

TAX INVOICES

What is a tax invoice (TI)?

- A TI is a sales invoice that shows the sale of taxable items and/or services and is provided by entities which are registered for GST, the Goods & Services Tax.
- If your business is registered for GST you must provide your customer with a TI when you sell items or services. If you make a taxable sale of \$82.50 or more, you must provide a TI within 28 days of the sale.
- A TI needs to be valid if it's to be used to claim input tax credits (ITC's) on your BAS (for business owners). If you do not hold a valid TI, then you cannot claim any ITC's on your BAS for that particular purchase.

So what makes a tax invoice valid?

A valid TI for sales less than \$1000 will include the following:

1. The words "Tax Invoice"
2. Identifies supplier's name
3. Supplier's ABN
4. Date of sale
5. Description of what is sold
6. Total price

**Single line entries of items that are taxable and those that are not shown separately (if applicable)

**If the whole price includes GST then the words "total price includes GST"

1 Tax invoice

2 Windows to Fit Pty Ltd
ABN: 32 123 456 789 **3**

15 Burshag Road
Festler NSW 2755

4 **Date:** 1 August 2010

To: Building Company
254 Burshag Road
Festler NSW 2755

Description of supply	Total
Window frames 5	\$825
TOTAL PRICE INCLUDING GST	\$825 6

A valid TI for sales that are more than \$1000 will include the following:

1. The words "Tax Invoice"
2. The seller's identity
3. The seller's ABN
4. The date of the sale
5. The buyer's identity and/or ABN
6. A brief description of items sold (6a) including quantity (if applicable) (6b) and the price of what was sold
7. The GST amount (6c) (if any) payable in relation to the sale - this can be shown separately, or, if the GST to be paid is exactly one-eleventh of the total price, a statement such as 'The total price includes GST' (7b)

1 Tax invoice

2 Windows to Fit Pty Ltd **3** 15 Burshag Road
 ABN: 32 123 456 789 **3** Festler NSW 2755

4 Date: 1 August 2010

To: Building Company **5**
 254 Burshag Road
 Festler NSW 2755

Qty	Description of supply	Unit price	GST	Total
6b 50	Window frames 6a	\$150	\$15	\$8,250
10	Deadlocks	\$40	\$4	\$440
			6c	
TOTAL AMOUNT PAYABLE				\$8,690

The total price includes GST **7b**

Recipient Created Tax Invoices (RCTI's):

What is a RCTI?

- A RCTI is a TI created by the recipient on behalf of the supplier. This is a situation which may arise in business from time to time but the circumstances vary from situation to situation.
- This arrangement must be in writing and agreed to by both parties before the RCTI is raised.
- As in the previous examples, certain components must be included on a RCTI so that it is valid.

What makes a valid recipient created tax invoice (RCTI)?

1. A statement that the document was intended to be a RCTI
2. Identity of both supplier & recipient including their ABN's
3. The date of sale
4. Description of what is sold and the price

5. The amount of GST included
6. A statement saying that if any GST is payable, that the GST is payable by the supplier
7. The recipient must issue a copy of the RCTI to the supplier with 28 days of the sale
8. The recipient must keep the original RCTI

What if I can't get a tax invoice from my supplier?

Sometimes for a variety of reasons, you will not be able to obtain a TI from your supplier. Unfortunately, without a TI you cannot legally claim any ITC's for your purchase on your BAS. So what do you do? If a supplier doesn't provide a TI within the required 28 day period, you can get permission from the ATO to claim the ITC – just call them and provide them with the following info:

1. Your name, contact details, ABN
2. Documents relating to the purchase
3. The name, address, ABN of the supplier
4. The nature, purpose and quantity of the purchase
5. The amount paid and the amount of GST
6. The steps you've taken to obtain the tax invoice

My supplier has provided me with a tax invoice which is missing important information. Is this tax invoice still valid?

If you get a TI that has missing information i.e. the required parts of a TI as outlined above, you can still treat it as a valid TI as long as you have other documents from the supplier that display that missing information. Last year, the requirements for valid TI's were relaxed by the ATO. Basically the ATO are now allowing TI's that have some information missing. The reason for this was to help reduce the costs associated with pursuing incorrect TI's. I quote from their website regarding standard tax invoices:

“Where you receive a document from a supplier that is missing key information, you may still treat the document as a tax invoice under certain circumstances. It must be clear that the document is intended to be a tax invoice and you must be able to clearly ascertain the missing information from other documents issued by that supplier. This concession does not apply to adjustment notes or recipient created adjustment notes”

For RCTI's with missing information the same concession applies but the following special requirements apply and must be able to be clearly ascertained from the document:

- The identity or Australian business number (ABN) of the recipient of the supply
- That the supplier is liable for any goods and services tax (GST) payable.

**The concession regarding missing information applies to RCTIs for suppliers, *but not* for recipients.