1. **Statement**

This Standard provides information and advice regarding Purchase Orders & General Purpose Vouchers.

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**

Various methods for purchasing and processing payment for goods and services are being used in Queensland Health:

- Purchase Orders
- General Purpose Vouchers
- Corporate Card

This Standard addresses purchases by Purchase Orders & General Purpose Vouchers only.

**Summary of Tax Codes**

<table>
<thead>
<tr>
<th>Purchasing Tax Codes</th>
<th>Tax Code (Non-Capital)</th>
<th>Tax Code (Capital)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10% GST included in the price (GST claimable)</td>
<td>P0</td>
<td>C0</td>
</tr>
<tr>
<td>10% GST included in the price (GST not claimable as purchase relates to Input Taxed supply – no ITC's)</td>
<td>P1</td>
<td>C1</td>
</tr>
<tr>
<td>10% GST included in the price (GST not claimable as a compliant Tax Invoice is not held at time of payment)</td>
<td>P2</td>
<td>C2</td>
</tr>
<tr>
<td>0% GST included in the price (purchase is GST Free or purchased from a non-GST registered supplier)</td>
<td>P5</td>
<td>C5</td>
</tr>
<tr>
<td>0% GST included in the price (goods and/or services out of the scope of GST)</td>
<td>P9</td>
<td></td>
</tr>
</tbody>
</table>
Requisitions

Requisitions are created in FAMMIS when a quotation is obtained for goods or services from a supplier, these goods or services should be recorded at the GST exclusive price.

Reliance on the GST classification of acquisitions determined by suppliers to Queensland Health as indicated on tax invoices may lead to the claiming of input tax credits by Queensland Health without a legal entitlement to do so.

There are a number of sources from which to gain further information in relation to correct Tax Codes:

- Other GST Standards
- Tax Code Listing
- GST Ready Reckoner
If you require further assistance the GST Help Desk is available to respond to phone and e-mail queries in regard to confirmation of tax codes for miscellaneous transactions.

**Price Quotations are GST-exclusive**

Staff involved in obtaining price quotations from suppliers should endeavour to obtain all such quotations on a GST exclusive basis to ensure comparability and also ensure the GST exclusive price is entered into FAMMIS. This can be calculated as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST inclusive Price</td>
<td>$110.00</td>
</tr>
<tr>
<td>Calculate GST: $110.00 divided by 11</td>
<td>$10.00</td>
</tr>
<tr>
<td>GST exclusive price</td>
<td>$100.00</td>
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</tbody>
</table>

**Example:**

Two quotes are obtained for a particular item.

Quote 1 is for $260 GST exclusive – no further calculation required.

Quote 2 is for $277.20 GST inclusive – calculate back to GST exclusive price - $277.20 / 11 = $25.20.

$277.20-$25.20 = $252.00.

Assuming that Quote 2 was accepted, the amount of $252.00 would be recorded on the requisition and hence on the purchase order.

Requisitions and purchasing functions will focus on the net cost to QH (i.e. the actual cost not including the Input Tax Credit to be received back from the Australian Taxation Office). FAMMIS has therefore been configured to issue purchase orders at the GST exclusive price. A note to this effect and also stating that the department agrees to pay GST where applicable appears on the order.

**Tax Codes and Purchasing/Requisitions**

Tax codes have been allocated against all catalogue items by Purchasing and Logistics (not the GST Team). These tax codes identify the expected tax status of an item. In most cases, it would be a taxable code. Where items are ordered from the catalogue a tax code will automatically be applied. However, this can be overridden when creating the Purchase Order. Where a free text order is prepared, then the materials management staff will be required to record a tax code on the order as a mandatory field.

The Tax Code allocated to an item dictates its GST treatment within FAMMIS. For example where a P0 tax code is used, one-eleventh of the GST-inclusive invoiced amount will automatically be coded to the GST Input Tax Credit (Asset) Account on processing of the invoice. This will then form part of the relevant period’s claim for “refund” from the Australian Taxation Office. The exclusive value only will be posted to the relevant GL Account code and Cost Centre.

**Text in FAMMIS**

It is not mandatory to record tax codes on requisitions. However if the requisitioner is aware of the expected GST status of the item (especially if it is a GST-Free item or a taxable item purchased for residential premises) then the GST status or code could be recorded as part of the text, to assist Accounts Payable staff to correctly code transactions.
It is the understanding of the GST Team that when a requisition is created it is at this point that quotations have been gathered and the purpose is known.

**Example 1:**
Preferred Notation on Requisition

“Repairs to residence at 1 Smith Street, Brownville as per Quote No. 123456 – Use Tax Code P1”

Compare this to –

**Example 2:**

“Repairs as per Quote No. 123456”

Unless the creator of the purchase order using example 2 above has sighted the paperwork there would be no way of knowing the repairs were to a residence (Input Taxed and no GST is claimable). This may result in the incorrect tax code of P0/C0 being applied and therefore an over claim of GST Credits.

**Tax Code Changes and/or Corrections**

Tax Code changes can be made to the Purchase Order at any stage until the payment is released to the supplier (Refer to Flow Chart in this Standard).

It should be noted that after payment has been released the only method that can be used to correct the Tax Code is by the raising of a journal. While FAMMIS will allow changes to the Tax Code after release of payment, this will not flow through to the department’s Business Activity Statement (BAS) and will not correct the under or over claiming of GST Credits.

If tax code corrections are made by journal in any month other than the month in which payment occurred, notification needs to be sent to the GST Team of:

- The original document number (the document that is being corrected) and
- The document number of the corrective journal.

This can be emailed to: gst@health.qld.gov.au

Refer to Standard – Changes and Corrections

**Supplier Agreements**

In accordance with the GST Act (Section 38-45 Medical aids and appliances), there is provision for a supplier and recipient to agree that the supply of certain medical aids and appliances not be treated as GST-Free. This may be administratively convenient for a supplier that makes both taxable and GST-Free supplies. For the recipient, it would normally only be appropriate if the aid or appliance is a business purchase, so the recipient is entitled to an input tax credit. If this option is taken up by both parties, there should be a written agreement to this effect. If this has occurred, the item would retain its original GST-free status when passed on to the end user.

There is an agreement template available on the GST Forms QHEPS page

**Manual Purchase Orders**

There is no legal requirement that Purchase Orders should either show a GST inclusive value or state the GST amount separately. As indicated above, QH orders produced from FAMMIS will be GST exclusive with a footnote to this effect.
Where a manual purchase order is prepared (i.e. the order is not processed via FAMMIS) the order should comply with the QH corporate standard for GST. That is, the order must quote prices at their GST exclusive value with a note to the effect that:

“This order is issued in accordance with the Queensland Health Trading Agreement and the General Conditions of Contract attached thereto.

This document is exclusive of GST. Queensland Health agrees to pay the applicable GST upon presentation of a valid Tax Invoice.”

Risk Management

It is important from a GST Compliance perspective to ensure the correct internal procedures are being followed and that a tax invoice is checked back against the original purchase order. The supplier's GST treatment may result in a different tax code from the default tax code that was ‘applied’ on the original purchase order. If this is the case, the correct tax treatment should be confirmed with the supplier or the GST Team. If the supplier’s GST treatment is correct, the original tax code must be amended to ensure the correct GST treatment of the transaction.

General Purpose Vouchers

Flow Chart of GPV Process

- Order placed by means other than Purchase Order
  - Supplier
  - Goods and/or services provided
  - Invoice submitted
  - General Purpose Voucher (GPV) raised and submitted to SSP for payment
    - SSP identify error and advise originator in relation to correction
    - Payement processed
    - Tax Code error found
      - TAX CODE CAN ONLY BE CHANGED BY JOURNAL AFTER PAYMENT HAS BEEN MADE
      - Advice of Tax Code corrections must be advised to the GST Team (email: gst@health.qld.gov.au)
Completing a General Purpose Voucher

At the time that this process is performed, the originator will hold the supplier’s tax invoice and complete the voucher according to information provided on the tax invoice.

Care must be exercised to ensure that under or over claiming GST Credits does not occur.

The GST inclusive amount will be entered in the amount column as, in this instance FAMMIS is programmed to calculate the GST based on the GST inclusive amount and the tax code.

For example:

Invoice processed using Tax Code P0 - $330.00 (GST inclusive)
GST Credit claimed from the Australian Taxation Office - $30.00
Debit to the GL Account and Cost Centre - $300.00 (GST exclusive)

If the same invoice was processed using Tax Code P1, P2, P5 or P9, the result will be the total amount of $330.00 being debited to the GL Account and Cost Centre.

Tax Code Changes and/or Corrections - GPV

Tax Code changes can be made at any stage until the payment is released to the supplier.

Refer to Flow Chart in this Standard.

A template “Change of Tax Code Advice” has been developed by the GST Team for use by staff to advise the originator of the GPV of errors in Tax Codes. This provides the originator with the opportunity to:

• be made aware that a “possible” error in tax treatment has been identified
• prevent correction of the transaction if you believe the original tax treatment is correct
• seek further clarification from GST Team
• expand on current knowledge of GST legislation

It should be noted that after payment has been released the only method that can be used to correct the Tax Code is by the raising of a journal.

If tax code corrections are made by journal in any month other than the month in which payment occurred, notification needs to be sent to the GST Team disclosing:

• The original document number (the document that is being corrected) and
• The document number of the corrective journal

This can be emailed to: gst@health.qld.gov.au

Refer to Standard – Changes and Corrections

4. Related legislation and documents

- A New Tax System (Goods and Services Tax) Act 1999
5. Definitions

<table>
<thead>
<tr>
<th>Term</th>
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<td>GST Act</td>
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Version Control

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