



Goods and Services Tax: Classes of Recipient Created Tax Invoice Determination (No.27) 2015

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 a seller of reconditioned motor vehicle parts who is a recipient of a taxable supply by way of the return of a worn part to issue Recipient Created Tax Invoices (RCTIs) to the supplier if the recipient determines the value of the taxable supply.
3. The determination is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*.

Date of effect

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

What is this instrument about:

6. The purpose of this instrument is to outline a class of tax invoices 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.
7. A seller of reconditioned motor vehicle parts who is a recipient of a taxable supply by way of the return of a worn part, may issue a tax invoice that belongs to a class of tax invoices for a taxable supply of a worn part where the following circumstances exist:
 - the recipient of the worn part is registered for GST;
 - the recipient sells a reconditioned part to a customer;
 - the recipient of the worn part issues an invoice for the sale of the reconditioned part to a customer that separately itemises a deposit (generally referred to as a 'core deposit') for the supply of the worn part;
 - the customer later supplies a worn part to the recipient who pays the 'core deposit' to the customer;

- if the customer does not supply the worn part, the 'core deposit' is retained by the supplier of the reconditioned part;
- the recipient establishes the value of worn parts; and
- the recipient satisfies the requirements set out in Clause 6 of the legislative instrument.

What is the effect of this instrument:

8. The effect of this instrument is to allow a seller of reconditioned motor vehicle parts to issue RCTIs to the supplier. The recipient of the taxable supply has the expertise, knowledge and access to the relevant information to accurately calculate the value of the taxable supply. This instrument allows them to streamline their current invoicing and payment practices.
9. Compliance cost impact: minor- there will be no or minimal impacts for both implementation and ongoing compliance costs. The legislative instrument is minor or machinery in nature.

Background:

10. This instrument replaces *A New Tax System (Goods and Services Tax) Act 1999 Classes of Recipient Created Tax Invoice Determination RCTI 2005/1*. The replaced instrument is repealed on the commencement of this determination.

Consultation:

11. Section 18 of the *Legislative Instruments Act 2003* specifically provides for circumstances where consultation may not be necessary or appropriate. One of those circumstances is where the instrument is considered minor or machinery in nature, and does not substantially change the law.
12. Because there is no substantive change from the previous instrument therefore the instrument is considered minor or machinery in nature.
13. As such, no further consultation has been undertaken in the development of this instrument.

James O'Halloran
Deputy Commissioner of Taxation
15 September 2015

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

This Legislative Instrument allows a seller of reconditioned motor vehicle parts who is a recipient of a taxable supply by way of the return of a worn part, may issue a tax invoice that belongs to a class of tax invoices for a taxable supply of a worn part where the requirements of the legislative instrument are satisfied.

Human rights implications

This instrument does not engage any of the applicable rights or freedoms. It allows for the streamlining of current invoicing and payment practices.

Conclusion

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