GSTR 2000/D22 - Goods and Services Tax: vouchers

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

Draft Goods and Services Tax Ruling
Goods and Services Tax: vouchers

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Preamble

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

What this Ruling is about

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

2. This ruling outlines what is a voucher, and what is not for the purposes of the definition in section 100-25 of the GST Act.

3. This Ruling provides guidelines on the identification and treatment of vouchers to which section 100-5 of the GST Act applies.

4. This Ruling explains how paragraph 9-15(3)(a) of the GST Act works when a voucher, to which section 100-5 of the GST Act does not apply, is used to acquire goods or services.

5. This ruling does not deal with the application of the GST Act in relation to postage stamps.

6. This ruling does not deal with the application of section 100-20 to vouchers supplied to non-residents and redeemed by others in Australia.

7. Throughout the Ruling, unless stated otherwise, it is assumed that the supply(s) to which the holder of a voucher is entitled is (are) a taxable supply(s).

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

Date of effect

9. This Ruling (when finalised) applies on and from 1 July 2000.

Background

10. Not all articles, which purport to be vouchers, will be vouchers for purposes of the definition in section 100-25. The supply and redemption of these articles are treated under the basic rules in Division 9.

11. Appendix 1 is a flowchart showing the operation of Division 100.

12. Even where an article is a voucher for the purposes of the section 100-25 definition, it need not be a voucher to which section 100-5 applies. In this case the supply and redemption of the voucher will also be subject to the basic rules in Division 9.

13. Voucher is defined in the GST Act in section 100-25 to mean:

> 'any voucher, token, stamp, coupon or similar article the redemption of which in accordance with its terms entitles the holder to receive supplies in accordance with its terms. However, a postage stamp is not a voucher.'

14. A voucher is an element in two supplies. The first is the supply of the voucher itself (either for consideration, or for no consideration); the second is the supply of goods or services in exchange for the voucher. The act of redeeming a voucher is not a supply (section 100-10). But a supply for which a voucher is redeemed is a supply.

15. Vouchers which evidence rights to acquire future supplies fall for consideration under the basic rules in Division 9 and subsection 9-15(3) unless a more specific rule applies.

16. Such a specific rule is provided by subsection 100-5(1) for vouchers where:

> '(a) on redemption of the voucher, the holder of the voucher is entitled to supplies up to a monetary value stated on the voucher; and
>
> (b) the consideration for supply of the voucher does not exceed that monetary value'.

17. Subsection 100-5(2) provides a special rule for vouchers, which have a monetary value, stated on the face but for which the consideration for the supply of the voucher exceeds the value stated on the voucher.

18. Consideration is dealt with in section 9-15. Consideration for the supply of a thing on the exercise of a right or option is dealt with more specifically in subsection 9-15(3), which states:

(a) 'if a right or option to acquire a thing is granted, then:

(i) the consideration for the supply of the thing on the exercise of the right or option is limited to any additional consideration provided either for the supply or in connection with the exercise of the right or option; or

(ii) if there is no such additional consideration - there is no consideration for the supply …'

19. As vouchers to which section 100-5 does not apply are rights for the purposes of section 9-15, the redemption of these vouchers for goods or services will be treated as the exercise of the right under that provision.

Ruling and explanations

What is a voucher as defined in section 100-25?

20. Voucher is a term, which in ordinary language can have a variety of meanings. For the purposes of the GST Act it is defined with a specific meaning in section 100-25.

21. A voucher is defined as any voucher, token, stamp, coupon or similar article the redemption of which in accordance with its terms entitles the holder to receive supplies in accordance with its terms.[1]

22. If an article is not a voucher, token, stamp or coupon, it must be a similar article, or it will not be a voucher.

23. The Act does not define the terms 'voucher', 'token', 'coupon', 'stamp' or 'similar article'. The following paragraphs discuss the meaning of these terms.

Voucher

24. The ordinary meaning of a voucher is a document which may be used as a substitute for cash or which makes an offer of supplies on certain terms.[2]

Token

25. The ordinary meaning of token is a medium of exchange for taxable supplies (e.g., entry to a museum, ferry fare) or substitute for cash (e.g., a gambling chip).[3]

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[1] Section 100-25.

[2] The Macquarie Dictionary.

Stamp

26. The ordinary meaning of a stamp is an official mark indicating genuineness, validity, etc., a peculiar or distinctive impress or mark, or a small adhesive piece of paper printed with a distinctive design. [4]

Coupon

27. The ordinary meaning of 'coupon' is a separable portion of a document, which entitles the holder to something[5] (e.g., a shopper docket offering a discount on the price of petrol).

The characteristics common to all vouchers

28. The characteristics common to a voucher, token, stamp and coupon are:

- they are physical items, being usually paper, metal or plastic;
- their function is to be used as a substitute for cash, or in evidencing a right to a future supply;
- they have little intrinsic utility (merely being an entitlement to value's worth);
- they perform no other function as a voucher once redeemed; and
- they are an integral part of the transaction for the future supply.

A similar article

29. A similar article should be like, or resemble a voucher, token, stamp, or coupon and should perform the same function. In determining whether an article is similar to a voucher, token, stamp or coupon its nature, characteristics, function and purpose should be taken into consideration.

30. Where an article has a dual or composite function or provides an additional facility to its holder, it will not be a voucher or a similar article to a voucher, token, stamp or coupon. Examples of these articles are:

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[3] Ibid.
[4] Ibid.
[5] Ibid.

- a card which enables the connection of a mobile phone to a telephone network as well as entitling the holder to phone calls, for example certain SIM cards have this facility;
- a computer disc which contains software and entitles the holder to Internet time;
- a 'smart card' or 'stored value card' which allows the holder, or another entity to recharge the card with value; and
- labels, barcodes, lids, packets, carry bags etc.

31. Where an article is not integral to the redemption of the obligation it evidences, the article will not be a voucher or a similar article to a voucher. If, at the time the transaction involving the supply to which the recipient is entitled is made, holding or presenting the article is not necessary, the article is not a voucher as defined.

32. This may be the case where the article is exchanged for something, which entitles the person who purchased the article to supplies, rather than the article itself being redeemed for those supplies. In this case, the article is not a necessary part of the transaction under which the supplies are made.

Example: article not integral to supply

33. *A card on which is printed a number which can be used to activate an 'account' with a telecommunications supplier, and which then may be discarded, is not integral to the supply of telephonic services and is not a voucher. The card is also not integral to any supply which may be made in activating the account, as it is the number, (which may be copied onto another document and quoted from that source) which is necessary to the transaction not the card itself.*

34. Although an electronic document may perform the same function as a voucher, it will not be a similar article as it is not an 'article'. An electronic document which when printed has the characteristics of a voucher, will be capable of being a similar article when in that form.

The redemption of the voucher in accordance with its terms entitles the holder to receive supplies in accordance with its terms

35. It is not sufficient that the article in question is a voucher, coupon, token, stamp or similar article. The article, to be a voucher for the purposes of the definition in section 100-25, must also entitle

the holder upon redemption, to receive supplies in accordance with its terms.

Redemption

36. The article must be capable of being redeemed.

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

Example: voucher not capable of redemption

38. *A library network, consisting of a number of educational institutions which perform similar services for others in the network, use articles which they describe as 'vouchers' as a medium of payment for these services. The vouchers are not redeemed for the services but retain their value and may be reused any number of times as they circulate in the library network. These articles are not vouchers within the meaning of section 100-25 as they are not redeemed for the supplies, but are merely a way of recording and offsetting reciprocal services. The entity, which performs a service, has no obligation, which is evidenced by the article, nor does the possession of the article confer an entitlement upon the holder.*

39. 'Redemption' of a voucher is the provision of the supply in exchange for the voucher by the entity, which has the obligation to make the supply.

40. The meaning of 'redeem' includes 'to buy back'; 'to recover (something pledged or mortgaged) by payment or other satisfaction'; 'to discharge or fulfil (a pledge, promise, etc.)'.[6]

41. 'Redeem' is a word, which naturally refers to the act of the person who owes the liability, which is to be recovered. That is, the making of the supplies to which the holder is entitled.

42. The entity may make the supply at one time and fully redeem the obligation evidenced by the voucher, or may redeem the voucher gradually over a period of time.

43. A voucher of a kind, which may be redeemed over a period of time, will not be taken to have been redeemed until it has been fully redeemed. Each time the voucher is used to acquire supplies, it will be 'partly redeemed' and the consideration (if any) for the supply made will be the portion of the total value which has been redeemed.

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[6] Ibid.

44. When the holder of a voucher presents the voucher in exchange for supplies, this may be viewed as a supply of the voucher, the consideration for which is the goods or services. Section 100-10 provides that the act of redeeming a voucher is not a supply.

45. Section 100-10 applies to all vouchers, which fall within the definition of voucher in section 100-25, and is not restricted to vouchers, which satisfy the additional requirements under section 100-5.

46. Taxable supplies for which vouchers are redeemed will be at their GST inclusive price. This means that where a gift voucher is for $100 worth of books, that will be $100 GST inclusive. Where a voucher offers a 30% discount, it is offering 30% reduction of the supply's GST inclusive price.[7]

The holder of the voucher

47. The holder of a voucher at a particular time is the person who has either ownership, power of disposal, use or possession of the voucher.

48. Vouchers are usually issued without stipulating any particular person who may redeem the voucher for the supplies to which the voucher entitles them. Some vouchers may be issued to a specific entity, which alone may redeem the voucher. Some vouchers may state that they are 'not transferable'. Most vouchers are freely transferable and anonymous.

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

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

In what circumstances is the holder of the 'voucher' entitled to receive the supplies?

51. The 'voucher' must give the holder a right, title or claim to the supply. The section 100-25 definition indicates that there must be in

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[7] The Explanatory Memorandum, at paragraph 3.15, states that the price is the amount of money paid for the supply. If the consideration for the supply is not in money, or not only in money, the price is the sum of the amount of money, if any, and the GST inclusive market value of the non-money part of the consideration – *section 9-75*. The GST inclusive market value is defined in the *Dictionary* [section 195-1] to include the amount of GST payable on the supply.

existence a right to the supplies promised by the 'voucher', and there should be a corresponding duty or obligation on the entity, which is to make the supply.

52. Those 'vouchers', which are purchased, clearly give the purchaser contractual rights (as well as any relevant statutory rights) to enforce their claims to the supplies promised by the 'voucher'.

53. 'Vouchers', which are not purchased but are given away either by the business, which is to provide the supplies, or by another entity on behalf of that business include at least two types. The 'voucher' may be provided to a particular entity for a reason such as a reward for spending a certain amount, or an incentive to return to the business in question. The 'voucher' may also be distributed widely and to no particular entity in an attempt to bring in greater numbers of customers[8].

54. Although the offer made on vouchers, which are not purchased but are given away may not be legally binding on the entity which is to make the supplies, the offer confers commercial entitlement on the holder. Market pressure is such that an entity will usually comply with the terms of an offer even if it is not legally enforceable in order to avoid adverse publicity or loss of goodwill. Similarly where a purchased voucher has been gifted by the purchaser to a third party, that party may not be able to enforce the contractual obligation but the issuer of the voucher will still honour it.

55. The holder of a voucher in all these cases will be entitled to supplies in accordance with the terms on the voucher and thus satisfy the section 100-25 definition. This will be the case whether the voucher is purchased, given specifically to the holder, or distributed to no person in particular.

56. The terms of the voucher do not have to be stated on the voucher for it to satisfy the section 100-25 definition. Frequently though in practice the terms will be stated on the voucher.

When does an article become a voucher?

57. An article becomes a voucher for the purposes of the GST Act when the entity, which has commissioned its production, has issued it.

Example: voucher first issued

58. ABC Enterprise places an order with a printing company for the production of 1,000 vouchers. The printing company delivers the order to ABC's premises. Although this is a supply of goods and services, it is not a supply of vouchers under section 100-25. When

[8] This is also known as a unilateral offer.

ABC Enterprise *supplies* the voucher to a retail store it is treated as a supply of a voucher for the purposes of section 100-25.

59. An article which meets the definition of a voucher in section 100-25 will be a voucher in each stage of its supply until it is fully redeemed, and will be subject to the same treatment for GST purposes at each stage.

60. A voucher retains its character in the hands of each holder until it is redeemed.

61. The term 'holder' is wide enough to include the entity, which commissioned its production, and any other entity, which may have possession of a voucher prior to its redemption. Each successive supply of the voucher prior to its being redeemed for supplies will be treated consistently with each other supply.

62. The supply of services by an entity, which manufactures vouchers for another entity, will not be the supply of vouchers to that other entity.

Example: vouchers issued by third parties

63. *A third party issues vouchers which it sells to various retail outlets. The vouchers entitle the holder to goods up to the monetary value stated on the voucher. The retail outlets on-sell the vouchers at face value to their customers. The customers do not have to redeem the voucher in the store from which they purchased it. The supply of the voucher in each of these transactions will not be a taxable supply as a result of section 100-5.*

When does a voucher cease to be a voucher?

64. A voucher ceases to be a voucher for the purposes of the GST Act when it has been fully redeemed for supplies in accordance with its terms.

65. A voucher also ceases to be a voucher if it expires unredeemed.

66. A voucher for the purposes of the definition in section 100-25 must entitle the holder to supplies in accordance with its terms. Once a voucher has been fully redeemed it no longer entitles the holder to such supplies. Thus it ceases to be a voucher as defined. Similarly if a voucher expires unredeemed there ceases to be an entitlement to supplies in accordance with the terms of the voucher; and it ceases to be a voucher as defined.

67. If the holder of an expired voucher presents the voucher for redemption, and the supplier chooses to honour the expired voucher the holder will be entitled to the supplies at that time for the purposes

of section 100-25; that is, the holder has a commercial entitlement to the supply even though legal rights may have expired. The effect is that the expired voucher will be treated as a voucher for the purposes of the GST Act.

Third party reimbursement

68. If, after a voucher has been redeemed, the entity, which supplies the goods or services, is entitled to reimbursement from a third party, this is not an entitlement in accordance with the terms of a voucher. The reimbursement is consideration for a separate taxable supply. The taxable supply is the release from the obligation to make the reimbursement,[9] and the supplier will be liable for GST.

69. The reimbursement will not be a financial supply within the terms of Item 2 of Subregulation 40-5.09(3) of the A New Tax System (Goods and Services Tax) Regulations 1999 as it is merely the release from a contractual obligation and does not have the character of a debt.

70. The reimbursement may be for the full value, or may be only a percentage of the full value of the supply. If the latter is the case, then the agreement needs to be examined to determine whether the amount reimbursed is net of a commission paid for the supply of services by the third party who makes the reimbursement. If this is the case, there are two taxable supplies and both the third party and the supplier will be liable for GST.

Example: reimbursement by third party

71. *A retailer redeems a voucher, prepares an invoice and attaches the spent voucher. This is sent to a third party for reimbursement. The third party reimburses 100% of the value stated on the voucher, and retains 5% as commission. As a result the amount actually received by the retailer is 95% of the face value of the voucher. The voucher ceased to be a voucher upon redemption. The reimbursement is consideration for release from an obligation. The commission is consideration for a supply of services.*

When will section 100-5 apply to a voucher?

72. Subsection 100-5(1) applies to a voucher, which when redeemed, entitles the holder of the voucher to supplies up to a monetary value stated on the voucher provided the consideration for supply of the voucher does not exceed that monetary value.

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[9] Paragraph 9-10(2)(g).

73. Subsection 100-5(2) applies where subsection 100-5(1) does not apply because the consideration for supply of the voucher exceeds the monetary value stated on the voucher.

74. An article must be a voucher for the purposes of the definition in section 100-25 before section 100-5 can apply to it.

Is the holder of the voucher entitled to supplies up to a monetary value on redemption of the voucher

75. In order to be a section 100-5 voucher, the voucher must entitle the holder to supplies on redemption of the voucher up to the monetary value stated on the voucher.

76. The Explanatory Memorandum relating to the A New Tax System (Indirect Tax and Consequential Amendments) Bill (No. 2) 1999 in relation to the application of Division 100 states:

> 'Only vouchers that entitle the holder to supplies up to the monetary value stated on the voucher fall within Division 100 (such as a gift voucher or a phone card)… [In contrast,] Division 100 will not cover things which are for a specified good or service but which may also state a price or value of the good or service, eg a bus ticket, movie ticket or an airline ticket. These types of supplies entitle the holder to a specified service such as a set number of trips on a bus, or travel on a particular date or over a particular time (e.g., a monthly travel pass).'

77. When the Explanatory Memorandum refers to 'phone cards' it is referring to 'traditional' type phone cards for use in the fixed pay phone system. These 'traditional' phone cards entitle the holder to supplies of telephone calls up to the value stated on them, but not to a particular number of calls. When fully redeemed they have no further utility as a voucher.

78. Other phone cards that provide additional utility (e.g., a reload facility) do not come within the meaning of voucher.[10]

Supplies up to a monetary value

79. The supplies to which the holder is to be entitled are supplies *up to* a monetary value, not supplies *of* a monetary value. The distinction is drawn between the acquisition of a specific supply of a stated value and the acquisition of a right to supplies up to a specific monetary value. There must be the element of choice and flexibility in how the voucher is redeemed.

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[10] Section 100-25. See also paragraph 30 ff.

80. The Explanatory Memorandum gives examples of the type of voucher which may be considered to entitle the holder to supplies up to the monetary value stated on the voucher. These include gift vouchers, and 'traditional' type phone cards.

81. The Explanatory Memorandum explains that section 100-5 does not include vouchers, which are for specific goods or services. The difference between these and the vouchers to which section 100-5 applies is that the latter allow flexibility in relation to the supplies for which they are redeemed.

82. A voucher may be for a particular type of supply such as 'dog grooming services' and state a monetary value. However, to come within section 100-5 the voucher may not stipulate the specific supply e.g., a deluxe dog wash and clip valued at twenty dollars.

Example: voucher for supplies up to a monetary value

83. *Hans is given a gift voucher from his local service station which states that he is entitled to car wash services to the value of $50, the amount being clearly indicated on the voucher. The car wash offers a range of wash products (e.g., Prime, Premium and Superlative) which are of different values, as well as vacuuming, window cleaning and perfuming. Hans may use the voucher to purchase any of the services or any combination of them up to the monetary value of his voucher. This is a voucher to which section 100-5 applies.*

Example: voucher for supplies of a monetary value

84. *Karl is given a voucher from the same local service station which states that he is entitled to one Superlative car wash valued at $30. The $30 is stated prominently on the voucher. This voucher is not one to which section 100-5 applies as it entitles Karl to an identified supply of a stated monetary value.*

85. Although the holder must be entitled to supplies up to a specific monetary amount, there is no requirement that the value of the supplies actually equal that amount. The holder can choose to take goods or services of a value less than the monetary value stated on the voucher.

Example: value of supplies less than monetary value stated on voucher

86. *A $50 book voucher is redeemed, and the holder chooses books priced at $45. Alternatively, the holder may choose to add a diary priced at $4.99 to make the total up to $50.*

87. The wording in section 100-5 suggests that where supplies valued at greater than the monetary value of the voucher are acquired with the voucher, additional consideration will be provided. Where the monetary value of the voucher may be exceeded without further payment being required, the entitlement is not to supplies 'up to' a stated monetary value.

Example: day rover ticket

88. *A 'day rover' ticket has a $10 value on its face and entitles the holder to unlimited travel by train, bus or ferry for a period of 12 hours. The holder of the ticket/voucher may actually undertake travel valued at $20 but is not required to make any further payment. The holder will not be entitled to supplies 'up to' the monetary value stated on the face of the voucher as they have purchased a specific service, with a value that varies below or above the face value of the ticket depending on the travel undertaken. This is not a voucher to which section 100-5 applies.*

Example: travel around ticket

89. *A 'travel-around' ticket costs $20. This amount is shown on the ticket. It entitles the holder to any number of trips to any destination within the city on trains, trams or buses up to that value. Each time the ticket is used a portion is punched out for the value of that trip, and the ticket becomes useless once its value has been fully redeemed. The ticket is a voucher to which section 100-5 applies, as it entitles the holder to supplies up to its value.*

Example: 'weekly saver' ticket

90. *A 'weekly saver' ticket entitles the holder to ten trips and costs $20, which is stated on the ticket. As the voucher is used for each trip, a hole is punched in the ticket. After ten holes have been punched the ticket becomes worthless and cannot be used again. The ticket is not a voucher to which section 100-5 applies as the holder purchased a specific service being ten trips valued at $20.*

Example: monthly rail pass

91. *A monthly rail pass costs $60 and this amount is shown on the pass. The month to which the pass applies is also shown on the pass. The holder of the pass is entitled to as many trips as they choose to make in one month between the designated stations. At the end of the month the pass is useless. The pass is not a voucher to which section 100-5 applies as the holder will not be entitled to supplies 'up to' the*

value stated on the face of the voucher. The holder purchased a specific supply, being one month's rail travel at a value of $60.

Stated on the voucher

92. The requirement that the monetary value must be 'stated on the voucher' simply means that the amount must be explicitly set forth on the voucher. It does not contemplate the amount being stated anywhere else but on the voucher.

Example: monetary value not stated on the voucher

93. *Rick purchases a voucher in an envelope. The monetary value of the enclosed voucher is stated on the envelope. The monetary value is not stated on the voucher. This voucher does not meet the requirements of section 100-5.*

How does Division 100 apply to vouchers, which meet the conditions for section 100-5?

Supply of the voucher

94. If subsection 100-5(1) applies to the voucher, the supply of the voucher is not a taxable supply whether it is supplied for full consideration, reduced consideration, or no consideration.

Example: supply of gift voucher for no consideration

95. *As part of its promotion, with each sale of one of the promotional items in a new line of whitegoods, a large retailer gives away $50 gift vouchers which may be redeemed in that store for any goods. The value is shown on the voucher. Section 100-5 will apply to the voucher, and the supply of goods on redemption of the voucher will be a taxable supply.*

96. *However, if the voucher the retailer gives away with each sale of selected whitegoods is for a specific small appliance which normally retails for $50, this is not a voucher to which section 100-5 applies. Unless the customer provides additional consideration when they redeem the voucher for the small appliance there will be no taxable supply at that time (section 9-15(3)).*

97. If consideration is in excess of the monetary value stated on the voucher, subsection 100-5(2) applies to treat the consideration for the voucher as if it were reduced by that monetary value. The supply of the voucher is subject to GST to the extent of the consideration in excess of the amount stated on the voucher.

98. Commemorative vouchers (i.e., vouchers issued to recognise or celebrate an historic moment or event) are the most common examples of circumstances in which the consideration may exceed the stated monetary value of a voucher.

Example: consideration exceeding stated monetary value of the voucher

99. *Owen pays $61 for a limited edition Olympic Moments 'traditional' phone card with a face value of $50. The additional consideration for that phone card will be $61 less $50, which is $11, and GST of $1 is payable at the time of purchase. On redemption of the voucher the consideration is the face value of $50.*

Supplies on redemption of the voucher

100. Section 100-10 states that the act of redeeming a voucher is not a supply, however a supply for which the voucher is redeemed is still a supply.

101. When a voucher to which subsections 100-5(1) or (2) apply is redeemed, subsection 100-10(3) provides that paragraph 9-15(3)(a) does not apply. This means that the consideration for the supply on redemption of the voucher will be equal to the price of the supplies; i.e. , the face value of the voucher plus any additional consideration provided by the holder of the voucher.[11]

102. The supplies of goods and services made on redemption of the voucher will be taxable, input taxed or GST-free according to the supply made.

103. The GST liability of the supplier in relation to a taxable supply will be in accordance with section 9-75. The consideration for a supply on redemption of the voucher will be the face value of the voucher. Under paragraph 9-75(1)(a) the price is the monetary amount stated on the voucher as this is consideration expressed as an amount of money in the terms of that provision (assuming that no consideration is provided other than the voucher).

104. The consideration for a supply with a value less than the monetary value of the voucher will be the monetary value of the voucher if no cash is refunded because of section 9-75. If the voucher is only partially redeemed, the consideration will be the amount by which the voucher is redeemed.

[11] Section 9-75.

Example: voucher fully redeemed - no change given

105. *Regina fully redeems a $20 gift voucher to purchase goods with a value of $15. The retailer gives no change. The consideration for the supply of goods to Regina is the face value of the voucher, $20.*

106. If the voucher had provision for recording by the supplier of the remaining value, the voucher would be partially redeemed in the transaction but would still be a voucher to which section 100-5 applied on its issue. This is the case with 'traditional' phone cards.

107. If a voucher is redeemed for goods and services of a lesser value and cash is refunded, the consideration for the supply will be the monetary value stated on the voucher less the amount refunded. This case is like tendering notes for a purchase and receiving change.

Example: voucher fully redeemed - change given

108. *Nancy fully redeems a $20 gift voucher to purchase goods with a value of $17. The retailer gives Nancy $3 change. The consideration for the supply of goods to Nancy is the face value of the voucher less the change given, $17.*

Example: voucher fully redeemed for supplies plus voucher

109. *Edmond fully redeems a $100 gift voucher for video games valued at $80. The retailer gives Edmond another gift voucher with a face value of $20. The value of the consideration for the supply of the video games and the ($20) gift voucher is $100, which is the face value of the original voucher. The supply of the $20 gift voucher is not subject to GST as the voucher satisf*ies the requirements of section *100-5. The retailer is obliged to remit GST on $80.*

110. The consideration for a supply with a value greater than the monetary value of the voucher will be the face value of the voucher plus any additional consideration. If the additional consideration is expressed as money, paragraph 9-75(1)(a) will apply to both amounts (the voucher and the additional consideration). If the additional consideration is a payment in kind, paragraph 9-75(1)(a) will apply to the voucher and paragraph 9-75(1)(b) will apply to the additional amount.

111. The entity, which supplies the goods or services, is liable for GST calculated on the full consideration based on the monetary value stated on the voucher even if the voucher was supplied at a discount.

Example: voucher purchased at a discount, no change given when redeemed

112. *Kate, is offered a 10% discount on the purchase of gift vouchers by a local retailer. She pays $18 for a $20 gift voucher. Kate uses the voucher to purchase goods with a value of $19. The consideration for the supply of goods to Kate is the face value of the voucher ($20).*

Increasing adjustments for unredeemed vouchers

113. Under section 100-15, if the article which was supplied as a voucher has not been redeemed, an increasing adjustment arises when the supplier of the voucher writes back to current income any reserves for the redemption of the voucher.

114. This section applies to vouchers to which subsections 100-5(1) and (2) apply (see paragraph 16), and where all the conditions in subsection 100-15(1)[12] are met.

115. A voucher which is redeemed in part (for example a 'traditional' phone card) will not be 'redeemed' for the purposes of section 100-15 until it has been fully redeemed.

Example: voucher redeemed in part

116. *Phone Co. sells a $100 'traditional' phone card to Adam in March. Adam first uses the card to make a call costing $7.70 in July. Adam does not redeem all the value on the card until September. Phone Co. cannot treat the card as being 'redeemed' for the purposes of section 100-15 until September, although it was partially redeemed in July.*

117. Where a voucher has a stated expiry date, it is expected that the expiry of the voucher will trigger the write back. Where there is no stated expiry date for the voucher, the write back will occur in line with sound commercial judgement and within a reasonable period of time after a voucher becomes 'stale'. This time may vary from industry to industry.

118. Where a supplier elects to honour a voucher after the expiry date it is considered that the holder of the voucher is still 'entitled' (by virtue of the supplier's actions to honour the voucher) to acquire

[12] Subsection 100-15(1) states that you have an *increasing adjustment* if:
(a) you supplied a *voucher for *consideration; and
(b) on redemption of the voucher, the holder of the voucher was entitled to supplies up to a monetary value stated on the voucher; and
(c) the voucher has not been redeemed; and
(d) you have, for accounting purposes, written back to current income any reserves for the redemption of the voucher.

goods and services, or supplies up to the stated monetary value. (See discussion at paragraph 67.)

119. The increasing adjustment provision, is premised upon the entity which has the increasing adjustment being the supplier of a voucher to which section 100-5 applies. We consider that for such a voucher section 100-5 applies at each point of supply until the voucher is redeemed. (See discussion at paragraph 59.)

Vouchers to which section 100-5 does not apply

120. Not all vouchers for the purposes of section 100-25 will be vouchers to which section 100-5 applies. If the voucher in question does not have a monetary value stated on it, or does not entitle the holder to supplies up to that stated monetary value, section 100-5 will not apply and the voucher will be dealt with under the basic rules set out in Division 9.

121. Vouchers to which section 100-5 does not apply may be vouchers, which entitle the holder to an identified supply of a stated value. This type of voucher includes all kinds of tickets for specific supplies of a stated value.

Example: ticket for specified services

122. *Norman purchases a ticket to the basketball grand final. It has $45 and 'Admit One' printed on it. This is not a voucher to which section 100-5 applies as it entitles the holder to a specific supply of a given value.*

123. Another type of voucher which may appear to be a voucher to which section 100-5 applies, but to which it does not, is a voucher which is in substance a discount voucher. These vouchers may show a dollar amount and may even state that the holder is entitled to supplies chosen from a range of items, but all that the holder is in reality entitled to is a discount[13].

Example: discount voucher

124. *Cheryl finds a voucher on the reverse side of her grocery shopping docket which states that she is entitled to a free meal at 'Beef's Tavern' up to a value of $30 when she buys a meal of an equal or greater value. This is not a voucher to which section 100-5 applies*

[13] *Commissioners of Customs and Excise Ex Parte F & I Services Ltd and F & I Services Limited v. Commissioners of Customs and Excise* 2000 WL 389506 (QBD), [2000] B.T.C. 5137. See also, *Boots Co plc v. Customs & Excise Commissioners* (Case 126/88) (1990) 5 BVC 21.

as it requires the purchase of a meal, and in reality is only an entitlement to a discount on the price of the two meals.

Supply of vouchers to which section 100-5 does not apply

125. If section 100-5 does not apply to a voucher, the consideration for supply of the voucher is consideration for a taxable supply, to the extent that the voucher entitles the holder to taxable supplies. If the voucher entitles the holder to input taxed supplies under Division 40 or GST-free supplies under Division 38 then the supply of the voucher, as a supply of a right to input taxed or GST-free supplies is also input taxed or GST-free. This result flows from the application of paragraphs 9-30(1)(b) or 9-30(2)(b) as appropriate.

Example: purchase of discount voucher – taxable supplies

126. *Mary buys a promotional voucher, which entitles her to a percentage discount on the purchase of pizza from a chain of take away outlets. She pays $40 for the voucher. The supply of the voucher to Mary is a taxable supply as it does not meet the requirements of section 100-5 and it is the supply of a right to taxable supplies.*

Example: purchase of discount voucher – GST-free supplies

127. Marika purchases a voucher from her local green grocer, which entitles her to a case of new season's apples free. She pays $10 for the voucher. The green grocer has no GST liability in respect of the supply of the voucher as it is the supply of a right to a GST-free supply.

128. Where a voucher to which section 100-5 does not apply is supplied for no consideration it will not be a taxable supply. Where there is no additional consideration in respect of the supply of the goods or services on redemption of the voucher, this will also not be a taxable supply. Paragraph 9-15(3)(a) requires that only the additional consideration be taken into account for this supply.

Example: voucher acquired for no consideration, no additional consideration when redeemed

129. *Jana receives a voucher in the mail, which entitles her to a free manicure on presentation of the voucher at her local beauty salon. As she has given no consideration in respect of her acquisition of the voucher, no GST is payable on the supply of the voucher. The voucher is not one to which section 100-5 applies and Jana gives no further consideration on redemption of the voucher. There is no*

consideration for the supply of the manicure. Consequently, it is also not a taxable supply.

130. Where a payment is made for the supply of the voucher (whether or not this is for full value for the supply on redemption of the voucher), this payment is consideration for the supply. The supply of the voucher will be a taxable supply to the extent that it entitles the holder to taxable supplies.

Example: purchase of voucher for less than the value of the supplies on redemption

131. *Wendi pays $20 for a voucher, which entitles her to a bottle of perfume, valued at $30. The consideration for the voucher is $20. The supply of the voucher is a taxable supply for which the consideration is $20.*

Supplies on redemption of vouchers to which section 100-5 does not apply

132. The supply for which the voucher is redeemed is made for no consideration unless additional consideration is provided. If additional consideration is provided in respect of the supply, then under paragraph 9-15(3)(a), consideration for the supply is limited to that additional consideration.

133. Where the holder of a voucher is entitled to a supply which upon redemption is totally without consideration (e.g., the first 10 people to present the voucher in person receive a free calculator), then the supplier will not be liable for GST on the supply.

134. Where the holder of such a voucher is entitled to a supply, which upon redemption requires additional consideration, the consideration for the supply will be the amount of additional consideration provided.

135. Where paragraph 9-15(3)(a) applies in relation to supplies in respect of which a voucher is redeemed, the consideration is limited to any additional consideration provided either for the supply or in connection with the exercise of the right or option.

Example: redemption of a discount voucher

136. *Virginia holds a discount voucher, which entitles her to a free meal up to the value of $20 when she buys another meal of at least equal value. Virginia and her husband dine at the restaurant purchasing two $15 main meals and Virginia presents the voucher*

and pays $15. The $15 paid represents additional consideration[14] *The consideration for the supply of the meals is limited to the additional consideration provided by Virginia (i.e., $15).*

Example: purchase of a book of discount vouchers

137. *Martin purchases a book of discount vouchers for $40. This is a taxable supply, as discount vouchers are not within section 100-5. Martin uses a discount voucher from the book to purchase a meal at the restaurant nominated on the voucher. The voucher entitles him to '50% off the total cost of the meal'. When he pays for the meal he presents the voucher and only pays half the total bill. This payment is additional consideration, and the consideration for the supply of the meal is limited to this amount.*

Application of section 9-80 to vouchers included in a GST-free or input taxed supply

138. In commercial practice, vouchers are often provided as part of a supply of goods or services. Where a supply consists of a voucher, that is taxable in accordance with section 9-5, with a supply of GST-free or input taxed goods or services, there is the potential application of section 9-80.

139. Section 9-80 provides a statutory basis for the apportionment of a supply, which is partly a taxable supply and partly a GST-free or input taxed supply.

140. A voucher to which section 100-5 applies is not a taxable supply. Section 9-80 will not apply to a supply, which consists of a voucher to which section 100-5 applies, and a supply of GST-free or input taxed goods or services unless the supply also includes a taxable part. Similarly, section 9-80 will not apply to a supply which consists of a voucher to which section 100-5 applies and a taxable supply of goods or services unless the supply also includes a GST-free or input taxed part.

141. Where a voucher to which section 100-5 does not apply is included in a GST-free or input taxed supply, section 9-80 is potentially applicable as the supply of the voucher may be a taxable part of the supply. This will depend on the relative value of the voucher.

142. An instance where such a voucher will not be subject to GST because section 9-80 has no application is where the conditions or requirements governing the entitlement to receive supplies on redemption of the voucher mean that the supplies are not readily

[14] Paragraph 9-15(3)(a)

accessible, and/or are of relatively little value . Usually such a voucher only entitles the holder to supplies once they have completed certain conditions or requirements in accordance with the terms of the voucher. At the time of the supply of the goods containing the voucher – most vouchers of this type have little or no value.

Example: supply of a voucher as part of a GST-free supply

143. *George buys a box of breakfast cereal. Inside the box he finds a coupon which says 'Send three of these coupons to us by 30 September 2001 and receive ten free 'Cooking with Breakfast Cereal' recipe cards'. George collects three coupons before 30 September 2001, mails them to the supplier, and receives the cards by return post. Section 9-80 will not apply because the voucher has no value.*

Case Study: the application of Division 100 to a voucher

144. Krisno Kookware is a large cookware manufacturer. Krisno contracts with Hannibal Printers for the supply of 50,000 Krisno Kookware gift vouchers. The vouchers are to be in $20, $50 and $100 denominations, and this is to be printed *on* the voucher together with the Krisno logo. The vouchers entitle their holder to supplies of Krisno Kookware goods up to the value printed on the voucher.

145. Krisno sells some of the vouchers at a 10% discount to a franchise group, Kosy Kitchens which sells a variety of cookware and decorator items through its franchise outlets.

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

147. Kerrin purchases a $100 voucher from her local Kosy Kitchens outlet, and gives it to Tracey as a wedding present. Tracey takes the voucher to her local Kosy Kitchens outlet and uses it to purchase a set of Krisno Kookware ovenware priced at $97. Tracey receives no change from the transaction. Her local outlet is not the one where Kerrin purchased the voucher.

148. The outlet, which redeemed the voucher, attaches the spent voucher to an invoice, which it sends to Krisno Kookware. Under an agreement with the Kosy Kitchen franchise group, Krisno Kitchens reimburses the redeeming outlet for the full monetary value of the voucher, but withholds 5% of the value as administrative fees.

149. The GST legislation applies to the supply and redemption of, and reimbursement for the $100 voucher as follows:

(a) The voucher meets the definition of voucher in section 100-25. It is also a voucher to which section 100-5 applies, as it entitles the holder to supplies up to a monetary value stated on the voucher. The supplies are not specific supplies and there is an element of choice and flexibility in the supplies for which the voucher may be redeemed.

(b) The supply from Hannibal Printers to Krisno Kookware is a taxable supply of goods and services. Krisno Kookware is entitled to an input tax credit for the GST included in the price of the printing.

(c) The supply of the $100 voucher from Krisno Kookware to the Kosy Kitchen franchise group at $90 is not a taxable supply. Kosy Kitchens franchise group is not entitled to an input tax credit.

(d) The supply of the $100 voucher to the franchise outlet for $95 by Kosy Kitchens franchise group is not a taxable supply. The franchise outlet is not entitled to an input tax credit.

(e) The supply of the $100 voucher by the Kosy Kitchens outlet to Kerrin is not a taxable supply.

(f) The gift by Kerrin to Tracey is not a taxable supply.

(g) The supply of the ovenware on redemption of the voucher by the second Kosy Kitchens outlet is a taxable supply, the consideration for which is $100. This is the consideration on which GST will be calculated even though the marked price of the supplies was only $97. The supplier will already have claimed an input tax credit for the ovenware it supplied.

(h) The redeemed voucher is no longer a voucher for the purposes of section 100-5, or a voucher under the definition in section 100-25.

(i) The reimbursement received by the outlet is in dollar terms $95, as this is the net amount resulting from Krisno Kitchens reimbursing $100 and offsetting a fee of $5.

(j) The reimbursement of $100 is consideration for a taxable supply by the outlet. This supply is the release of Krisno Kookware from its obligation to pay under the agreement in relation to this transaction. The outlet is liable for GST on $100 and Krisno Kookware is entitled to an input tax credit.

(k) Krisno Kookware has made a taxable supply of services to the outlet, the consideration for which is $5. Krisno is liable for GST on $5 and the outlet is entitled to an input tax credit.

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Your comments

151. If you wish to comment on this Draft Ruling, please send your comments promptly by **31 January 2001** to:

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- ANTS(GST)A 99 9-10(2)(g)
- ANTS(GST)A 99 9-15
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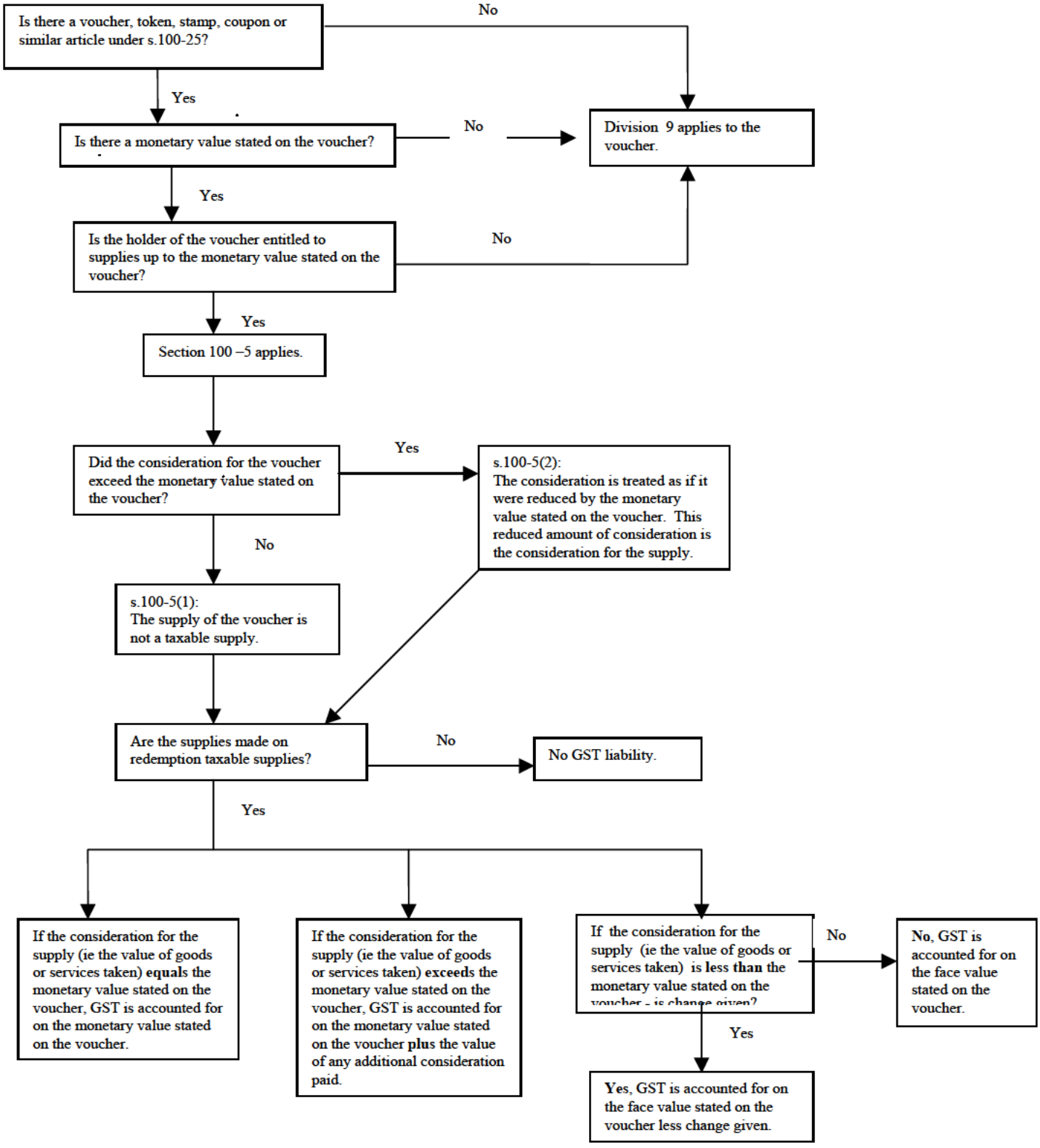
Appendix 1: Operation of Division 100