



Monthly Information Newsletter – Tax & Super

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What is a recipient created tax invoice?

Tax invoices are an essential element of Australia's taxation system and serve both to collect taxation revenue related to the goods and services on which GST is levied as well as record the credits that are claimable by eligible businesses.

A business registered for GST will generally be required to hold a tax invoice for any transaction in order for an input tax credit to be claimed. The tax invoice can usually only be issued by the entity that made the taxable supply, however there are circumstances where, in order to secure access to input credit claims, the receiver of the services or goods can generate such an invoice. This is known as a recipient-created tax invoice (RCTI).

Note however that an RCTI can only be issued in circumstances that are ATO approved. The circumstances are typically those where for commercial or practical reasons it is appropriate for the recipient of a supply to calculate and/or issue an invoice. Government grants and trade-in contracts are typical RCTI examples.

You can issue an RCTI if:

- you and the supplier are both registered for GST
- you and the supplier agree in writing that you may issue an RCTI and they will not issue a tax invoice
- the agreement is current and effective when you issue the RCTI
- the goods or services being sold under the agreement are of the type that the ATO has determined can be invoiced using an RCTI.

Your written agreement can either be a separate document specifying the supplies, or you can embed this information or specific terms in the tax invoice.

To be valid, an RCTI must contain sufficient information to clearly determine the requirements of tax invoices (ask us what these are) and show the document is intended to be a recipient-created tax invoice, not a standard tax invoice.

In addition, it must detail the purchaser's identity or ABN. If GST is payable, it must also show that it's payable by the supplier.

As the recipient, you must:

- issue the original or a copy of your RCTI to the supplier within 28 days of one of the following dates
 - the date of the sale
 - the date the value of the sale is determined
- retain the original or a copy of the RCTI
- comply with your obligations under the tax laws.

You will need to stop issuing RCTIs once any of the requirements for issuing RCTIs are no longer met.

The ATO has supplied a template that you can use to generate an RCTI. See www.ato.gov.au/Forms/Recipient-created-tax-invoices, or ask us for a copy.

DISCLAIMER

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Our liability may be limited by a scheme approved under Professional Standards Legislation.