
| <b>TRADE FINANCE (Cont)</b> |  |  |   |   |
| C9                          | The following fees, charges and payments relating to the provision of export documentary letters of credit (service provided to overseas bank by Australian bank):   |  |   |   |
| C10                         | • Document handling fees   | Section 38-190   | GST-free  | <p>The GST status of the supply or which the fee etc is paid may vary depending on the facts of the supply i.e.,:</p> <ul style="list-style-type: none"> <li>• Where the supply satisfies 38-190 it is GST-free.</li> <li>• If the supply is by financial supply facilitator it is taxable.</li> <li>• If it is the provision, acquisition or disposal of a financial interest by a financial supply provider it is input taxed.</li> </ul> |
| C11                         | • Advising fees  | Section 38-190   | GST-free  |   |
| C12                         | • Negotiation <sup>†</sup> fees  | Section 38-190   | GST-free  |   |
| C13                         | • Discrepancy fees   | Section 38-190   | GST-free  |   |
| C14                         | • Without Recourse <sup>†</sup> fees   | Section 38-190   | GST-free  |   |
| C15                         | • Assignment fees  | Section 38-190   | GST-free  |   |
| C16                         | Fees, charges and payments relating to collections and remittance services related to export transactions (service provided by Australian bank to Australian exporter) For example, amendment and dishonour fees | Section 38-190<br>Regulation 40-5.09<br>Section 9-5<br><i>See note</i> | Input taxed/Taxable depending on whether as provider or facilitator | <p>The supply is input taxed where the bank takes a principal interest in debt<sup>♦</sup>.</p> <p>The supply is taxable if the bank acts as facilitator.</p> <p>The supply is not GST-free as it is not within section 38-190.</p>   |
| C17                         | Fees, charges and payments relating to collections and remittance services related to import transactions (bank providing service to overseas bank)  | Section 38-190   | GST-free  |   |
| C18                         | Fees, charges and payments relating to trade guarantees (including bills of lading guarantees) or bonds <sup>†</sup>   | 40-5.09(3) Item 7  | Input taxed   |   |

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| <i>Line No.</i>                         | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>   |
|---|---|----------------------------------|----------------------|--|
| <b>TRADE FINANCE (Cont'd)</b>           |   |                                  |                      |  |
| C19                                     | Fees, charges and payments relating to forfeiting <sup>†</sup>  | 40-5.09(3) Item 2                | Input taxed          |  |
| <b>ASSET BASED FINANCE<sup>99</sup></b> |   |                                  |                      |  |
| C20                                     | Payments relating to the sale of goods  | Section 9-5                      | Taxable <sup>†</sup> |  |
| C21                                     | The following fees and charges for the supply of finance under a hire purchase <sup>†</sup> agreement for the supply of goods where the credit charge is not disclosed to the recipient of the goods: |                                  |                      | Not covered by item 8 of subregulation 40-5.09(3) because interest component is not separately disclosed.  |
| C22                                     | <ul style="list-style-type: none"> <li>Hire charges, rent or instalments, including interest charges</li> </ul>   | Section 9-5                      | Taxable <sup>†</sup> |  |
| C23                                     | The following fees and charges for the supply of finance under a hire purchase <sup>†</sup> agreement for the supply of goods where the credit charge is disclosed to the recipient of the goods:     |                                  |                      |  |
| C24                                     | <ul style="list-style-type: none"> <li>Hire charges, rent or instalments</li> </ul>   | Section 9-5<br>40-5.09(3) Item 8 | Taxable/Input taxed  | Only credit component is financial supply <sup>†</sup> . Principal component is taxable.   |
| C25                                     | <ul style="list-style-type: none"> <li>Credit charges, including interest and associated fees</li> </ul>  | 40-5.09(3) Item 8                | Input taxed          | Fees associated with the provision of an interest in credit under the hire purchase <sup>†</sup> arrangement are input taxed e.g., an establishment fee <sup>†</sup> . |
| C26                                     | <ul style="list-style-type: none"> <li>Assignment<sup>†</sup>/reassessment of asset fees</li> </ul>   | 40-5.09(3) Item 8                | Input taxed          |  |

<sup>99</sup> See below re treatment of stamp duties.



| <i>Line No.</i>   | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>  | <i>Notes</i>   |
|---|--|----------------------------------|--|--|
| <b>ASSET BASED FINANCE (Cont'd)</b>                           |  |                                  |  |  |
| C27   | Fees and charges for deferred purchase by the purchaser including hire charges, rent or instalments                                | Section 9-5                      | Taxable*   |  |
| C28   | Fees and charges for leases* by the lessee including lease* charges, rent or instalments   | Section 9-5<br>40-5.12 Item 6    | Taxable*   |  |
| <b>Stamp duties and other State &amp; Commonwealth duties</b> |  |                                  |  |  |
| C29   | On- charging of stamp duties and other Government taxes and charges associated with the supply of goods under a HP agreement       | Section 9-5                      | Taxable* (i.e., relates to transfer of title to the goods) | An 'on-charged' stamp duty, tax or charge loses its character (as a tax fee or charge that is not taxable under Div 81) and becomes an input to the underlying supply of the good. See paragraph 184 to 185 of the Ruling. |
| <b>INVENTORY / RECEIVABLES FINANCE</b>                        |  |                                  |  |  |
| C30   | Receivables factoring* and invoice financing fees and charges  | 40-5.09(3) Item 2                | Input taxed  |  |
| C31   | Fees and charges for the assignment* or sale of receivables or loans* secured over receivables (i.e., fee for assignment of debt*) | 40-5.09(3) Item 2                | Input taxed  |  |
| C32   | Floor plan and inventory financing transactions fees and charges   | Section 9-5<br>40-5.12 Item 18   | Taxable†   |  |
| C33   | Sales accounting services under a factoring* arrangement   | Section 9-5<br>40-5.12 Item 14   | Taxable†   |  |
| C34   | Fees and charges for factoring* of taxi vouchers* by taxi drivers  | 40-5.09(3) Item 2                | Input taxed  |  |

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| <i>Line No.</i>                     | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|-------------------------------------|---|----------------------------------|----------------------|--------------|
| <b>ASSET BASED FINANCE (Cont'd)</b> |   |                                  |                      |              |
| C35                                 | Fees, charges and payments relating to bailment <sup>†</sup>  | Section 9-5<br>40-5.12 Item 18   | Taxable <sup>†</sup> |              |
| C36                                 | Fees and charges for floor plan arrangements <sup>†</sup>   | Section 9-5<br>40-5.12 Item 18   | Taxable <sup>†</sup> |              |
| C37                                 | Establishment fees <sup>†</sup> and charges for receivables factoring <sup>†</sup> and invoice financing arrangements | 40-5.09(3) Item 2                | Input taxed          |              |
| C38                                 | Settlement <sup>†</sup> fees for receivables factoring <sup>†</sup> and invoice financing accounts                    | 40-5.09(3) Item 2                | Input taxed          |              |
| C39                                 | Fees and charges for export receivables factoring <sup>†</sup> and invoice financing arrangements                     | 40-5.09(3) Item 2                | Input taxed          |              |
| C40                                 | Fees and charges for import receivables factoring <sup>†</sup> and invoice financing arrangements                     | Section 38-190                   | GST-free             |              |

## D. Summary of fees and services – Securities\*

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>   |
|-----------------|--|----------------------------------|-------------------|--|
|                 | <b>SECURITIES*</b>   |                                  |                   |  |
| D1              | Fees and charges for the following securities* supplied by a financial supply provider*:   |                                  |                   |  |
| D2              | <ul style="list-style-type: none"> <li>Bonds* and bearer instruments, including Funeral Bonds</li> </ul>   | 40-5.09(3) Item 10(a)            | Input taxed       |  |
| D3              | <ul style="list-style-type: none"> <li>Bonds*, stocks or debentures* issued by a government entity</li> </ul>  | 40-5.09(3) Item 10(a)            |                   |  |
| D4              | <ul style="list-style-type: none"> <li>Shares* in a body</li> </ul>  | 40-5.09(3) Item 10               | Input taxed       |  |
| D5              | <ul style="list-style-type: none"> <li>Debentures* or convertible notes* issued by a body</li> </ul>   | 40-5.09(3) Item 10(a)            | Input taxed       |  |
| D6              | <ul style="list-style-type: none"> <li>A document issued by an individual that would be a debenture* if issued by a body corporate</li> </ul>  | 40-5.09(3) Item 10(b)            | Input taxed       |  |
| D7              | <ul style="list-style-type: none"> <li>Promissory notes* and bills of exchange</li> </ul>  | 40-5.09(3) Item 10(a)            | Input taxed       | Paragraph (c)(iii) & (d) of the definition of debenture* in section 9 of the Corporations Act 2001. Sch 7, Part 8, item 8. |
| D8              | <ul style="list-style-type: none"> <li>Dealings in floating rate notes*, commercial bills*, commercial paper*, extendable bill investments and other financial instruments (e.g., assignment*, acceptance or discounting)</li> </ul> | 40-5.09(3) Item 10               | Input taxed       | Sch 7, Part 8, item 6.   |

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| <i>Line No.</i> | <i>Supply, Service or Consideration</i>                                     | <i>GST Regulation or GST Act</i> | <i>GST Status</i>  | <i>Notes</i>   |
|-----------------|---|----------------------------------|--------------------|--|
|                 | <b>SECURITIES<sup>†</sup></b>   |                                  |                    |  |
| D9              | • Bank cheques <sup>†</sup> and warrants <sup>†</sup>                       | 40-5.09(3) Item 10               | Input taxed        | Para (c)(i) of the definition of <i>debenture</i> <sup>†</sup> in section 9 the <i>Corporations Act 2001</i> .<br>Sch 7, Part 8, items 9 & 10.   |
| D10             | • Structured notes <sup>†</sup>   | 40-5.09(3) Item 10               | Input taxed        | Sch 7, Part 8, item 4.   |
| D11             | • Subordinated notes <sup>†</sup>   | 40-5.09(3) Item 10               | Input taxed        | Sch 7, Part 8, item 3.   |
| D12             | • Fixed income securities <sup>†</sup>                                      | 40-5.09(3) Item 10               | Input taxed        |  |
| D13             | Payment of dividends <sup>†</sup>   | Not a supply for consideration   | Not subject to GST | Payment of a dividend <sup>‡</sup> is not regarded as a supply for GST purposes however this does not mean that it may not be consideration for another supply e.g., if forgone in exchange for shares <sup>‡</sup> .        |
| D14             | Interests in a partnership  | 40-5.09(3) Item 10(d)            | Input taxed        |  |
| D15             | Interests in a trust <sup>†</sup>   | 40-5.09(3) Item 10(d)            | Input taxed        |  |
| D16             | Time share and company title <sup>†</sup> schemes                           | 40-5.09(3) Item 10(c)            | Input taxed        | Paragraph (b) of the definition of managed investment scheme <sup>‡</sup> in section 9 of the <i>Corporations Act 2001</i> .   |
| D17             | Securities <sup>†</sup> lending by a financial supply provider <sup>†</sup> | 40-5.09(3) Item 10               | Input taxed        |  |
| D18             | Interests in a managed investment scheme <sup>†</sup>                       | 40-5.09(3) Item 10               | Input taxed        | Where a scheme is not registered as a managed investment scheme <sup>†</sup> , or is not entitled to regulatory relief from being registered, the supply of an interest in such a scheme will still be covered by this item. |
| D19             | The following interests in a managed investment scheme <sup>†</sup> :       |                                  |                    |  |
| D20             | • retail and wholesale managed funds  | 40-5.09(3) Item 10               | Input taxed        |  |

| <i>Line No.</i>                        | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>  |
|--|--|----------------------------------|-------------------|---|
| <b>SECURITIES<sup>†</sup> (Cont'd)</b> |  |                                  |                   |   |
| D21                                    | <ul style="list-style-type: none"> <li>• Investor Directed Portfolio Services (IDPS) or IDPS like arrangements, such as:               <ul style="list-style-type: none"> <li>- wrap accounts<sup>†</sup></li> <li>- member discretionary masterfunds</li> </ul> </li> </ul> | 40-5.09(3) Item 10               | Input taxed       |   |
| D22                                    | <ul style="list-style-type: none"> <li>• mortgage investment schemes<sup>†</sup></li> </ul>  | 40-5.09(3) Item 10               | Input taxed       |   |
| D23                                    | An interest in a scheme in which all of the members are bodies corporate that are related to each other and to the body corporate that promotes the scheme   | 40-5.09(3) Item 10(c)            | Input taxed       | Paragraph (e) of the definition of managed investment scheme <sup>◆</sup> in section 9 of the <i>Corporations Act 2001</i> .  |
| D24                                    | An interest in a scheme operated by an Australian ADI <sup>†</sup> in the ordinary course of its banking business <sup>†</sup>   | 40-5.09(3) Item 10(c)            | Input taxed       | Paragraph (i) of the definition of managed investment scheme <sup>◆</sup> in section 9 of the <i>Corporations Act 2001</i> .  |
| D25                                    | An interest in a barter <sup>†</sup> scheme under which each participant may obtain goods or services from another participant for consideration that is wholly or substantially in kind rather than in cash   | 40-5.09(3) Item 10(c)            | Input taxed       | Paragraph (k) of the definition of managed investment scheme <sup>◆</sup> in section 9 of the <i>Corporations Act 2001</i> .<br><br>Supplies of goods or services between participants are not interests in the scheme. |
| D26                                    | An interest in a scheme that is operated by a co-operative company registered under Part VI of the Companies (Co-operative) Act 1943 of Western Australia or under a previous law of Western Australia that corresponds to that part   | 40-5.09(3) Item 10(c)            | Input taxed       | Paragraph (m) of the definition of managed investment scheme <sup>◆</sup> in section 9 of the <i>Corporations Act 2001</i> .  |

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| <i>Line No.</i> | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>   |
|-----------------|--|----------------------------------|----------------------|--|
|                 | <b>SECURITIES<sup>†</sup> (Cont'd)</b>   |                                  |                      |  |
| D27             | Fees and charges for borrowing and lending securities <sup>†</sup> through a repurchase (repo) or reverse repurchase (reverse repo), including stock lending | 40-5.09(3) Item 10               | Input taxed          |  |
| D28             | Securitisation <sup>†</sup> arrangement including supply of the following:   |                                  |                      | A securitisation arrangement does not include a contract or agreement that essentially provides for the mere assignment of a right to an income stream.                        |
| D29             | <ul style="list-style-type: none"> <li>• Assignment<sup>†</sup> of mortgage<sup>†</sup> or income stream</li> </ul>  | 40-5.09(3) Item 3 & 10           | Input taxed          |  |
| D30             | <ul style="list-style-type: none"> <li>• Issue of bond<sup>†</sup>/debenture<sup>†</sup></li> </ul>  | 40-5.09(3) Item 10               | Input taxed          |  |
| D31             | <ul style="list-style-type: none"> <li>• Rating service<sup>†</sup></li> </ul>   | 40-5.09(3) Item 10               | Input taxed          | If the rating service is provided separately and constitutes an aim in itself, the supply will be taxable under item 3, regulation 40-5.12.                                    |
| D32             | Co-ordinating the issue of debt securities by the special purpose vehicle <sup>†</sup>   | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>†</sup> |  |
| D33             | Arrangement by a financial supply facilitator <sup>†</sup> of the provision, acquisition or disposal of an interest in a security (e.g., broking services)   | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>†</sup> |  |
| D34             | Entry and exit fees <sup>†</sup> levied for the acquisition or disposal of an interest in a managed investment scheme <sup>†</sup>                           | 40-5.09(3) Item 10               | Input taxed          |  |
| D35             | On going management (or similar) fees that are debited against the investor's account in the managed investment scheme <sup>†</sup>                          | Not a supply for consideration   | Not subject to GST   | This is an element of calculating the return to an investor rather than consideration for any supply made by a managed investment scheme <sup>†</sup> to an individual member. |

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>   |
|-----------------|---|----------------------------------|-------------------|--|
|                 | <b>SECURITIES* (Cont'd)</b>   |                                  |                   |  |
| D36             | Clearance and settlement* of securities* or derivatives*                                  | 40-5.12 Item 9                   | Taxable*          |  |
| D37             | Facilities for trading securities* or derivatives*  | 40-5.12 Item 9                   | Taxable*          |  |
| D38             | Underwriting* of securities* (e.g., shares* or debentures*) as financial supply provider* | 40-5.09(3) Item 10               | Input taxed       | The term underwriting* may be understood to have different meanings in different contexts. It will not be input taxed in all cases. Only where the underwriter agrees to take up securities it is unable to place will the supply be a financial supply*. The fee charged by the underwriter may need to be broken down into its taxable and input taxed components. (Paragraph 86 to 92 of this Ruling discuss mixed and composite supplies.) |

**GSTR 2001/D9****E. Summary of fees and services – Guarantees\* and indemnities\***

| <i>Line No.</i>                     | <i>Supply, Service or Consideration</i>                    | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>  |
|-------------------------------------|--|----------------------------------|-------------------|---|
| <b>GUARANTEES* AND INDEMNITIES*</b> |  |                                  |                   |   |
| E1                                  | An indemnity* that is not a contract of insurance          | 40-5.09(3) Item 7                | Input taxed       |   |
| E2                                  | A surety bond that is a guarantee*                         | 40-5.09(3) Item 7                | Input taxed       |   |
| E3                                  | A performance bond that is not a contract of insurance     | 40-5.09(3) Item 7                | Input taxed       |   |
| E4                                  | Bank guarantees* and bonds*                                | 40-5.09(3) Item 7                | Input taxed       |   |
| E5                                  | Establishing , operating and terminating letters of credit | 40-5.09(3) Item 2                | Input taxed       |   |
| E6                                  | Warranty for goods   | 40-5.09(3) item 7<br>Section 9-5 | Taxable*          | Excluded from being a financial supply♦ by item 7 of subreg 40-5.09(3). |



## F. Summary of fees and services – Currency

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i> |
|-----------------|--|----------------------------------|-------------------|--------------|
|                 | <b>CURRENCY</b>  |                                  |                   |              |
| F1              | Fees and charges by a financial supply provider <sup>†</sup> for the following supplies relating to Australian currency, the currency of a foreign country, or an agreement to buy or sell the currency: |                                  |                   |              |
| F2              | • Conversion of foreign to domestic currency   | 40-5.09(3) Item 9                | Input taxed       |              |
| F3              | • Foreign currency drafts <sup>†</sup>   | 40-5.09(3) Item 9                | Input taxed       |              |
| F4              | • Foreign currency notes <sup>†</sup>  | 40-5.09(3) Item 9                | Input taxed       |              |
| F5              | • Fees for travellers cheques issued by principal <sup>†</sup>   | 40-5.09(3) Item 9                | Input taxed       |              |
| F6              | • Fees for repurchase of travellers cheques by principal <sup>†</sup>  | 40-5.09(3) Item 9                | Input taxed       |              |
| F7              | • International cheques  | 40-5.09(3) Item 9                | Input taxed       |              |
| F8              | • Forward contracts <sup>†</sup> for transactions to buy or sell foreign currency  | 40-5.09(3) Item 9 & 11           | Input taxed       |              |
| F9              | • Options <sup>†</sup> to buy or sell foreign currency   | 40-5.09(3) Item 9 & 11           | Input taxed       |              |
| F10             | • Collection, negotiation <sup>†</sup> and endorsement <sup>†</sup> of instruments (including cheques) for payment in foreign currency, including message services                                       | 40-5.09(3) Item 9                | Input taxed       |              |
| F11             | • Purchase and sale of cash  | 40-5.09(3) Item 9                | Input taxed       |              |

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|                          |   |                                  |                      |   |
|--------------------------|---|----------------------------------|----------------------|---|
| F12                      | • Changing cash into different denominations  | 40-5.09(3) Item 9                | Input taxed          |   |
| <i>Line No.</i>          | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>  |
| <b>CURRENCY (Cont'd)</b> |   |                                  |                      |   |
| F13                      | Fees for travellers cheques <sup>†</sup> distributed by agent acting on behalf of issuer  | Section 9-5                      | Taxable <sup>†</sup> |   |
| F14                      | Fees levied by agent acting on behalf of issuer for the services of facilitating the repurchase of travellers cheques <sup>†</sup>                          | Section 9-5                      | Taxable <sup>†</sup> |   |
| F15                      | Fees and charges for the purchase or sale of Australian currency or the currency of a foreign country for an amount exceeding the stated legal tender value | Section 9-5<br>40-5.12 Item 17   | Taxable <sup>†</sup> | This item refers to money of numismatic <sup>†</sup> interest i.e., it is collectable rather than currency bought and sold for use as currency. |

## G. Summary of fees and services – Superannuation, Annuities & Allocated pensions◆

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>  |
|-----------------|---|----------------------------------|----------------------|---|
|                 | <b>SUPERANNUATION</b>   |                                  |                      |   |
| G1              | Capital contributions to a regulated superannuation fund <sup>†</sup> , an approved deposit fund <sup>†</sup> , a pooled superannuation trust <sup>†</sup> or a public sector superannuation scheme <sup>†</sup> within the meaning of the <i>Superannuation Industry (Supervision) Act 1993</i> , or an RSA (retirement savings account) within the meaning of the <i>Retirement Savings Accounts Act 1997</i> | 40-5.09(3) Item 4                | Input taxed          |   |
| G2              | Entry and Exit fees <sup>†</sup> charged by superannuation fund <sup>†</sup> to members   | 40-5.09(3) Item 4                | Input taxed          |   |
| G3              | Management fees <sup>†</sup> charged by superannuation fund <sup>†</sup> to members   | Not a supply for consideration   | Not subject to GST   | This is an element of calculating the return to a member rather than consideration for any supply made by a superannuation fund <sup>†</sup> to an individual member. |
| G4              | The following fees, charges or payments relating to rollover bonds <sup>†</sup> charged to a superannuation fund:   |                                  |                      |   |
| G5              | <ul style="list-style-type: none"> <li>Management service fees</li> </ul>   | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |   |
| G6              | <ul style="list-style-type: none"> <li>Transfer (fund switch) fees</li> </ul>   | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |   |

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| <i>Line No.</i>                                    | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|--|--|----------------------------------|----------------------|--------------|
| <b>SUPERANNUATION (Cont'd)</b>                     |  |                                  |                      |              |
| G7   | <ul style="list-style-type: none"> <li>Cheque issuing fees</li> </ul>  | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>†</sup> |              |
| <b>ANNUITIES OR ALLOCATED PENSIONS<sup>†</sup></b> |  |                                  |                      |              |
| G8   | Capital contributions, rollovers <sup>†</sup> , fees or other payments to superannuation funds <sup>†</sup> to establish a pension or allocated pensions | 40-5.09(3) Item 5                | Input taxed          |              |
| G9   | Capital contributions, rollovers <sup>†</sup> , fees or other payments to superannuation funds <sup>†</sup> to establish an annuity or allocated annuity | 40-5.09(3) Item 5                | Input taxed          |              |

## H. Summary of fees and services – Derivatives\*

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>  |
|-----------------|---|----------------------------------|-------------------|---|
|                 | <b>DERIVATIVES*</b>   |                                  |                   |   |
| H1              | Forward contracts*, futures contracts*, swap contracts and options* contracts the value of which depends on, or is derived from:  |                                  |                   |   |
| H2              | <ul style="list-style-type: none"> <li>The price of debt securities* or debt securities index values or interest rates</li> </ul>   | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 1(a). |
| H3              | <ul style="list-style-type: none"> <li>Foreign exchange or currency values or currency index values</li> </ul>  | 40-5.09(3) Item 9 & 11           | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 1(b). |
| H4              | <ul style="list-style-type: none"> <li>Share* or stock prices or equity index values</li> </ul>   | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 1(c). |
| H5              | <ul style="list-style-type: none"> <li>Credit spreads* or credit events, including: <ul style="list-style-type: none"> <li>- default; and</li> <li>- other forms of financial distress; and</li> <li>- credit index values</li> </ul> </li> </ul> | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 1(d). |
| H6              | <ul style="list-style-type: none"> <li>Macroeconomic indicators or variables; or</li> </ul>   | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 1(e). |
| H7              | <ul style="list-style-type: none"> <li>Climatic events or indexes</li> </ul>  | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 1(f). |
| H8              | Commodity derivatives* that involve no option, right or obligation to delivery of a commodity   | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 2.    |
| H9              | Reciprocal repurchase agreements*   | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 3.    |

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|   |  |                                  |                   |  |
|---|--|----------------------------------|-------------------|--|
| H10                                     | Options <sup>†</sup> over input taxed supplies of precious metals <sup>†</sup>   | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 4. |
| <b>Line No.</b>                         | <b>Supply, Service or Consideration</b>  | <b>GST Regulation or GST Act</b> | <b>GST Status</b> | <b>Notes</b>   |
| <b>DERIVATIVES (Cont'd)<sup>†</sup></b> |  |                                  |                   |  |
| H11                                     | Securities <sup>†</sup> lending agreements   | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 5. |
| H12                                     | Initial and variation margins <sup>†</sup> in respect of exchange traded futures contracts <sup>†</sup>  | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 6. |
| H13                                     | Cash settlement <sup>†</sup> of a derivative <sup>†</sup> over the counter or on the exchange rather than the physical delivery of the underlying taxable assets | 40-5.09(3) Item 11               | Input taxed       | Given as an example of item 11 in Sch 7, Part 9, item 7. |

## I. Summary of fees and services – Insurance

| <i>Line No.</i>           | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>  |
|---------------------------|--|----------------------------------|-------------------|---|
| <b>INSURANCE SERVICES</b> |  |                                  |                   |   |
| 1 <sup>1</sup>            | The following life insurance business <sup>†</sup> (to which subsection 9(1) of the <i>Life Insurance Act 1995</i> applies):   |                                  |                   | Life insurance business means business that consists of: issuing of life policies; issuing of sinking fund policies; undertaking of liability under life policies; undertaking of liability under sinking fund policies; and any related business <sup>†</sup> . It includes business declared to be life insurance business. |
| 1 <sup>2</sup>            | <ul style="list-style-type: none"> <li>A contract of insurance that provides for the payment of money<sup>†</sup> on the death of a person or on the happening of a contingency dependent on the termination or continuance of human life</li> </ul> | 40-5.09(3) Item 6                | Input taxed       | <p>Related business includes business relating to the investment, administration and management of the assets of a statutory fund.</p> <p>Given as an example of item 11 in Sch 7, Part 4, item 1.</p>  |
| 1 <sup>3</sup>            | <ul style="list-style-type: none"> <li>A contract of insurance that is subject to payment of premiums<sup>†</sup> for a term dependent on the termination or continuance of human life</li> </ul>  | 40-5.09(3) Item 6                | Input taxed       | Given as an example of item 11 in Sch 7, Part 4, item 2.  |
| 1 <sup>4</sup>            | <ul style="list-style-type: none"> <li>A contract of insurance that provides for the payment of an annuity for a term dependent on the continuance of human life</li> </ul>  | 40-5.09(3) Item 6                | Input taxed       | Given as an example of item 11 in Sch 7, Part 4, item 3.  |
| 1 <sup>5</sup>            | <ul style="list-style-type: none"> <li>A continuous disability policy<sup>†</sup> (within the meaning of section 9A of the <i>Life Insurance Act 1995</i>)</li> </ul>  | 40-5.09(3) Item 6                | Input taxed       | Given as an example of item 11 in Sch 7, Part 4, item 5.  |

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| <i>Line No.</i>                    | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>   |
|------------------------------------|---|----------------------------------|-------------------|--|
| <b>INSURANCE SERVICES (Cont'd)</b> |   |                                  |                   |  |
| 16                                 | <ul style="list-style-type: none"> <li>A contract that provides for the payment of an annuity (in excess of the term prescribed in the Life Insurance Regulations ) for a term, not dependent on the continuance of human life</li> </ul> | 40-5.09(3) Item 6                | Input taxed       | Given as an example of item 11 in Sch 7, Part 4, item 4.   |
| 17                                 | <ul style="list-style-type: none"> <li>An investment account contract<sup>†</sup> or an investment-linked contract<sup>†</sup> (within the meaning of section 14 of the <i>Life Insurance Act 1995</i>)</li> </ul>                        | 40-5.09(3) Item 6                | Input taxed       | Given as an example of item 11 in Sch 7, Part 4, item 6.   |
| 18                                 | <ul style="list-style-type: none"> <li>Related reinsurance<sup>†</sup> business</li> </ul>  | 40-5.09(3) Item 6                | Input taxed       |  |
| 19                                 | Life insurance business <sup>†</sup> declared to be life Insurance business under subsection 12(2) or section 12A of the <i>Life Insurance Act 1995</i> , or related reinsurance <sup>†</sup> business                                    | 40-5.09(3) Item 6                | Input taxed       |  |
| 110                                | A contract of consumer credit insurance within the meaning of the <i>Insurance Contracts Act 1984</i>   | Division 78                      | Taxable           | This is not a continuous disability policy <sup>†</sup> and therefore is not a life policy <sup>†</sup> within the meaning of the <i>Life Insurance Act 1995</i> . |
| 111                                | A contract of private health insurance  | Subsection 38-55(1)              | GST-free          | A health insurance policy is not a continuous disability policy <sup>†</sup> within the meaning of the <i>Life Insurance Act 1995</i> .                            |
| 112                                | A contract of insurance against liability to pay for services supplied by ambulance   | Subsection 38-55(2)              | GST-free          |  |
| 113                                | A contract of insurance for indemnification against (continuous) disability   | 40-5.09(3) Item 6                | Input taxed       |  |



| <i>Line No.</i>                    | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>  |
|------------------------------------|--|----------------------------------|----------------------|---|
| <b>INSURANCE SERVICES (Cont'd)</b> |  |                                  |                      |   |
| 114                                | A contract of insurance that provides for the payment of income benefits during the absence of a person from work due to temporary disability (e.g., salary continuance insurance <sup>†</sup> ) | Section 9-5<br>40-5.12 Item 10   | Taxable <sup>†</sup> | Salary continuance insurance <sup>†</sup> is not continuous disability insurance within the meaning of the <i>Life Insurance Act 1995</i> . |
| 115                                | A contract of insurance for indemnification against casualty or property damage (including public liability or third party damage)   | Section 9-5<br>40-5.12 Item 10   | Taxable <sup>†</sup> |   |
| 116                                | Brokerage <sup>†</sup> of insurance (including initial or trailing commissions <sup>†</sup> )  | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>†</sup> |   |
| 117                                | A contract of insurance for indemnification against credit risk or credit losses   | Section 9-5<br>40-5.12 Item 10   | Taxable <sup>†</sup> |   |
| 118                                | Compensation paid to a beneficiary of an insurance policy covering credit risk or credit losses  | 40-5.12 Item 10<br>& Division 78 | Taxable <sup>†</sup> |   |

**GSTR 2001/D9****J. Summary of fees and services – Advisory & Professional services**

| <i>Line No.</i>                             | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|---|---|----------------------------------|----------------------|--------------|
| <b>ADVISORY &amp; PROFESSIONAL SERVICES</b> |   |                                  |                      |              |
| J1  | Advice by a legal practitioner in the course of professional practice                                   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J2  | Advice by an accountant in the course of professional practice  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J3  | Advice by a taxation practitioner including preparation of tax returns and Business Activity Statements | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J4  | Advice by an actuary <sup>†</sup>   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J5  | Rating services for securitisation <sup>†</sup> vehicles  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J6  | Advisory services about syndicated loan <sup>†</sup> facilities   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J7  | Advice about corporate finance transactions   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J8  | Advice about financial and investment alternatives  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J9  | General financial advice other than about the operation of accounts or the granting of credit           | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J10   | Valuation services provided by a professional valuer to a financial supply provider <sup>†</sup>        | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |

| <i>Line No.</i>                                      | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|--|---|----------------------------------|----------------------|--------------|
| <b>ADVISORY &amp; PROFESSIONAL SERVICES (Cont'd)</b> |   |                                  |                      |              |
| J11  | Fees and charges for advice, research, information, analysis or other similar services about: |                                  |                      |              |
| J12  | • Mergers and acquisitions  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J13  | • Corporate restructuring   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J14  | • Fund raising  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J15  | • Risk management <sup>†</sup>  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J16  | • Financial management, corporate management, business strategy and management                | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J17  | • Industry or market structure products   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| <b>FINANCIAL PLANNING</b>                            |   |                                  |                      |              |
| J18  | Advice and administration services for estate planning  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J19  | Assessment of financial position and facilitating financial transactions                      | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |
| J20  | Advising on investment strategies and portfolio planning                                      | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>†</sup> |              |

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| <i>Line No.</i>                    | <i>Supply, Service or Consideration</i>        | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|------------------------------------|--|----------------------------------|----------------------|--------------|
| <b>FINANCIAL PLANNING (Cont'd)</b> |  |                                  |                      |              |
| J21                                | Facilitating financial structures and planning | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>g</sup> |              |
| J22                                | Portfolio analysis and review                  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>g</sup> |              |

## K. Summary of fees and services – Brokerage & Facilitator Services

| <i>Line No.</i>                              | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|--|---|----------------------------------|----------------------|--------------|
| <b>BROKERAGE◆ &amp; FACILITATOR SERVICES</b> |   |                                  |                      |              |
| K1   | Brokerage <sup>†</sup> and/or Commission <sup>†</sup>   | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |
| K2   | Origination fees  | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |
| K3   | Fees and charges for the following services by a broker or financial supply facilitator <sup>†</sup> :  |                                  |                      |              |
| K4   | <ul style="list-style-type: none"> <li>Procuring counterparties to a financial supply<sup>†</sup> transaction (e.g., syndicated loans<sup>†</sup>)</li> </ul> | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |
| K5   | <ul style="list-style-type: none"> <li>Arranging deposit<sup>†</sup>, loan<sup>†</sup> and securities<sup>†</sup> transactions</li> </ul>                     | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |
| K6   | <ul style="list-style-type: none"> <li>Arranging asset based finance, trade finance and inventory or receivable finance transactions</li> </ul>               | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |
| K7   | <ul style="list-style-type: none"> <li>Arranging financial transactions</li> </ul>  | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |
| K8   | <ul style="list-style-type: none"> <li>Arranging commodity transactions</li> </ul>  | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |
| K9   | Fees and charges for arranging insurance or risk indemnification transactions   | Section 9-5<br>40-5.12 Item 11   | Taxable <sup>‡</sup> |              |

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| K10   | The following supplies related to underwriting <sup>†</sup> by a financial supply facilitator <sup>†</sup> : |                                     |                      | Underwriting <sup>†</sup> of a security (e.g., a share <sup>†</sup> or debenture <sup>†</sup> ) may be input taxed if the underwriter agrees to take up securities <sup>†</sup> it is unable to place. |
|---|--|-------------------------------------|----------------------|--|
| <i>Line No.</i>                                       | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>    | <i>GST Status</i>    | <i>Notes</i>   |
| <b>BROKERAGE◆ &amp; FACILITATOR SERVICES (Cont'd)</b> |  |                                     |                      |  |
| K11   | • Advisory services  | Section 9-5<br>40-5.12 Item 3       | Taxable <sup>†</sup> |  |
| K12   | • CHESS <sup>†</sup> sponsorship   | Section 9-5<br>40-5.12 Item 11      | Taxable <sup>†</sup> |  |
| K13   | • Nominee <sup>†</sup> or custodial services   | Section 9-5<br>40-5.12 Item 16      | Taxable <sup>†</sup> |  |
| K14   | • Arrangement of scrip loan facilities   | Section 9-5<br>40-5.12 Item 9 or 11 | Taxable <sup>†</sup> |  |

## L. Summary of fees and services - Trustee\* and custodial services

| <i>Line No.</i> | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|-----------------|--|----------------------------------|----------------------|--------------|
|                 | <b>CUSTODY* SERVICES</b>   |                                  |                      |              |
| L1              | The following Core Custody* Services:  |                                  |                      |              |
| L2              | <ul style="list-style-type: none"> <li>Clean payments made on behalf of another entity</li> </ul>  | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |
| L3              | <ul style="list-style-type: none"> <li>Settling and undertaking of securities* transactions at the direction of the custodian* client</li> </ul> | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |
| L4              | <ul style="list-style-type: none"> <li>Collecting income and other payments with respect to the securities* in the fund</li> </ul>               | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |
| L5              | <ul style="list-style-type: none"> <li>Proxy voting*</li> </ul>  | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |
| L6              | <ul style="list-style-type: none"> <li>Portfolio reporting – settlement* activity, recurrent reporting</li> </ul>                                | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |
| L7              | <ul style="list-style-type: none"> <li>Option* trading services made on behalf of another entity</li> </ul>                                      | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |
| L8              | <ul style="list-style-type: none"> <li>Cheque drawing</li> </ul>   | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |
| L9              | <ul style="list-style-type: none"> <li>Asset reconciliation*</li> </ul>  | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>†</sup> |              |

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| <i>Line No.</i>                   | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>   | <i>GST Status</i>    | <i>Notes</i>  |
|-----------------------------------|--|------------------------------------|----------------------|---|
| <b>CUSTODY* SERVICES (Cont'd)</b> |  |                                    |                      |   |
| L10                               | • Daily cash reconciliation and reporting  | Section 9-5<br>40-5.12 Item 16     | Taxable <sup>Ⓢ</sup> |   |
| L11                               | • Acting as escrow agent*  | Section 9-5<br>40-5.12 Item 16     | Taxable <sup>Ⓢ</sup> |   |
| L12                               | • Clearing and settling securities* or derivatives* trades                                 | Section 9-5<br>40-5.12 Items 9     | Taxable <sup>Ⓢ</sup> |   |
| L13                               | • Transaction authorisation (acting as nominee* under Power of Attorney*)                  | Section 9-5<br>40-5.12 Item 3 & 16 | Taxable <sup>Ⓢ</sup> |   |
| L14                               | • Opening and maintaining bank accounts to facilitate settlement* of security transactions | Section 9-5<br>40-5.12 Item 16     | Taxable <sup>Ⓢ</sup> | This is a fee for a service and distinct from the fee charged by an ADI to open an account which is a financial supply* under item 1 of subregulation 40-5.09(3). |
| L15                               | Master custody* services including:  |                                    |                      | Item 12 of regulation 40-5.12 may also apply to the master custody* services listed below.  |
| L16                               | • Maintenance of accounting records  | Section 9-5<br>40-5.12 Item 16     | Taxable <sup>Ⓢ</sup> |   |
| L17                               | • Pricing of securities*   | Section 9-5<br>40-5.12 Item 16     | Taxable <sup>Ⓢ</sup> |   |
| L18                               | • Taxation reporting   | Section 9-5<br>40-5.12 Item 3 & 16 | Taxable <sup>Ⓢ</sup> |   |
| L19                               | • Mandate* monitoring  | Section 9-5<br>40-5.12 Item 16     | Taxable <sup>Ⓢ</sup> |   |
| L20                               | • Trade execution monitoring   | Section 9-5<br>40-5.12 Item 16     | Taxable <sup>Ⓢ</sup> |   |



| <i>Line No.</i> | <i>Supply, Service or Consideration</i>                | <i>GST Regulation or GST Act</i>       | <i>GST Status</i>    | <i>Notes</i> |
|-----------------|--|--|----------------------|--------------|
|                 | <b>CUSTODY◆ SERVICES (Cont'd)</b>                      |  |                      |              |
| L23             | The following accounting and administration services:  |  |                      |              |
| L21             | • Portfolio performance analysis                       | Section 9-5<br>40-5.12 Item 16         | Taxable <sup>†</sup> |              |
| L22             | • Risk management <sup>†</sup> reporting               | Section 9-5<br>40-5.12 Item 16         | Taxable <sup>†</sup> |              |
| L24             | • Management accounting                                | Section 9-5<br>40-5.12 Item 3 & 12     | Taxable <sup>†</sup> |              |
| L25             | • Cash management                                      | Section 9-5<br>40-5.12 Item 3 & 12     | Taxable <sup>†</sup> |              |
| L26             | • Unit registry <sup>†</sup> services                  | Section 9-5<br>40-5.12 Item 3, 12 & 16 | Taxable <sup>†</sup> |              |
| L27             | • Statutory accounts preparation                       | Section 9-5<br>40-5.12 Item 3          | Taxable <sup>†</sup> |              |
| L28             | • Tax return (including BAS) preparation               | Section 9-5<br>40-5.12 Item 3          | Taxable <sup>†</sup> |              |
| L29             | • Preparation of Superannuation returns                | Section 9-5<br>40-5.12 Item 3          | Taxable <sup>†</sup> |              |
| L30             | • Maintenance/access to property portfolio database    | Section 9-5<br>40-5.12 Item 3          | Taxable <sup>†</sup> |              |
|                 | <b>Reporting &amp; Compliance Services<sup>†</sup></b> |  |                      |              |
| L31             | The following taxation reports and accounts:           |  |                      |              |

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|  |   |                                    |                      |              |
|--|---|------------------------------------|----------------------|--------------|
| L32  | <ul style="list-style-type: none"> <li>Foreign Investment Fund<sup>†</sup> (FIF) compliance</li> </ul>  | Section 9-5<br>40-5.12 Item 3      | Taxable <sup>‡</sup> |              |
| <b>Line No.</b>                              | <b>Supply, Service or Consideration</b>   | <b>GST Regulation or GST Act</b>   | <b>GST Status</b>    | <b>Notes</b> |
| <b>CUSTODY<sup>†</sup> SERVICES (Cont'd)</b> |   |                                    |                      |              |
| L33  | <ul style="list-style-type: none"> <li>Reconciliation of accounting income to taxable income</li> </ul> | Section 9-5<br>40-5.12 Item 3      | Taxable <sup>‡</sup> |              |
| L34  | <ul style="list-style-type: none"> <li>Taxable income report</li> </ul>                                 | Section 9-5<br>40-5.12 Item 3      | Taxable <sup>‡</sup> |              |
| L35  | Performance analysis  | Section 9-5<br>40-5.12 Item 3      | Taxable <sup>‡</sup> |              |
| L36  | Performance reporting including risk analysis   | Section 9-5<br>40-5.12 Item 3      | Taxable <sup>‡</sup> |              |
| L37  | Statutory accounts  | Section 9-5<br>40-5.12 Item 3      | Taxable <sup>‡</sup> |              |
| L38  | Unit pricing <sup>†</sup> services for:   |                                    |                      |              |
| L39  | <ul style="list-style-type: none"> <li>Superannuation funds<sup>†</sup></li> </ul>                      | Section 9-5<br>40-5.12 Item 12     | Taxable <sup>‡</sup> |              |
| L40  | <ul style="list-style-type: none"> <li>Unit trusts<sup>†</sup></li> </ul>                               | Section 9-5<br>40-5.12 Item 12     | Taxable <sup>‡</sup> |              |
|  | <b>Safe Custody<sup>†</sup></b>   |                                    |                      |              |
| L41  | Rental of safety deposit <sup>†</sup> boxes   | Section 9-5<br>40-5.12 Item 3 & 16 | Taxable <sup>‡</sup> |              |
| L42  | Safe custody <sup>†</sup> of money <sup>†</sup> , documents and other things                            | Section 9-5<br>40-5.12 Item 3 & 16 | Taxable <sup>‡</sup> |              |

| <b>PERSONAL TRUST<sup>†</sup> &amp; PERSONAL SERVICES</b>          |   |                                  |                             |   |
|--|---|----------------------------------|-----------------------------|---|
| L43  | The following legal services:   |                                  |                             |   |
| <i>Line No.</i>  | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>           | <i>Notes</i>  |
| <b>PERSONAL TRUST<sup>♦</sup> &amp; PERSONAL SERVICES (Cont'd)</b> |   |                                  |                             |   |
| L44  | • Preparation of Power of Attorney <sup>†</sup>   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>‡</sup>        |   |
| L45  | • Deed <sup>†</sup> preparation   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>‡</sup>        |   |
| L46  | • Will preparation  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>‡</sup>        |   |
| L47  | • Applications for probate <sup>†</sup>   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>‡</sup>        |   |
| L48  | • Applications for letters of administration  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>‡</sup>        |   |
| L49  | The following fees and charges for trust <sup>†</sup> and estate administration services: |                                  |                             |   |
| L50  | • Trustee <sup>†</sup> fee  | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup>        | The fee charged by the trustee <sup>†</sup> will be taxable regardless of how it is calculated.   |
| L51  | • Management fee <sup>†</sup> charge for internal common funds <sup>†</sup>               | <i>See note</i>                  | <i>Varied<br/>See note.</i> | May vary depending on structure of internal common funds <sup>†</sup> i.e., whether the management services are supplied individually to each beneficiary/contributor to the common fund or to an entity being the trustee of the common fund. Subject to individual ATO decision (e.g., private ruling). |
| L52  | • Fee for transferring intestate assets   | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup>        |   |

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| L53   | • Co-trustees commission <sup>†</sup>   | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup>                 |  |
|---|---|----------------------------------|--------------------------------------|--|
| <i>Line No.</i>   | <i>Supply, Service or Consideration</i>                                       | <i>GST Regulation or GST Act</i> | <i>GST Status</i>                    | <i>Notes</i>   |
| <b>PERSONAL TRUST♦ &amp; PERSONAL SERVICES (Cont'd)</b> |   |                                  |                                      |  |
| L54   | The following fees and charges for personal services:                         |                                  |                                      |  |
| L55   | • Fees for holding and/or managing capital assets on behalf of another entity | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup>                 |  |
| L56   | • Income commission <sup>†</sup>  | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup>                 |  |
| L57   | • Third party cheque fees   | Section 9-5                      | Taxable <sup>†</sup>                 |  |
| L58   | • Initial and trailing commissions <sup>†</sup>                               | Section 9-5                      | Taxable <sup>†</sup>                 |  |
| L59   | • Management fee <sup>†</sup> charge for internal common funds <sup>†</sup>   | <i>See note</i>                  | <i>Varied</i><br><i>See note L51</i> | May vary depending on structure of internal common funds <sup>†</sup> . Subject to individual ATO decision (e.g., private ruling) see line item L51. |
| L60   | The following fees and charges for services to investment funds:              |                                  |                                      |  |
| L61   | • Third party prospectus <sup>†</sup> management fees <sup>†</sup>            | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup>                 |  |
| L62   | • Application processing fee  | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup>                 |  |
| L63   | • Initial or trailing commissions <sup>†</sup>                                | Section 9-5                      | Taxable <sup>†</sup>                 |  |
| L64   | The following fees and charges for the provision of professional services:    |                                  |                                      |  |
| L65   | • Directors fee   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>‡</sup>                 |  |

| L66   | • Secretarial fee   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
|---|---|----------------------------------|----------------------|--------------|
| <i>Line No.</i>   | <i>Supply, Service or Consideration</i>                                       | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
| <b>PERSONAL TRUST♦ &amp; PERSONAL SERVICES (Cont'd)</b> |   |                                  |                      |              |
| L67   | • Registered office fee <sup>†</sup>  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
| L68   | • Taxation fee  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
| L69   | • Accountancy fee   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
| L70   | • Land tax return fee   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
| L71   | The following property services performed by statutory trustee organisations: |                                  |                      |              |
| L72   | • Property inspection   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
| L73   | • Property valuation  | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
| L74   | • Property management   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |
| L75   | • Acting as Trustee <sup>†</sup>  | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>Ⓢ</sup> |              |
| L76   | • Strata management   | Section 9-5<br>40-5.12 Item 3    | Taxable <sup>Ⓢ</sup> |              |

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| <i>Line No.</i>                         | <i>Supply, Service or Consideration</i>                       | <i>GST Regulation or GST Act</i>        | <i>GST Status</i>    | <i>Notes</i> |
|---|---|---|----------------------|--------------|
| <b>SUPERANNUATION TRUSTEE◆ SERVICES</b> |   |   |                      |              |
| L77                                     | Trusteeship of corporate superannuation funds <sup>†</sup>    | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L78                                     | Trusteeship of Public Offer superannuation funds <sup>†</sup> | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L79                                     | Manage investment strategy                                    | Section 9-5<br>40-5.12 Items 3, 12 & 15 | Taxable <sup>‡</sup> |              |
| L80                                     | Manage accounts and records                                   | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L81                                     | Prepare client statements                                     | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L82                                     | Document security   | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L83                                     | Act as approved trustee <sup>†</sup>                          | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L84                                     | Collect and process dividends <sup>†</sup> / interest         | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L85                                     | Effecting the transfer of title to securities <sup>†</sup>    | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L86                                     | Receive/take up entitlement issues                            | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L87                                     | Purchase / sell investments                                   | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L88                                     | Record investments purchase / sale transactions               | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |
| L89                                     | Reconcile bonus shares, rights issues, dividends <sup>†</sup> | Section 9-5<br>40-5.12 Items 12 & 15    | Taxable <sup>‡</sup> |              |

| <i>Line No.</i>           | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>     | <i>GST Status</i>    | <i>Notes</i>   |
|---------------------------|---|--------------------------------------|----------------------|--|
| <b>CORPORATE SERVICES</b> |   |                                      |                      |  |
| L92                       | Compliance advice   | Section 9-5<br>40-5.12 Items 3 & 15  | Taxable <sup>†</sup> |  |
| L93                       | Prepare superannuation and taxation returns (including BAS)                                 | Section 9-5<br>40-5.12 Items 3 & 15  | Taxable <sup>†</sup> |  |
| L90                       | CHESS <sup>†</sup> / CHAMP <sup>†</sup> administration                                      | Section 9-5<br>40-5.12 Items 12 & 15 | Taxable <sup>†</sup> |  |
| L91                       | Provide and confirm buy / sell instructions through CHESS <sup>†</sup> / CHAMP <sup>†</sup> | Section 9-5<br>40-5.12 Items 12 & 15 | Taxable <sup>†</sup> |  |
| L94                       | Trustee <sup>†</sup> services provided in acting as:  |                                      |                      |  |
| L95                       | • Trustee <sup>†</sup> for structured finance funds   | Section 9-5<br>40-5.12 Item 15       | Taxable <sup>†</sup> |  |
| L96                       | • Trustee <sup>†</sup> of a unit trust <sup>†</sup>   | Section 9-5<br>40-5.12 Item 15       | Taxable <sup>†</sup> |  |
| L97                       | • Trustee <sup>†</sup> of debenture <sup>†</sup> and note issues                            | Section 9-5<br>40-5.12 Item 15       | Taxable <sup>†</sup> |  |
| L98                       | • Trustee <sup>†</sup> for security bonds   | Section 9-5<br>40-5.12 Item 15       | Taxable <sup>†</sup> |  |
| L99                       | • Trustee <sup>†</sup> of a trust <sup>†</sup> or other entity                              | Section 9-5<br>40-5.12 Item 15       | Taxable <sup>†</sup> | Given as an example of item 15 in Sch 8, Part 6, item 1. |
| L100                      | • Trustee <sup>†</sup> under a will or settlement <sup>†</sup>                              | Section 9-5<br>40-5.12 Item 15       | Taxable <sup>†</sup> | Given as an example of item 15 in Sch 8, Part 6, item 1. |
| L101                      | • Mortgage <sup>†</sup> custodian <sup>†</sup>  | Section 9-5<br>40-5.12 Item 16       | Taxable <sup>†</sup> |  |

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| <i>Line No.</i>                    | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i>    | <i>GST Status</i>    | <i>Notes</i>   |
|------------------------------------|---|-------------------------------------|----------------------|--|
| <b>CORPORATE SERVICES (Cont'd)</b> |   |                                     |                      |  |
| L102                               | The following professional services:  |                                     |                      |  |
| L103                               | • Statutory accounts preparation  | Section 9-5<br>40-5.12 Item 3       | Taxable <sup>‡</sup> |  |
| L104                               | • Compliance services <sup>‡</sup>  | Section 9-5<br>40-5.12 Item 3       | Taxable <sup>‡</sup> |  |
| L105                               | • Preparation of financial plans  | Section 9-5<br>40-5.12 Item 3       | Taxable <sup>‡</sup> |  |
| <b>SECURITISATION<sup>‡</sup></b>  |   |                                     |                      |  |
| L106                               | The following services provided in acting as Trustee <sup>‡</sup> over a unit trust <sup>‡</sup> structure for mortgage backed <sup>‡</sup> and asset backed <sup>‡</sup> securitisation <sup>‡</sup> programs: |                                     |                      |  |
| L107                               | • Review of legal documentation   | Section 9-5<br>40-5.12 Items 3 & 15 | Taxable <sup>‡</sup> |  |
| L108                               | • Activity of acquiring title to mortgages <sup>‡</sup>   | Section 9-5<br>40-5.12 Item 15      | Taxable <sup>‡</sup> | This is distinct from gaining an interest in the mortgage <sup>‡</sup> as financial supply provider under item 3 of regulation 40-5.09(3). |
| L109                               | • Maintenance of trust <sup>‡</sup> bank accounts in the Trustee's name   | Section 9-5<br>40-5.12 Item 15      | Taxable <sup>‡</sup> |  |
| L110                               | • Holding authorised investments in the Trustee's name  | Section 9-5<br>40-5.12 Item 15      | Taxable <sup>‡</sup> |  |



| <i>Line No.</i>                            | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>   |
|--|--|----------------------------------|----------------------|--|
| <b>SECURITISATION<sup>†</sup> (Cont'd)</b> |  |                                  |                      |  |
| L111                                       | <ul style="list-style-type: none"> <li>Maintaining trust<sup>†</sup> ledger accounts in accordance with the Trust Deed<sup>†</sup></li> </ul>  | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> |  |
| L112                                       | <ul style="list-style-type: none"> <li>Safekeeping of physical securities<sup>†</sup> and documents evidencing title to assets and maintenance of electronic records or depository balances</li> </ul> | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> |  |
| L113                                       | <ul style="list-style-type: none"> <li>Settling all funds received from the relevant assets in accordance with the Trust Deed<sup>†</sup></li> </ul>   | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> |  |
| L114                                       | <ul style="list-style-type: none"> <li>Ensuring prompt payment to bondholders, either in certified form on a register or on a nominated depository</li> </ul>  | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> |  |
| L115                                       | <ul style="list-style-type: none"> <li>Appointing auditors</li> </ul>  | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> |  |
| L116                                       | The following services in acting as Security Trustee <sup>†</sup> for mortgage backed and asset backed securitisation <sup>†</sup> programs:   |                                  |                      |  |
| L117                                       | <ul style="list-style-type: none"> <li>Hold charge over assets of special purpose vehicle to secure payment to bondholders</li> </ul>  | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> | The acquisition of the mortgage <sup>†</sup> or charge over the assets of the special purpose vehicle by the security trustee <sup>†</sup> (in their own right) may be a financial supply <sup>†</sup> if the other requirements of 40-5.09 are met. |
| L118                                       | <ul style="list-style-type: none"> <li>Acting as custodian<sup>†</sup> of assets of special purpose vehicle</li> </ul>   | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> |  |
| L119                                       | <ul style="list-style-type: none"> <li>Registrar services and maintenance of securities<sup>†</sup> register</li> </ul>  | Section 9-5<br>40-5.12 Item 15   | Taxable <sup>‡</sup> |  |

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| <i>Line No.</i>                            | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>       | <i>GST Status</i>    | <i>Notes</i>       |
|--|--|--|----------------------|--------------------|
| <b>SECURITISATION<sup>†</sup> (Cont'd)</b> |  |  |                      |                    |
| L120                                       | The following services in acting as Bare Trustee <sup>†</sup> /Mortgage <sup>†</sup> Document Custodian <sup>†</sup> : |  |                      |                    |
| L121                                       | • Holding documentation in safe custody <sup>†</sup>   | Section 9-5<br>40-5.12 Item 15 & 16    | Taxable <sup>‡</sup> |                    |
| L122                                       | • Input documentation on to document tracking system   | Section 9-5<br>40-5.12 Item 15         | Taxable <sup>‡</sup> |                    |
| L123                                       | • Tracking relevant documents  | Section 9-5<br>40-5.12 Item 15         | Taxable <sup>‡</sup> |                    |
| L124                                       | • Reviewing correctness of relevant documents  | Section 9-5<br>40-5.12 Item 15         | Taxable <sup>‡</sup> |                    |
| L125                                       | • Obtaining approval from the beneficiary of the bare trust <sup>†</sup> to execute/release documentation              | Section 9-5<br>40-5.12 Item 15         | Taxable <sup>‡</sup> |                    |
| L126                                       | • Arranging for signatories to execute releases  | Section 9-5<br>40-5.12 Item 15         | Taxable <sup>‡</sup> |                    |
| L127                                       | • Forwarding documentation to the appropriate party  | Section 9-5<br>40-5.12 Item 15         | Taxable <sup>‡</sup> |                    |
| L128                                       | Fees and charges for:  |  |                      |                    |
| L129                                       | • Coordinating the issue of debt securities <sup>†</sup> by the special purpose vehicle                                | Section 9-5<br>40-5.12 Item 12         | Taxable <sup>‡</sup> | See line item D32. |
| L130                                       | • Servicing loan <sup>†</sup> assets including loan management and debt <sup>†</sup> collection services               | Section 9-5<br>40-5.12 Items 12 and 13 | Taxable <sup>‡</sup> |                    |

| <i>Line No.</i>                 | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i> | <i>Notes</i>   |
|---------------------------------|--|----------------------------------|-------------------|--|
| <b>SECURITISATION♦ (Cont'd)</b> |  |                                  |                   |  |
| L131                            | <ul style="list-style-type: none"> <li>The provision of liquidity facilities, swaps♦, letters of credit and other financial accommodation</li> </ul> | 40-5.09(3) Items 2 & 11          | Input Taxed       |  |
| L132                            | <ul style="list-style-type: none"> <li>The issue of debt♦ or equity securities♦ to investors</li> </ul>  | 40-5.09(3) Item 10               | Input Taxed       |  |
| L133                            | Rating services for securitisation♦ vehicles   | Section 9-5<br>40-5.12 Item 3    | Taxable†          |  |
| L134                            | Securitisation♦ arrangement including supply of the following:   |                                  |                   | A securitisation arrangement does not include a contract or agreement that essentially provides for the mere assignment of a right to an income stream. See line item D28.       |
| L135                            | <ul style="list-style-type: none"> <li>Assignment♦ of mortgage♦ or income stream</li> </ul>  | 40-5.09(3) Item 3 & 10           | Input taxed       | The assignment of the income stream will not be input taxed unless it is the provision of an interest in or under an item in the table in regulation 40-5.09. See line item D29. |
| L136                            | <ul style="list-style-type: none"> <li>Issue of bond♦/debenture♦</li> </ul>  | 40-5.09(3) Item 10               | Input taxed       | See line item D30.   |
| L137                            | <ul style="list-style-type: none"> <li>Rating service♦</li> </ul>  | 40-5.09(3) Item 10               | Input taxed       | If the rating service is provided separately and constitutes an aim in itself, the supply will be taxable under item 3, regulation 40-5.12. See line item D31 and L133.          |

**GSTR 2001/D9****M. Summary of fees and services – Funds management**

| <i>Line No.</i>         | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i>    | <i>GST Status</i>    | <i>Notes</i> |
|-------------------------|--|-------------------------------------|----------------------|--------------|
| <b>FUNDS MANAGEMENT</b> |  |                                     |                      |              |
| M1                      | Fees and charges for managing an asset portfolio or funds under management                                     | Section 9-5<br>40-5.12 Item 12      | Taxable <sup>Ⓢ</sup> |              |
| M2                      | Fees and charges for administration of an asset portfolio or funds under management                            | Section 9-5<br>40-5.12 Item 12      | Taxable <sup>Ⓢ</sup> |              |
| M3                      | Acting as the trustee of an entity   | Section 9-5<br>40-5.12 Item 12 & 15 | Taxable <sup>Ⓢ</sup> |              |
| M4                      | The following investment portfolio administration services:  |                                     |                      |              |
| M5                      | <ul style="list-style-type: none"> <li>Maintaining account holder records and associated accounting</li> </ul> | Section 9-5<br>40-5.12 Item 12      | Taxable <sup>Ⓢ</sup> |              |
| M6                      | <ul style="list-style-type: none"> <li>Processing of contributions and returns</li> </ul>                      | Section 9-5<br>40-5.12 Item 12      | Taxable <sup>Ⓢ</sup> |              |
| M7                      | <ul style="list-style-type: none"> <li>Storage and retrieval of archived documents</li> </ul>                  | Section 9-5<br>40-5.12 Item 12      | Taxable <sup>Ⓢ</sup> |              |
| M8                      | <ul style="list-style-type: none"> <li>Statement processing and bulk mailing</li> </ul>                        | Section 9-5<br>40-5.12 Item 12      | Taxable <sup>Ⓢ</sup> |              |
| M9                      | <ul style="list-style-type: none"> <li>Rental of safety deposit<sup>Ⓢ</sup> boxes</li> </ul>                   | Section 9-5<br>40-5.12 Item 16      | Taxable <sup>Ⓢ</sup> |              |
| M10                     | <ul style="list-style-type: none"> <li>Clean payments made on behalf of another entity</li> </ul>              | Section 9-5<br>40-5.12 Item 12      | Taxable <sup>Ⓢ</sup> |              |

| <i>Line No.</i>                  | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|----------------------------------|--|----------------------------------|----------------------|--------------|
| <b>FUNDS MANAGEMENT (Cont'd)</b> |  |                                  |                      |              |
| M11                              | <ul style="list-style-type: none"> <li>Settling and undertaking of securities<sup>†</sup> transactions at the direction of the custodian<sup>†</sup> client</li> </ul> | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |
| M12                              | <ul style="list-style-type: none"> <li>Collecting income and other payments with respect to the securities<sup>†</sup> in the fund</li> </ul>                          | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |
| M13                              | <ul style="list-style-type: none"> <li>Proxy voting<sup>†</sup></li> </ul>   | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |
| M14                              | <ul style="list-style-type: none"> <li>Portfolio reporting – settlement<sup>†</sup> activity, recurrent reporting</li> </ul>   | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |
| M15                              | <ul style="list-style-type: none"> <li>Option<sup>†</sup> trading services performed on behalf of another entity</li> </ul>  | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |
| M16                              | Fees charged by a funds manager for opening and maintaining bank accounts to facilitate settlement <sup>†</sup> of security transactions                               | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |
| M17                              | Safekeeping of physical securities <sup>†</sup> and maintaining electronic records of depository balances  | Section 9-5<br>40-5.12 Item 16   | Taxable <sup>‡</sup> |              |
| M18                              | The following accounting and administrative services for funds under management:   |                                  |                      |              |
| M19                              | <ul style="list-style-type: none"> <li>Maintenance of accounting records</li> </ul>  | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |
| M20                              | <ul style="list-style-type: none"> <li>Pricing of securities<sup>†</sup></li> </ul>  | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>‡</sup> |              |

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| <i>Line No.</i>                  | <i>Supply, Service or Consideration</i>  | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i> |
|----------------------------------|--|----------------------------------|----------------------|--------------|
| <b>FUNDS MANAGEMENT (Cont'd)</b> |  |                                  |                      |              |
| M21                              | • Taxation reporting                     | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>g</sup> |              |
| M22                              | • Mandate <sup>†</sup> monitoring        | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>g</sup> |              |
| M23                              | • Trade execution monitoring             | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>g</sup> |              |
| M24                              | • Portfolio performance analysis         | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>g</sup> |              |
| M25                              | • Risk management <sup>†</sup> reporting | Section 9-5<br>40-5.12 Item 12   | Taxable <sup>g</sup> |              |

## N. Summary of fees and services – Commodities and Collectibles

| <i>Line No.</i>     | <i>Supply, Service or Consideration</i>   | <i>GST Regulation or GST Act</i> | <i>GST Status</i>    | <i>Notes</i>  |
|---------------------|---|----------------------------------|----------------------|---|
| <b>COMMODITIES</b>  |   |                                  |                      |   |
| N1                  | Purchase and sale of commodities  | Section 9-5                      | Taxable <sup>†</sup> |   |
| N2                  | Deliverable wool futures and forward contracts <sup>†</sup>                             | Section 9-5<br>40-5.12 Item 7    | Taxable <sup>†</sup> | Schedule 7, Part 3 item 1.  |
| N3                  | Deliverable wheat futures and forward contracts <sup>†</sup>                            | Section 9-5<br>40-5.12 Item 7    | Taxable <sup>†</sup> | Schedule 7, Part 3 item 2.  |
| N4                  | Options <sup>†</sup> over a deliverable wool future or forward contract <sup>†</sup>    | Section 9-5<br>40-5.12 Item 7    | Taxable <sup>†</sup> | Schedule 7, Part 3 item 3.  |
| N5                  | Options <sup>†</sup> over a deliverable wheat future and forward contracts <sup>†</sup> | Section 9-5<br>40-5.12 Item 7    | Taxable <sup>†</sup> | Schedule 7, Part 3 item 3.  |
| <b>COLLECTIBLES</b> |   |                                  |                      |   |
| N6                  | Collector's piece   | Section 9-5                      | Taxable <sup>†</sup> | Excluded from the definition of <i>money</i> <sup>†</sup> in section 195-1 of the GST Act and not included as a financial supply <sup>†</sup> in any item under regulation. |
| N7                  | Investment article  | Section 9-5                      | Taxable <sup>†</sup> |   |
| N8                  | Item of numismatic <sup>†</sup> interest  | Section 9-5                      | Taxable <sup>†</sup> |   |

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|    |   |                                |                      |  |
|----|---|--------------------------------|----------------------|--|
| N9 | Currency the market value of which exceeds its stated value as legal tender in the country of issue | Section 9-5<br>40-5.12 Item 17 | Taxable <sup>‡</sup> |  |
|----|---|--------------------------------|----------------------|--|

<sup>‡</sup> This term is defined in the Glossary of Terms in Schedule 1.

<sup>‡</sup> The supply is listed under an item in regulation 40-5.12 as something that is not a financial supply. The supply is taxable under the GST Act as specified. However, this assumes that the conditions for a supply of that kind are met. On the particular facts and circumstances of the transaction, another provision of the Act may apply. Each transaction will need to be judged and its GST status determined by having regard to all the facts and circumstances particular to that case.

<sup>‡</sup> This assumes that all of the requirements of section 9-5 are satisfied.