1. **Statement**

The purpose of this Standard is to give guidance on the requirements for issuing RCTI and RCAN.

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**

In normal circumstances Tax Invoices are issued by the Supplier. However, there are instances where it is more advantageous for the recipient of the supply to issue the invoice. This may occur where the Recipient determines the value of the supply or it is more efficient for the Recipient to issue the Tax Invoice. These Tax Invoices are referred to as Recipient Created Tax Invoices (RCTI).

The Commissioner of Taxation has specified the type of situations where the issuing of RCTI’s and Recipient Created Adjustment Notes (RCAN’s) and the type of organisations that are permitted to enter into these agreements. Amongst these are registered government related entities and organisations with a high turnover.

There are some circumstances whereby Suppliers to QH are not adequately able to provide a Tax Invoice, and so, QH (the Recipient) enters into an RCTI arrangement with the Supplier. This commonly occurs for grants provided by QH to community groups. This enables QH to issue both RCTI’s and RCAN’s where applicable, on behalf of the Supplier.

As RCTI Agreements can only be entered into where both parties are GST-registered, then the supply under the agreement should be a taxable supply of the GST-registered Supplier.

**Examples of uses for RCTI's**

- Grant recipients - QH determines the amount of the grant. This also assists the Recipient in ensuring the correct documentation is prepared (Refer to GST Standard – Grants)
- Visiting Medical Officers (VMO’s) who are on a contract and submit their hours worked and QH calculate the amount to be paid.

**Please note:** If an RCTI or RCAN is raised for the purpose of simplifying administration processes and the Recipient is not registered for GST, it is important to ensure that this is not treated as taxable. This does not apply to RCTI and RCAN for Grants.
### Summary of Tax Codes

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<tr>
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<tr>
<td>Payment of Taxable Supply</td>
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<tr>
<td>Revenue from Taxable Supply</td>
<td>10% GST included in price – Payable to ATO</td>
<td>S0</td>
</tr>
<tr>
<td>Other non-taxable items on invoice</td>
<td>As per advice in Ready Reckoner depending on the type of mixed supply; i.e. GST-free / Out of Scope</td>
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### Requirements for a Recipient Created Tax Invoice

The GST Legislation was amended with effect from 1 July 2010 and relates to the change to Tax Invoice and RCTI requirements. This change moved from having a “prescriptive list” to a set of “equivalent but more flexible principles”. This change was made to give recipients of supplies more flexibility in determining the validity of Tax Invoices and therefore a reduction in compliance costs. For details on pre 01 July 2010 requirements see The GST Guide.

From 1 July 2010, a RCTI must contain information sufficient to determine:

- the supplier’s identity and ABN;
- the recipient’s identity or ABN;
- what is supplied, including the quantity and price of what is supplied;
- the extent to which supplies are taxable;
- the date of issue;
- the amount of GST payable and,
- that the GST is payable by the supplier.

From 1 July 2012, the Hospital and Health Service and their ABN will also need to be included. For a list of these see GST Standard – Australian Business Number.

All RCTI’s issued by QH will be compliant where the RCTI form on QHEPS is used. No other RCTI form is to be used.

Where an entity receives a document from another entity that is not a recipient created tax invoice as it is missing key information, then the entity may treat the document as a tax invoice if:

- the document makes clear that it is intended to be a tax invoice; and
- the missing information can be obtained from other documents issued by the other entity.

However, it is not enough that the required information can be found in the document, it must be clear in the document. Information is also not able to be “clearly ascertained from a document” if the information can only be determined by reference to some outside source such as the Australian Business Register.

An entity that is issued with a document may treat the document as a RCTI if:

- the document has been issued by the recipient;
- it is clearly able to be determined from the document that it is intended to be a recipient created tax invoice if issued by the recipient but it is missing certain required information; and
- the information can be clearly ascertained from one or more other documents provided by the recipient in the case of recipient created tax invoices.

**Accessing RCTI & RCAN Templates**

To assist QH staff in preparing the required documentation when an RCTI is required, templates are available on QHEPS as shown below. If this type of arrangement is being entered into with any QH suppliers under any circumstances, there must be a written agreement in place specifying the supplies to which it relates. A sample of the agreement is also available within the template worksheets.

**RCTI and RCAN Worksheet**

**Preparing, Issuing and Processing an RCTI**

**Step 1 – RCTI Agreement signed by both parties or an embedded agreement (with the supplier embedded in an RCTI that contains a statement as set out in GSTR 2000/10)**

An RCTI should only be prepared by QH where the circumstances make it more expedient (for the reasons stated previously) and where a written RCTI Agreement, satisfying all requirements, has been signed by both parties or a statement embedded in the RCTI. Where the RCTI clauses form part of a larger Agreement/Contract, other relevant GST clauses should also be included within the Agreement/Contract. Refer to GST Standard – Contracts

**Step 2 – Instructions Tab**

Refer to the Instructions tab of the RCTI Worksheet which contains step-by-step instructions on completing the RCTI template. Note that there are also built in hyperlinks and comment boxes in the template to ensure accurate completion of the RCTI.

**Step 3 – RCTI Tab**

Refer to the RCTI tab to access the template for the RCTI. This worksheet is protected and will allow access to non-protected cells only. These cells contain hyperlinks and comments to assist the user to complete the invoice correctly. Once the required information is correctly completed, the words “Invalid Invoice” will change to “Recipient Created Tax Invoice”. The completed RCTI will then be printed in duplicate. The RCTI original must be sent to the Supplier and the copy is to be retained by QH for 5 years.

**Step 4 – General Purpose Voucher**

An RCTI results in a payment required by QH, therefore for audit trail purposes, should be entered into Accounts Payable of FAMMIS.

Accordingly, a General Purpose Voucher, available from FAMMIS forms, is to be completed and both the original and copy version of the RCTI attached to the GPV and forwarded to Accounts Payable for processing.

Please note that this applies to one off situations and may differ for bulk grant payment runs.

| P0 – Taxable Supply GST 10% |

**RCTI Written Agreement**

Entering into an RCTI arrangement has the result of transferring administrative responsibility onto QH where QH is incurring the expenditure.
Consideration of the implications of this should be made before the agreement is entered into. It should also be noted that the QH signatory on the written agreement should have contract signing delegation.

The 2009 addendum to GSTR 2000/10 amends the ruling to allow taxpayers the option of either maintaining a separate stand-alone written agreement to use Recipient Created Tax Invoices or embed the written agreement into every Recipient Created Tax Invoice the recipient entity issues.

Option (1): A written agreement must be in place agreeing that:

a) Both parties are registered for GST at the time of entering the Agreement and the Supplier has notified QH of its Australian Business Number (ABN);

b) QH will issue RCTI’s in respect of all taxable supplies made by the Supplier, provide the original to the Supplier within 28 days, and retain a copy for itself;

c) The Supplier (Grantee) must remit the GST amount(s) to the Australian Taxation Office (ATO) to the extent required by the GST law;

d) QH will issue RCAN’s in respect of any adjustment events that occur under the Agreement, provide the original to the Supplier within 28 days and retain a copy for itself;

e) The Supplier (Grantee) will not issue Tax Invoices or Adjustment Notes in respect of the same Taxable Supplies (if this were to occur, the Supplier’s Tax Invoice or adjustment note is not considered valid and the RCTI and/or RCAN takes precedence); and

f) Both QH and the Supplier will notify the other party immediately it ceases to be registered for GST purposes, becomes aware of any reason its registration may be cancelled, or if it ceases to satisfy any of the RCTI requirements stated in the GST legislation.

QH must be reasonably satisfied that the Supplier is GST registered at the time each RCTI is issued under the Agreement. This can be achieved by contacting the Supplier or requiring the Supplier to indicate such a change on a Schedule as part of quarterly reporting etc. If there is a reasonable doubt that the Supplier is not registered for GST when issuing an RCTI, check the Australian Business Register website: www.abr.business.gov.au

An Indemnity clause is not to be inserted into the RCTI Agreement i.e. a clause stating that QH will meet the cost of any additional GST and any applicable penalty, where it is determined by the ATO that the GST had been calculated incorrectly. This is a position adopted by all Queensland government departments, based on advice from Qld Treasury. This is because the GST legislation requires the Supplier to determine and remit the relevant amount of GST, despite that it is agreed the Recipient (QH) will issue the tax invoice or adjustment note.

RCTI Embedded Statement

Option (2): As an alternative to a written agreement the supplier can embed a clause into each RCTI that is issued by the supplier. The statement must contain the following statement:

*The recipient and the supplier declare that this agreement applies to supplies to which this tax invoice relates. The recipient can issue tax invoices in respect of these supplies. The supplier will not issue tax invoices in respect of these supplies. The supplier acknowledges that it is registered for GST and that it will notify the recipient if it ceases to be registered. The recipient acknowledges that it is registered for GST and that it will notify the supplier if it ceases to be registered for GST. Acceptance of this RCTI constitutes acceptance of the terms of this written agreement.*
Both parties to this supply agree that they are parties to an RCTI agreement. The supplier agrees to notify the recipient if the supplier does not wish to accept the proposed agreement within 21 days of receiving this document.

Please refer to the RCTI Worksheet and RCAN Worksheet on QHEPS for instructions on completing these respective documents.

Changes to ABN or GST Registration of the Supplier/Grantee

Supplier ceases to be GST registered

Where the Supplier/Grantee ceases to be GST-registered, the RCTI Agreement becomes invalid and the Recipient (usually QH) must cease issuing RCTI’s for the balance of the Agreement period and remaining instalment payments will not include GST.

Supplier ceases to be GST registered – part refund of funding

A situation may arise where an overpayment occurs (e.g. Estimated number of meals-on-wheels funded exceeds number actually delivered) and the Supplier/Grantee has since de-registered for GST, but the payment was made when the Supplier was still GST-registered, then according to an ATO Private Ruling QH must issue an RCAN to the Supplier. The Supplier should pay the GST inclusive value back to QH but will only be able to claim the GST input tax credit back from the ATO if it re-registers and submits a BAS.

Supplier becomes GST registered

Scenario:

Non-government organisation (NGO) is not registered for GST when Queensland Health (QH) makes a grant payment to them. During the grant payment period, the NGO changes its registration status and becomes GST-registered and seeks the relevant portion of outstanding GST from QH. Is QH required to issue an RCTI?

Response:

According to ATO GST Private Ruling, QH is not legally obligated to issue an RCTI in this situation as the original payment was not made using the RCTI system (because the NGO was not GST-registered). As the NGO is the Supplier/Grantee, it is possible that the NGO may want QH to top up the grant payment (for the relevant GST portion) because the NGO will have to remit 1/11th of the payment to the ATO regardless of whether it receives an extra amount from QH for this purpose. Therefore, if the NGO requests the original payment to be topped up for the GST component and this occurs in the same tax period/month (as the original payment), then the NGO will be required to re-issue a Tax Invoice with amendments. If the payment is topped up in a later tax period/month, then the NGO will be required to issue an Adjustment Note for the change in consideration. The NGO and QH may then choose to enter into an RCTI Agreement for subsequent grant payments.

Change of Australian Business Number (ABN)

Scenario:

What are Queensland Health’s (QH) obligations where it has issued an RCTI with Non-government organisations (NGO) original Australian Business Number (ABN) and then the NGO acquired a new ABN part way through the grant payment period?

Response:
QH does not have any obligations under the GST Act for this transaction. At the time the RCTI was issued the NGO had provided the correct ABN at the time of the supply taking place. However, both parties will now be required to cancel their old RCTI Agreement and develop a new RCTI agreement containing the new ABN of the NGO.

Adjustment Events

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 where this may occur:

- unexpended grant monies
- refund of an overpayment

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<th>Notes</th>
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<tr>
<td>Queensland Health purchases taxable supplies</td>
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<td>(GST inclusive)</td>
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<td>Input Tax Credits claimed = 1/11th of $1,100.00</td>
<td>$100.00</td>
<td>(Input Tax Credit)</td>
</tr>
<tr>
<td>Supplier realises that QH have been overcharged and invoice should have been raised for differing amount of</td>
<td>$880.00</td>
<td>(GST inclusive)</td>
</tr>
<tr>
<td>Input Tax Credits claimed = 1/11th of $880.00</td>
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<td>(Input Tax Credit)</td>
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<tr>
<td>Decrease Input Tax Credit amount</td>
<td>$20.00</td>
<td></td>
</tr>
</tbody>
</table>

Adjustment in same month as payment:

If the error (incorrect amount charged) in invoicing is corrected in the same month that the original Tax Invoice was issued, an adjustment will not need to be made. In these cases, the original tax invoice (or RCTI) could be cancelled and a correct one re-issued. The Supplier/Grantee and Recipient/Qld Health 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 same month as payment:

Using the above figures, if payment was made in say June 2006, an Input Tax Credit of $100.00 would have been claimed in that month’s Business Activity Statement. 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.

Preparing, Issuing and Processing an RCAN

QH MUST issue an RCAN to the Supplier in the period/month an adjustment event occurs where:

- Surplus grant funds are returned to QH at the conclusion of the grant period.
- The adjustment may need to be on a pro rata basis (i.e. whole or part of the grant payment period).
- An overpayment (made by QH) is returned by the Supplier/Grantee which has since de-registered for GST

Based on ATO Private Ruling number 37550 where an organisation has de-registered and it is later discovered that an overpayment has been made (e.g., number of meals-on-wheels paid for...
exceeds number actually delivered) then an RCAN must be issued by QH. The grantee/organisation will not be able to claim the GST credit back from the ATO unless it re-registers.

QH is NOT required to issue an RCAN to the Supplier where:

- Surplus grant funds are retained by the grantee (not returned to QH) and are rolled over to the next subsequent grant etc., then an adjustment event has not occurred and an RCAN is not required to be issued.

- A Supplier/Grantee de-registers for GST during a grant payment period but QH has already made, in advance, the grant payment grossed up for GST for the relevant period (no grant funds are returned to QH)

Based on ATO Private Ruling, this scenario does not require an adjustment. The supply has not been cancelled, the consideration for the supply/grant payment remains unchanged (as long as none of the grant funds are returned to QH), and the change in registration has not stopped the supply from being ‘taxable’ at the time the supply was made because it was prior to the cancellation of the registration. Therefore, as there is no adjustment, an RCAN is not required to be issued.

**Process where RCAN is to be issued in the SAME financial year as the RCTI**

Step 1 – Open RCAN Worksheet in QHEPS

Step 2 – RCAN Tab

Refer to the RCAN tab template of the RCAN Worksheet in order to complete a Recipient Created Adjustment Note in duplicate copy. The process of completion is very similar to that of the RCTI pro forma. The template header commences with “Invalid Invoice” but will convert to “Recipient Created Adjustment Note” once all of the information has been correctly inserted.

The completed RCAN can then be printed in duplicate copy. The RCAN original must be sent to the Supplier (Grantee) and the copy is to be retained by QH for 5 years.

Step 3 – Credit Note Voucher

An RCAN results in a credit being owed to QH, therefore for audit trail purposes, should be entered into Accounts Payable of FAMMIS to offset the original RCTI. Accordingly, a Credit Note Voucher (Adjustment Note) (CNV), available from FAMMIS forms, is to be completed and both the original and copy version of the RCAN attached to the Credit Note and forwarded to Accounts Payable for processing.

As RCTI Agreements can only be entered into where both parties are GST-registered, then the supply under the agreement should usually be a taxable supply of the GST-registered Supplier and hence, the credit would include a portion of GST. Therefore, the CNV should be coded to:

| (Negative) P0 – Taxable Supply GST 10% - to offset previous P0 |

The Credit Note Voucher should link back to the original RCTI and therefore be coded back to the same account code and tax code used for the RCTI. The description on the CNV should reference the document number of the original RCTI (if possible) and an explanation of the adjustment event e.g. “document number #: Red Cross surplus grant monies returned”.

**Process where RCAN is to be issued in a SUBSEQUENT financial year to the RCTI**
The process is similar to the above except that it cannot be processed through Accounts Payable. This is because Treasury requirements are such that funds from a different financial year cannot be coded to a ‘5’ expenditure account code but rather must be receipted through Accounts Receivable to a ‘4’ code as revenue. Hence, the audit link between the RCTI and the RCAN is essentially lost to some extent.

Steps 1 & 2 – As above

Step 3 – Sundry Debtor Feeder Form (SDFF)

Instead of completing a Credit Note Voucher and sending it through Accounts Payable, a Sundry Debtor Feeder Form (SDFF) needs to be completed.

Code the SDFF to the relevant ‘4’ account code (e.g. grants revenue) and cost centre, and use tax code S0 (taxable).

<table>
<thead>
<tr>
<th>S0 – Taxable Supply GST 10%</th>
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</table>

This tax code is used because the original grant monies paid included GST as an RCTI arrangement can only be entered into where both parties are GST-registered.

Once the RCAN/SDFF has been entered into FAMMIS by Accounts Receivable they will then send the original RCAN to the Supplier (Grantee) and the copy will be retained with the SDFF in Accounts Receivable for audit purposes. The processing of the SDFF by Accounts Receivable also results in a Tax Invoice being raised in FAMMIS but this Tax Invoice is not to be printed or sent out to the Supplier. It is advisable that a copy of the SDFF and RCAN be retained by the business area/district before being forwarded to Accounts Receivable for your own business records.

When the monies are returned by the Supplier (Grantee) and received within Qld Health they are to be receipted by Accounts Receivable against the Tax Invoice entry raised in FAMMIS.

Cancellation of an RCAN

This refers to cancellation of an RCAN due to adjustment monies no longer being returned, e.g. An RCAN had already been raised and issued on the grantee but it is then agreed with the grantee that surplus grant monies no longer need to be returned.

Where the cancellation occurs in the same month that the RCAN was issued, the RCAN can purely be cancelled in FAMMIS. A letter should be forwarded to the Grantee to notify them that the RCAN has been cancelled, as an adjustment event has no longer occurred, and therefore the RCAN is no longer valid and they should not process it through their Business Activity Statement. A copy of the letter to the grantee should be attached to the cancelled RCAN as support of its cancellation (both in Accounts Receivable/Payable’s and the Business Area/District’s records).

An RCTI or invoice issued by posting on a website

The Commissioner of Taxation has previously stated that tax invoices can be issued in electronic form. This reference includes the issuing of RCTIs.

An RCTI or invoice is ‘issued’ for the purposes of Division 29 of the A New Tax System (Goods and Services Tax) Act 1999 (GST Act) when it is posted on a website, provided that:

- the RCTI/invoice is posted in an area that is readily accessible by the entity to whom the RCTI/invoice is to be issued;
- the RCTI/invoice can be downloaded or printed in a readable format by the entity; and
the entity has been informed that the RCTI/invoice has been posted on the website, for example, by email, or is aware by arrangement or agreement that RCTI's/invoices will be posted on the website.

**Foreign Currency Conversions**

To prepare the RCTI, the recipient has to be provided with the information that the supplier would use to convert the foreign currency into Australian currency and to calculate the GST payable.

If you are a supplier who makes taxable supplies for which the consideration is expressed in foreign currency, you need to give your recipient written advice stating:

- your particular exchange rate; and
- the conversion day.

If your particular exchange rate is an agreed rate and you have also agreed on the conversion day in writing, then you do not have to give a new written advice to the recipient if the recipient already holds the original or a copy of the agreement.

The recipient is required to keep written advices and foreign currency conversion agreements for five years.

### 4. Related legislation and documents

- A New Tax System (Goods and Services Tax) Act 1999
- GSTR 2000/1: Adjustment Notes
- GSTD 2005/1: Can a RCTI be an invoice for attribution purposes under Division 29 of the GST Act
- GSTD 2004/1: When will the requirement to hold a tax invoice or adjustment note be waived as a result of a court or tribunal decision
- GSTR 2000/10: Recipient Created Tax Invoices (Consolidated Ruling as of 14 Jan 2009)
- GSTD 2005/2: Is an invoice that is posted on a website ‘issued’ for the purposes of Division 29 of the GST Act.
- GSTR 2002/4: RCTIs and Foreign Currency conversions
- GSTD 2002/4:– What are the requirements for a particular document to be treated as an adjustment note when an adjustment arises from a payment made by a third party? (now WITHDRAWN)
- ATO Fact Sheet – Grants and GST: RCTIs
5. Definitions

<table>
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<tbody>
<tr>
<td>GST Act</td>
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Version Control

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