

AUSTRALIA

AUTHORITY GUIDE

THOMSON REUTERS TAX RESEARCH

06.02.2017

Introduction

This guide provides explanation of the recently update to the system for the relevant changes taking effective in Tax and Superannuation Laws Amendment (2016 Measures No.1) Act 2016 (Act No.52 of 2016) (hereinafter as "Act 52").

According to Act 52, supplies of goods and services that are connected with Australia's indirect tax zone are now subject to GST. Prior to these changes, supplies of services and intangibles to final consumers located in the indirect tax zone were not subject to GST.

Effective from 1 July 2017, supplies (other than a supply of goods or real property) by non-residents that are not connected with the indirect tax zone will be subject to GST if the supply is made to an Australian consumer, i.e. B2C. In such cases, the non-resident supplier will be elected to be a limited registration entity.

Act 52 also updated the test on "enterprises are carried on in the indirect tax zone" for GST purposes. As a result, supplies made by a non-resident which is not an enterprise carrying on business in the indirect tax zone will not be subject to GST. In such cases, an Australian business recipient of such supplies will be subject to reverse charge mechanism, i.e. B2B.

The configuration of Determination for electronic services for the authority of Australia has been aligned with the above changes.

Bellow you can find examples of expected results for Australia for supply of electronic services by a foreign supplier to both individual consumer and business customer located within Australia.



PART II – TAX RESULT EXAMPLE

Test 1: Foreign B2C Electronic Services – Sale (Seller is registered in Australia)

WORKBENCH ELEMENTS	VALUES
Company Role	Seller
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Australia
Seller Registration	Germany: DE123456789 Australia: 98765432101

Scenario 2017 June 2nd Update - Australia - seller B2C service import:

View Results: 1		Gross Amount: 100.00		Eff%: 10%					
Zone	Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country:GERMANY	Germany	Not Liable	NL	O		0%	0.00		
Country:AUSTRALIA	Australia	GST	S	O		10%	10.00		
							10.00 USD		

Authority Messages:

Authority	RuleOrder	Message
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.
Australia	10000	GCSC14: Output VAT in Buyer's country.

In this case, the image above shows the electronic services supplied by non-resident to Australian consumer will be subject to GST. The non-resident supplier will become a limited registration entity.

Test 2: Foreign B2C Electronic Services – Sale (Seller is not registered in Australia)

WORKBENCH ELEMENTS	VALUES
Company Role	Seller
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Australia
Seller Registration	Germany: DE123456789

Scenario 2017 June 2nd Update - Australia - seller B2C service import:

View Results: 1		Gross Amount: 100.00		Eff%: 0%						
Zone		Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country:GERMANY		Germany	Not Liable	NL	O		0%	0.00		
Country:AUSTRALIA		Australia	Not Liable	NL	O		0%	0.00		
								0.00 USD		
<div><input type="checkbox"/> Authority Messages:</div>										
Authority	RuleOrder	Message								
Germany	5001	EUSS17: No VAT liability in Seller's country under Article 44 of EC Directive 2006/112.								
Australia	5001	GCSC132: Seller cannot invoice VAT since seller is not registered in Buyer's country.								

In this case, the image above shows a message saying that the seller shall register in Australia will be returned.

Test 3: Foreign B2B Electronic Services – Purchase

WORKBENCH ELEMENTS	VALUES
Company Role	Buyer
Transaction Type	Electronic Services
Seller Primary	Germany
Buyer Primary	Australia
Seller Registration	Germany: DE123456789

Scenario 2017 June 2nd Update - Australia - buyer B2B service import:

View Results: 1		Gross Amount: 100.00		Eff%: 0%						
Zone		Authority	Invoice Desc	Type	Dir	Fee	Rate	Tax Amt	TT	IT
Country: AUSTRALIA		Australia	GST	RC	O		10%	10.00		
Country: AUSTRALIA		Australia	GST	RC	I		10%	10.00		
								0.00 USD		
[-] Authority Messages:										
Authority		RuleOrder	Message							
Australia		10000	GCBCL31: Reverse charge in Buyer's country.							
Australia		10000	GCBCL32: Recovery of reverse charge in Buyer's country.							

In this case, the image above shows supplies made by a non-resident which is not an enterprise carrying on business in the indirect tax zone will not be subject to GST. The Australian business recipient will be subject to reverse charge.

CONCLUSION

This guide explains the updates in laws and systems in connection with the provision of electronic services by non-resident suppliers to individual consumers and business recipients located in Australia. Please contact Customer Support with any additional questions.