

AUSTRALIA – LOGIC CHANGES

AUTHORITY UPDATE GUIDE

THOMSON REUTERS TAX RESEARCH
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Introduction

This guide provides an explanation of the recent changes made to Determination for the authority of Australia, which were implemented to properly support the rules related to the place of supply of services (i.e. supplies which are not supplies of goods or real property) and which are not connected with the “indirect tax zone” of Australia or are done for the consumption outside of that zone.

According to the Australian Goods and Services Tax (GST) Act:

- i) The supplies of anything other than goods or real property are not taxable, if they are not connected with the “indirect tax zone” (Subdivision 9-5).
- ii) The supplies of anything other than goods or real property for the consumption outside the “indirect tax zone” are GST-free (Subdivision 38-190).

Considering the above, we have implemented some logic and content changes to Determination for Australia authority, which are related to tax treatment of the Transaction Type of Default Services (DS).

With accordance to the new configuration, Determination will now provide an additional “Not Liable” tax block for the seller side in case of transactions, which do not generate any tax obligations on his side.

Below are some examples of the expected results for Australia authority in respect of supply / acquisition of the Default Services.

TAX RESULTS EXAMPLES

Test 1: B2B Default Services provided by a foreign entity to the Australian Buyer

WORKBENCH ELEMENTS	VALUES
Transaction Type	Default Services
Seller Primary	Poland
Buyer Primary	Australia
Seller Registration	PL1234567890
Buyer Registration	ABN12123123123123

NOTE: Seller Primary and Buyer Primary parameters are the only necessary locations for this transaction type.

The following image shows the tax calculation results for the foreign SELLER:

Tax Calculation Results										
Scenario 2020 January 1st Update - Australia:										
View Results: 1 ▼		Gross Amount: 100.00		Eff%: 0%						
Zone		Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: POLAND		Poland	Not Liable	NL	O		0%	0.00		
Country: AUSTRALIA		Australia	Not Liable	NL	O		0%	0.00		
								0.00 USD		
Authority Messages:										
Authority	RuleOrder	Message								
Poland	5001	EUS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.								
Australia	5001	GCSC13: No GST liability in Buyer's country.								

The following image shows results for the Australian BUYER:

Tax Calculation Results										
Scenario 2020 January 1st Update - Australia:										
View Results: 1 ▼		Gross Amount: 100.00		Eff%: 0%						
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT	
Country: AUSTRALIA	Australia	Not Liable	NL	I		0%	0.00			
							0.00 USD			
Authority Messages:										
Authority	RuleOrder	Message								
Australia	5001	GCBCL219: No GST liability in Buyer's country.								

Test 2: B2B Default Services provided to a foreign entity by the Australian Seller

WORKBENCH ELEMENTS	VALUES
Transaction Type	Default Services
Seller Primary	Australia
Buyer Primary	Poland
Seller Registration	ABN12123123123123
Buyer Registration	PL1234567890

NOTE: Seller Primary and Buyer Primary parameters are the only necessary locations for this transaction type.

The following image shows results for the Australian SELLER:

Tax Calculation Results										
Scenario 2020 January 1st Update - Australia:										
View Results: 6 ▾		Gross Amount: 100.00		Eff%: 0%						
Zone		Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: AUSTRALIA		Australia	Not Liable	NL	O		0%	0.00		
Country: POLAND		Poland	Not Liable	NL	O		0%	0.00		
								0.00 USD		
Authority Messages:										
Authority	RuleOrder	Message								
Australia	5001	GCSCL18: No liability in Seller's Country.								
Poland	5001	EUSS04: No VAT liability in Buyer's country under Articles 196 and 44 of EC Directive 2006/112. Customer to Reverse Charge.								

The following image shows results for the foreign BUYER:


Tax Calculation Results											
Scenario 2020 January 1st Update - Australia:											
View Results: 6 ▾		Gross Amount: 100.00		Eff%: 0%							
Zone		Authority		Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: POLAND		Poland		VAT	RC	O		23%	23.00		
Country: POLAND		Poland		VAT	RC	I		23%	23.00		
									0.00 USD		
Authority Messages:											
Authority	RuleOrder	Message									
Poland	10000	EUBS31: Reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.									
Poland	10000	EUBS32: Recovery of reverse charge in Buyer's country under Articles 196 and 44 of EC Directive 2006/112.									

Test 3: B2C Default Services provided to a foreign entity

WORKBENCH ELEMENTS	VALUES
Transaction Type	Default Services
Seller Primary	Australia
Buyer Primary	Poland
Seller's Registration	ABN12123123123123

NOTE: Seller Primary parameter is the only necessary location for this transaction type.

The following image shows results for the Australian SELLER:

Tax Calculation Results										
Scenario 2020 January 1st Update - Australia:										
View Results: 7 ▾		Gross Amount: 100.00	Eff%: 0%							
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT	
Country: AUSTRALIA	Australia	Not Liable	NL	O		0%	0.00			
							0.00 USD			
 Authority Messages:										
Authority	RuleOrder	Message								
Australia	5001	GCSC18: No liability in Seller's Country.								