

Valid tax invoices and GST credits

! TERMS WE USE

When we say:

- **GST credit**, we mean the GST term **input tax credit**
- **sale and purchase**, we mean the GST terms **supply and acquisition**.

TAX INVOICES

Tax invoices are important documents for the operation of the GST system. Tax invoices must contain certain information to be valid. These requirements are detailed below (see 'What is a valid tax invoice?' in the next column).

You must issue a tax invoice for any taxable sales you make of more than \$82.50 (including GST), where the purchaser requests it.

If you make taxable purchases for business purposes, you can use the tax invoices you receive to claim the correct amount of GST credits for those purchases.

CLAIMING GST CREDITS

To claim a GST credit for purchases that cost more than \$82.50 (including GST), you must be registered for GST and have a valid tax invoice or recipient created tax invoice (RCTI). If you use an incorrect or incomplete tax invoice to claim a GST credit, the GST credit may not be allowed.

To claim GST credits for purchases that cost \$82.50 or less (including GST), you must keep documents such as cash register docketts, receipts or invoices to support your claims.

You must also keep your tax invoices and other GST records for five years.

! Your supplier must be registered for GST before you can claim a GST credit on a purchase. If you are in doubt, you can:

- ask if the supplier is registered for GST
- check the Australian Business Register (ABR) at www.abr.gov.au
- phone **13 72 26** to confirm the supplier's Australian business number (ABN) is valid
- phone us on **13 28 66** for advice.

There is a four-year time limit in claiming GST credits. For more information, refer to *Time limits on GST refunds* (NAT 11645).

WHAT IS A VALID TAX INVOICE?

A valid tax invoice is a document that meets all of the following requirements:

- it is issued by the supplier, unless it is an RCTI (in which case it is issued by the recipient)
- it contains enough information to enable the following to be clearly identified
 - the supplier's identity and ABN
 - a brief description of what is sold, including the quantity (if applicable) and the price of what is sold
 - the extent to which each sale is a taxable sale – this can be shown separately or, if the GST to be paid is exactly one-eleventh of the total price, as a statement such as 'total price includes GST'
 - the date the document is issued
 - the amount of GST (if any) payable for each sale
 - if the document was issued by the recipient and GST is payable for any sale – that the GST is payable by the supplier
 - that the document was intended to be a tax invoice or an RCTI if it was issued by the recipient.

In addition, if the total price of the sale is at least \$1,000 or if the document was issued by the recipient, the recipient's identity or ABN must be able to be clearly identified.



WHAT IF A DOCUMENT DOES NOT CONTAIN ALL OF THE REQUIRED INFORMATION?

If a document issued by a supplier does not contain all of the required information, you may treat that document as a valid tax invoice if the missing information can be clearly identified from other documents provided by the supplier.

❗ Terms such as 'total price includes GST' or similar wording are not sufficient for invoices for both taxable sales and either a GST-free or input taxed sales.

➤ For more information about tax invoices, refer to *GST for small business* (NAT 3014).

WHAT IS AN RCTI?

An RCTI is a tax invoice that is issued by the recipient of the goods and/or services rather than the supplier. RCTIs can only be issued by a recipient if:

- the recipient and the supplier are both registered for GST
- the sales for which the recipient can issue an RCTI are agreed to in writing by the recipient and the supplier either in a separate written agreement specifying the supplies to which each agreement relates or embedding this information or specific terms, as outlined in the legislative instrument, in the tax invoices they issue
- the agreement is current and effective when the RCTI is issued
- the goods or services being sold under the agreement are of the type that we have determined can be invoiced using RCTIs.

➤ We have made legislative determinations about the types of sales of goods or services that can be invoiced using RCTIs. For more information:

- phone us on **13 28 66**
- visit our legal database at law.ato.gov.au and search using the term 'RCTI'.

WHAT IS A VALID RCTI?

To be valid, a RCTI must contain sufficient information to enable the following to be clearly identified:

- that the document was intended to be an RCTI
- the identity and ABN of the supplier
- the identity or ABN of the recipient
- what is sold, including the quantity (if applicable) and the price
- the extent to which each sale is a taxable sale
- the date of issue of the document
- the amount of GST (if any) payable for each sale
- if GST is payable for any sale - that the GST is payable by the supplier.

The recipient must:

- issue the original or a copy of the RCTI to the supplier within 28 days of when the sale is made or when the value of the sale is determined
- retain the original or a copy of the RCTI
- reasonably comply with its obligations under the taxation laws
- not issue a document that would otherwise be an RCTI, on or after the date when they or the supplier has failed to comply with any of the requirements of RCTIs.

➤ For more information about RCTIs, refer to *GSTR 2000/10 Goods and services tax: recipient created tax invoices*.

HOW DO YOU OBTAIN A TAX INVOICE FOR YOUR PURCHASE?

If you buy taxable goods or services that cost more than \$82.50 (including GST), your supplier must provide you with a tax invoice within 28 days after you request one.

Tax invoices that contain incorrect or incomplete information, where you can not work out the missing information from other documents issued by the supplier are not considered to be valid. You should ask your supplier to replace it with a complete and correct tax invoice.

If you wish to claim a GST credit but your supplier does not give you a valid tax invoice within the 28 day period, you can seek our permission to claim the GST credit by providing us with the following information:

- your name, contact details and ABN
- documents relating to the purchase
- the name, address and ABN (if known) of the supplier
- the nature, purpose and quantity of the purchase
- the amount paid or payable, and the amount of GST included
- the steps you've taken to obtain a tax invoice.

➤ To request our permission to claim a GST credit, you should:

- email us at GSTmail@ato.gov.au
- write to us at:
Australian Taxation Office
PO Box 3524
ALBURY NSW 2640

WHAT IF YOU CLAIMED A GST CREDIT WITHOUT HAVING A VALID TAX INVOICE?

If you claimed a GST credit without having a valid tax invoice, you can write to us explaining your circumstances and ask that the tax invoice be treated as valid.

If we discover a claim of this nature, for example during an audit, we will usually treat the tax invoices as valid and allow your claim if you:

- are entitled to the GST credit
- have made a genuine attempt to comply with the requirement to hold a tax invoice.

HOW DOES THE ATO DEAL WITH MISSING OR INVALID TAX INVOICES?

We issued a practice statement that explains when we will treat a document that is not a tax invoice as a valid tax invoice.

If you claim a GST credit without a tax invoice or with an invalid tax invoice, we may either:

- treat your tax invoice as being valid
- treat some other document as a valid tax invoice.

Our decision to allow your claim will depend on the details you provide.

➤ For more information about how we deal with GST credits claimed with invalid or missing tax invoices, refer to *PS LA 2004/11 The Commissioner's discretions to treat a particular document as a tax invoice or adjustment note.*

CAN YOU GET A PREVIOUS TAX INVOICE DECISION REVIEWED?

The practice statement applies to decisions we made about tax invoices from 1 July 2000. If you claimed a GST credit after 1 July 2000 and we disallowed the claim because you didn't have a valid tax invoice, you can request a review if you believe our decision was not made in accordance with the policy in the practice statement.

➤ To apply for a review of a tax invoice decision, complete the form *Request for review of tax invoice decision* (NAT 12381).

You cannot amend a disallowed claim of this nature by:

- revising your activity statement
- using the process described in *Correcting GST mistakes* (NAT 4700).

MORE INFORMATION

For a copy of our publications or for more information, you can:

- visit our website at www.ato.gov.au
- phone us on **13 28 66**
- write to us at:
Australian Taxation Office
PO Box 3524
ALBURY NSW 2640

If you do not speak English well and need help from the ATO, phone the Translating and Interpreting Service on **13 14 50**.

If you are deaf, or have a hearing or speech impairment, phone the ATO through the National Relay Service (NRS) on the numbers listed below:

- TTY users, phone **13 36 77** and ask for the ATO number you need
- Speak and Listen (speech-to-speech relay) users, **1300 555 727** and ask for the ATO number you need
- internet relay users, connect to the NRS on www.relayservice.com.au and ask for the ATO number you need.

OUR COMMITMENT TO YOU

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information in this publication and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we must still apply the law correctly. If that means you owe us money, we must ask you to pay it but we will not charge you a penalty. Also, if you acted reasonably and in good faith we will not charge you interest.

If you make an honest mistake in trying to follow our information in this publication and you owe us money as a result, we will not charge you a penalty. However, we will ask you to pay the money, and we may also charge you interest. If correcting the mistake means we owe you money, we will pay it to you. We will also pay you any interest you are entitled to.

If you feel that this publication does not fully cover your circumstances, or you are unsure how it applies to you, you can seek further assistance from us.

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for more recent information on our website at www.ato.gov.au or contact us.

This publication was current at **April 2012**.