1. **Statement**

This Standard is designed to offer staff guidance when dealing with Adjustment Events and Adjustment Notes.

2. **Scope**

Compliance with this standard is mandatory.

This standard shall apply to all employees, contractors and consultants within the Department of Health divisions and commercialised business units as well as Hospital and Health Services.

3. **Requirements**

**Introduction**

Where the consideration for a supply (amount received) or acquisition (amount paid) changes for any reason, an adjustment event occurs. This may result in QH either over claiming or understating the amount of GST.

**Examples of Adjustment Events**

- unexpended grant monies
- refund of an overpayment
- cancellation of an order
- agreed price variation on an order
- discount for volume purchases

**Examples that are not Adjustment Events (treated as new supplies)** -

- additional charges for an extension of a hire period
- late payment charges imposed
- foreign currency gain or loss on a set contract
- a correction of an error in an earlier Business Activity Statement

**Adjustment in same month as payment:**

If there is a change during the same tax period in which the original purchase was made, this is not regarded as an adjustment to a prior period, but a change in the value of the original purchase in this period. Therefore an adjustment note will not be needed as per the GST legislation, but may be still required from a business viewpoint. In these cases, the original tax invoice (or RCTI) could be cancelled and a correct one re-issued. The Supplier/Grantee and Recipient/QH should then attribute the GST and input tax credit in accordance with the corrected invoice. As this will occur within the one month, the Business Activity Statement will reflect the net result.
Adjustment in other than the same month as payment:

If an adjustment occurs in any other month after payment, further documentation will be required to correct the over claiming of Input Tax Credits. This should be in the form of an Adjustment Note or a Recipient Created Adjustment Note (RCAN) where QH issued an RCTI previously.

When do we need an Adjustment Note?

If a Tax Invoice has been issued and it is discovered that there is a change in the GST charged due to an ‘adjustment event’, the supplier will need to issue an Adjustment Note.

Where QH is the supplier:

A compliant Adjustment Note should be issued every time there is an increasing or decreasing adjustment arising from an adjustment event within the earlier of 28 days of being aware of the adjustment or when requested by the recipient to issue an adjustment note.

Example of increasing (ITC credits to the ATO) adjustments is:

- The GST payable on a taxable supply QH has made has increased

Example of decreasing (ITC credits to the ATO) adjustments is:

- The GST payable on a taxable supply that you made has decreased

Where QH is the purchaser:

If QH is issued with a credit note by a supplier which decreases the amount of input tax credits being claimed from the ATO, a compliant Adjustment Note is not required.

Example of increasing (ITC credits to the ATO) adjustments is:

- The input tax credit for an acquisition has decreased thereby resulting in more GST being payable.

A typical example will be the receipt of a credit note from a supplier, thus reducing an earlier input tax credit claim.

Where QH is issued with an Adjustment Note which increases the amount of input tax credits being claimed, a compliant Adjustment Note must be held.

Examples of ‘decreasing’ (ITC credits to the ATO) adjustments are:

- The input tax credit for an acquisition has increased.
- The input tax credit for a supply has reduced.

A typical example is issuing a credit note to reduce the impact of a sales invoice, which will mean that the selling entity will be able to claim back part or all of the GST sent earlier to the ATO.

What is a compliant Adjustment Note?

An adjustment note, other than a recipient created adjustment note referred to in subclause (2), must contain the following information, or enough information in the adjustment note to enable the following to be clearly ascertained:

(a) that the document is intended as an adjustment note and the effect of the adjustment;
(b) the identity of the supplier or the supplier’s agent;
(c) the identity or ABN of the recipient, the recipient’s agent, or another member of the recipient’s GST group, if the adjustment note:
(i) relates to a tax invoice showing the total price for the supply or supplies is at least $1,000 (or such higher amount as the regulations specify); or

(ii) arises out of an adjustment event where a supply that was not taxable becomes taxable and the price of the supply is at least $1,000;

(d) the issue date of the adjustment note;

(e) a brief explanation of the reason for the adjustment;

(f) the amount of the adjustment to the GST payable;

(g) the difference between the price of the supply before the adjustment event and the price of the supply after the adjustment event. If the supply is not a wholly taxable supply, the price of the supply is referable to that part of the supply that is affected by the adjustment event and that is, or becomes, taxable.

**Recipient created adjustment note**

A recipient created adjustment note must contain the following information, or enough information in the recipient created adjustment note to enable the following to be clearly ascertained:

(a) that the document is intended as a recipient created adjustment note and the effect of the adjustment;

(b) the identity and ABN of the supplier or the supplier’s agent;

(c) the identity of the recipient or the recipient’s agent;

(d) the issue date of the adjustment note;

(e) a brief explanation of the reason for the adjustment;

(f) the amount of the adjustment to the GST payable;

(g) the difference between the price of the supply before the adjustment event and the price of the supply after the adjustment event. If the supply is not a wholly taxable supply, the price of the supply is referable to that part of the supply that is affected by the adjustment event and that is, or becomes, taxable.

### 4. Related legislation and documents

- A New Tax System (Goods and Services Tax) Act 1999
- GSTR 2013/2 – Adjustment Notes
- A New Tax System (Goods and Services Tax) Adjustment Note Information Requirements Determination 2012 and amendment
- GST Standard – Tax Invoices
- GST Standard – Recipient Created Tax Invoices (RCTI's) & Recipient Created Adjustment Notes (RCAN's)
- GST Standard – Changes and Corrections
5. Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST Act</td>
<td>A New Tax System (Goods and Services Tax) Act 1999</td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
</tr>
</tbody>
</table>

Version Control

<table>
<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>01/07/09</td>
<td>Carol Geoghegan</td>
</tr>
<tr>
<td>2</td>
<td>25/07/10</td>
<td>Richard Baker</td>
</tr>
<tr>
<td>3</td>
<td>15/03/2011</td>
<td>Richard Baker</td>
</tr>
<tr>
<td>4</td>
<td>11/04/2012</td>
<td>Malcolm Cope</td>
</tr>
<tr>
<td>5</td>
<td>1/06/2015</td>
<td>Policy Rationalisation Project</td>
</tr>
</tbody>
</table>