



Goods and Services Tax: Classes of Recipient Created Tax Invoice Determination (No. 1) 2012

Explanatory Statement

General Outline of Instrument

1. This determination is made under subsection 29-70(3) of the *A New Tax System (Goods and Services Tax) Act 1999*.
2. The determination allows certain training providers to issue Recipient Created Tax Invoices (RCTIs) to suppliers of training services if the training providers determine the value of the taxable supply.
3. Prior to commencement of the determination, the suppliers of training services issued the tax invoices following advice from the training providers of the value of the taxable supply.
4. The determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Date of effect

5. The instrument commences on the day after registration.
6. The instrument does not apply retrospectively.

What is this instrument about:

7. The purpose of this instrument is to outline a class of tax invoice that the Commissioner has determined may be issued by recipients of taxable supplies. The Commissioner makes the determination by taking account of a number of factors including the type of industry, the taxable supply, GST turnover of the recipient and certain requirements for issuing RCTIs. The factors reflect a balance between facilitating the practical use of RCTIs by businesses and maintaining the integrity of the GST system.

8. The instrument applies to training providers who engage accredited service providers to supply training services to medical practitioners, medical students, medical graduates, registrars, overseas trained doctors and/or prevocational doctors as part of a GPET General Practice Training Program.
9. A training provider, who is the recipient of a taxable supply of training services from a GST registered accredited service provider, may issue a tax invoice for a taxable supply of training services in the following circumstances:
 - the training services are provided to medical practitioners, medical students, medical graduates, registrars, overseas trained doctors and/or prevocational doctors;
 - the training services are provided as part of a GPET General Practice Training Program;
 - the recipient establishes the value of the training services acquired from the supplier; and
 - the recipient satisfies the requirements set out in Clause 5 of the legislative instrument.

What is the effect of this instrument:

10. The effect of this instrument is to allow training providers to issue RCTIs to accredited services providers they have engaged to provide training services as part of a GPET General Practice Training Program. These training providers have the expertise, knowledge and access to the relevant rates and information to accurately calculate the value of the taxable supply. This instrument allows them to streamline their current invoicing and payment practices.
11. The compliance cost is low. An assessment of the compliance cost indicates that the instrument will have a minor effect at implementation and no ongoing compliance costs.

Background:

12. General Practice Education and Training Limited (GPET) is an entity set up by the Commonwealth Government to oversee GPET General Practice Training Programs which includes: the Australian General Practice Training (AGPT) program and the Prevocational General Practice Placements (PGPP) program. As part of this role, GPET administer funds to training providers who are accredited to organise and/or deliver GPET General Practice Training Program. The training providers engage accredited service providers to provide training services to medical practitioners, medical students, medical graduates, registrars, overseas trained doctors and/or prevocational doctors who are enrolled in a GPET General Practice Training Program. The accredited service providers include accredited medical practices and accredited training posts such as Australian Defence Force (ADF) naval ships, nursing homes and prisons.

13. Prior to the commencement of the instrument, the accredited service providers issued the tax invoices to the training providers for the taxable supplies of training services, but only after advice from the training providers (the recipient) of the value of the taxable supplies. The training providers determine the value of the taxable supplies as they have the relevant expertise to calculate the value based on the relevant rates, standards and policy documents. When the training provider receives the tax invoice, they make payments to the accredited service providers. At present, there may be a delay of up to twelve months before many accredited service providers issue tax invoices to training providers.
14. In addition, these delays in invoicing affect Commonwealth funding and reporting for the AGPT and PGPP programs.

Consultation:

15. This instrument was prompted by a request from GPET. Consultation has been undertaken with GPET regarding the operations and invoicing processes of the training providers. When the ATO issues the RCTI determination, GPET acknowledges that the training providers must enter into written agreements with the accredited service providers who provide the training services. The written agreements may be embedded in the tax invoices issued by the training providers.

Statement of Compatibility with Human Rights

This statement is prepared in accordance with *Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*.

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This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The instrument allows certain training providers to issue Recipient Created Tax Invoices (RCTIs) to GST registered accredited service providers of training services, if the training providers determine the value of the taxable supply, and the requirements of the legislative instrument are satisfied.

Consultation has been undertaken with General Practice Education and Training Limited (GPET), who oversee the delivery of GPET General Practice Training Programs by the training providers, to determine whether the Commissioner should allow training providers

to issue RCTIs to accredited service providers for the taxable supply of training services provided as part of a GPET General Practice Training Program.

Human rights implications

This instrument does not engage any of the applicable rights or freedoms.

Conclusion

This instrument is compatible with human rights as it does not raise any human rights issues.

James O'Halloran
Deputy Commissioner of Taxation
15 November 2012

Legislative references:

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