

***WTI 2008/2 - Explanatory statement -***



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## Goods and Services Tax: Waiver of Tax Invoice Requirement (Visa Purchasing Card) Legislative Instrument (No.2) 2008

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# Explanatory Statement

### General Outline of Instrument

1. This determination is made under subsection 29-10(3) of the *A New Tax System (Goods and Services Tax) Act 1999*.
2. This determination allows Visa Purchasing Card cardholders to claim input tax credits without holding a tax invoice in certain circumstances.
3. The instrument F2005B01867 - *A New Tax System (Goods and Services Tax) Waiver of Tax Invoice Requirement Determination (No. 10) 2004 - Visa International Purchasing Card* is revoked on the commencement of this instrument.
4. This determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

### Date of effect

5. This instrument commences on 1 October 2008 and applies to tax periods commencing on or after that date. This instrument will not apply retrospectively.

### What this instrument is about

6. This instrument:
  - revokes and replaces the instrument referred to in paragraph 3 (the 'revoked instrument');
  - provides greater flexibility to card providers by allowing specified entities other than Visa International (Visa) to collate the required GST information that is included in the electronic data files; and
  - makes minor technical changes to ensure the instrument operates as intended, and is consistent with the GST requirements for tax invoices.

### What are the effects of this instrument

7. The revoked instruments do not apply to tax periods commencing on or after 1 October 2008.
8. For tax periods commencing on or after 1 October 2008:

- the GST tax invoice record keeping concessions contained in the revoked instruments continue to operate in a similar way; however
  - there will be greater flexibility by allowing entities other than Visa to match the data that is necessary to produce electronic data files (called matched data files).
9. Compliance cost impact: Low. The instrument will affect only a small proportion of businesses and confirms existing practice. There is no ongoing compliance cost impact and a low implementation impact, reflecting the need for some taxpayers to be aware of the change and make some minor adjustments to their processes.

## **Background**

10. The *Goods and Services Tax: Waiver of Tax Invoice Requirement (Visa Purchasing Card) Legislative Instrument (No.2) 2008* (the instrument) is a continuation of the GST record keeping concession contained in the revoked instrument. The revoked instrument was rewritten to reflect the style and format of current legislative instruments, and to allow entities other than Visa to produce matched data files, by including a new definition of 'data matching provider'.
11. The concession allows a GST registered entity to claim input tax credits on purchases, by relying on a compliant Visa Purchasing Card (VPC) matched data file of transactions instead of a tax invoice. The data files replace paper-based statements, contain additional GST information (GST payable and the supplier's Australian Business Number (ABN)), reduce the need to collate and retain individual tax invoices, and can be input directly into the cardholder's accounting system. These features can lower the cost of compliance for cardholders.

### *Electronic purchasing systems*

12. An electronic purchasing system (EPS) is similar to an internet based shopping system, in that it cuts down the number of processes that are inherent in a paper based purchase order system. Because of the cost involved in maintaining an EPS, such systems are normally operated or 'hosted' by large entities that are cardholders, in the expectation that most suppliers will then agree to use the EPS.
13. Broadly, the cardholder hosting the EPS inputs pricing and other relevant information into the EPS, enabling the cardholder and suppliers to place and fulfil purchase orders. When payment for a purchase order is made by a cardholder-host using a VPC, the supplier provides the card provider with certain transaction data (via the Visa EFTPOS payment system). However this transaction data from the supplier may not include GST payable and the supplier's ABN. Because of this, the cardholder inputs this essential GST information into the EPS when it is setting up the system. The transaction data from the supplier transmitted via the EFTPOS system, and the GST information from the EPS input by the cardholder, is then transmitted to a data matching provider.
14. The data matching provider matches and collates that information from the two sources and produces a matched data file. The matched data file now contains similar information to that required for a tax invoice, but some of the GST information has been sourced from the cardholder/recipient hosting the EPS. This is what distinguishes the GST information collected via an EPS-VPC system from that of other corporate card payment systems.
15. Due to these circumstances, additional requirements must be in place to ensure the integrity of the information that is relied upon to claim input tax credits. Like the

revoked instrument, this instrument achieves that objective for a cardholder-hosted EPS.

16. Under the revoked instrument, Visa was the only entity permitted to undertake the data matching process required to produce matched data files. This new instrument allows card providers that issue Visa Purchasing Cards, and other authorised entities, to also undertake this matching process and to produce matched data files. A result of this change is new requirements designed to ensure the matching process carried out by these additional entities is done to the same standards as under the revoked instrument.

### **Explanation**

17. Provided the requirements of this instrument are met, for the purposes of attributing an input tax credit for a creditable acquisition to a tax period, a VPC cardholder is not required (under subsection 29-10(3) of the GST Act) to hold a tax invoice for the creditable acquisition [clause 5]. In summary, the matched data file can be used to claim input tax credits where:
- the cardholder holds a matched data file for the creditable acquisition that contains the information set out in clause 7;
  - the GST related information on the matched data file meets the accuracy requirements set out in clause 12;
  - the cardholder meets the requirements of clause 13 that ensure the cardholders use the matched data file accurately to claim input tax credits;
  - clause 14 does not apply. This clause requires the cardholder to hold a tax invoice in relation to the acquisition if there is an error in relation to the acquisition, or clause 8 is not satisfied when required; and
  - when the data matching provider uses information from a cardholder hosted electronic purchasing system, the cardholder data method provided by paragraph 6(2)(b) must be used.

#### *Definition of data matching provider*

18. This instrument has been changed from the revoked instrument to allow not only Visa, but also the card provider or an authorised third party to undertake the data matching process [clause 4]. This change allows greater flexibility in implementing the necessary requirements; and is achieved by replacing relevant references to Visa in the revoked instrument with a more broadly defined term '*data matching provider*'.

#### *Information requirements for a matched data file*

19. Clause 7 sets out the transaction information that a matched data file must contain. The information is similar to that required on a tax invoice, with some changes to take into account the information that is readily available to data matching providers.
20. The term *matched data file* refers to the file produced by the matching of data from the EFTPOS system with the additional GST related information from an EPS. The matching is carried out by a *data matching provider*. The matched data file provides all of the information needed to satisfy the information requirements in paragraph 7(e).

21. The definition of *matched data file* has been changed to include a requirement that the data matching provider must produce the file using secure methods laid down by Visa or the card provider.

*Accuracy requirements for matched data files*

22. Subclause 12(1) contains a new requirement to ensure data matching providers do not place GST related information in a matched data file if they consider the information may be inaccurate. The data matching provider must retain a copy of the matched data file for 5 years [subclause 12(2)].

*Cardholder requirements*

23. Clause 13 provides:

- the cardholder must be able to take into account transactions of a private or domestic nature. This is because the matched data file transaction may not break up the separate acquisitions in the same way as a tax invoice; and
- a new requirement that the cardholder has policies in place to ensure that the tax invoice and the matched data file are not used to claim an input tax credit for the same acquisition more than once.

24. Clause 14 requires a cardholder to hold a tax invoice if the cardholder data method must be used and one of its requirements is not met, or an error in relation to a particular transaction on a matched data file occurs.

*Use of cardholder data method required in specified circumstances*

25. Where transaction information for a particular supply is provided to the data matching provider by the cardholder (rather than by the supplier), the *cardholder data method* must be used. Recipient created tax invoices have been issued in similar situations. As such, many of the requirements that apply to recipient created tax invoices (see for example F2006B11580 - *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination (No. 1) 2000*) are similar to those adopted for the revoked instrument (and which continue to apply for this instrument). Some of these similarities include:

- The type of cardholder for whom the method is made available [refer to paragraph 8(a)] Qualifying cardholders are government related entities, and entities that have a GST turnover (including input taxed supplies) of at least \$20 million annually; or are entitled to be members of a GST group, or entitled to be a joint venture operator, in which one or more other members of that group or participants in that joint venture have such a GST turnover;
- The cardholder must send a purchase order that includes GST data to the supplier, so that the supplier has a record of the GST data the cardholder is using [subclause 11(1)]; and
- The cardholder and the supplier must enter into a written agreement which includes specifying what supplies will be made using this method, and that tax invoices issued in relation to those supplies must be marked to avoid duplicate input tax credit claims [paragraph 11(2)(c)].

26. The method can only be used for transactions arising from an EPS [paragraph 8(b)].

27. Set out below are the steps that occur when the cardholder data method is used:

Step 1: The supplier provides details of items available for purchase including GST data and price to the qualifying cardholder [clause 9]. The supplier or cardholder provides the data matching provider with the supplier's ABN [clause 10]. This information is entered onto the EPS.

Step 2: The cardholder must provide a purchase order to the supplier that contains the information specified in subclause 11(1). This ensures that the supplier is aware of how the GST data has been recorded for each transaction.

Step 3: The cardholder-hosted EPS transmits the transaction data to the data matching provider [paragraph 11(2)(a)].

Step 4: The data matching provider can now match the data they receive from step 3 with the normal EFTPOS data (received from the supplier's financial institution) and produce the matched data file.

Step 5: The matched data file is issued to the cardholder.

28. These steps ensure that the GST data used to produce the matched data file is accurate.

#### *Other changes to requirements in the revoked instrument*

29. As part of the process of developing this instrument, minor changes were implemented to ensure that the instrument operates as intended, to address other minor risks, to remove redundant requirements and to reflect tax invoice requirements. The most important changes are:

- The date of issue of the matched data file has been included as a requirement. This is important as it provides evidence that the cardholder held the file on the date that they lodge their business activity statement (BAS), and reflects tax invoice requirements [paragraph 7(a)];
- *Supplier* is now a defined term and includes an agent that a supplier makes a supply through. This ensures coverage for transactions where the merchant is acting as an agent for the supplier and reflects tax invoice requirements [clause 4]; and
- The term *cardholder* replaces the term *member* to better reflect the character of the entity using the VPC.

#### **Consultation**

30. The revoked instrument was reviewed as a result of request from card providers to expand the entities that could undertake the data matching process, other minor changes were included that arose out of a review of other corporate card statement waiver of tax invoice legislative instruments (now contained in *Goods and Services Tax: Waiver of Tax Invoice Requirement (Corporate Card Statements) Legislative Instrument (No. 1) 2008*).
31. Visa, a card provider and a potential cardholder were involved in all stages of the development of the revoked instrument. Visa and the same card provider were consulted in the process of reviewing the revoked instrument. During this consultation it was agreed that the revoked instrument be changed so that the *data matching provider* definition includes certain entities other than Visa. All other changes to the

revoked instrument were developed taking into account the feedback of these two entities.

32. Wider consultation was not considered to be necessary because the instrument continues an existing tax invoice record keeping concession, and makes the concession more flexible and available to a broader group of entities.

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**Shane Reardon**  
**Deputy Commissioner of Taxation**  
[27 August 2008]

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**Legislative references:**

*A New Tax System (Goods and Services Tax) Act 1999*  
*Legislative Instruments Act 2003*