1. **Statement**

This Standard describes the processes and treatments for importations of “high value” goods and services. This does not include Importations of low value goods (goods that have a customs value of $1,000 or less).

2. **Scope**

Compliance with this standard is mandatory.

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

3. **Content**

**Introduction**

Good and Services Tax (GST) is payable on most goods imported into Australia. However, as foreign entities are generally not registered for GST, it is payable by the importer, rather than the supplier, and is forwarded to the Australian Customs Service (ACS) or an authorised customs agent in the same manner as customs duty is paid.

GST on imports is therefore absent from the initial invoice and is paid on a separate invoice to Customs or the agent. If a registered entity makes a taxable importation of goods for a creditable purpose in carrying on their enterprise, an input tax credit can be claimed for any GST paid on the importation.

**Summary of Tax Codes**

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods imported directly to Australia – Payment to overseas entity</td>
<td>P5/C5 – No GST in price @ 0% GST from Overseas Supplier</td>
</tr>
<tr>
<td>Importations of Computer Software, licences etc. that are downloaded and not sent via mail</td>
<td>P5/C5 – No GST in price @ 0% GST from Overseas Supplier</td>
</tr>
<tr>
<td>Customs ‘GST only’ invoice - example below - the whole amount of the invoice for $100 is claimable GST</td>
<td>Refer to Section “Payment to Customs” for more explanation of processing</td>
</tr>
</tbody>
</table>

**Example of a Journal for GST only**

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>31</td>
<td>Vendor</td>
<td>**</td>
<td>$100.00</td>
</tr>
<tr>
<td>40</td>
<td>Taxable value including GST</td>
<td>P0</td>
<td>$1,100.00 (GST x 11)</td>
</tr>
<tr>
<td>50</td>
<td>Adjustment of GST status</td>
<td>P9</td>
<td>$1,000.00 (GST x 10)</td>
</tr>
</tbody>
</table>
Each line would be posted to the same Cost Centre and GL account code as the original invoice from the overseas supplier.

Note: P9 is used for the adjustment of GST status. This is only to clear the balance out of the expense account.

**Non Resident with no ABN**

Overseas companies do not usually fall within the Australian GST net (although value added tax may operate within their particular country). Hence, they would:

- not have an Australian Business Number (ABN),

- not be registered for GST,

- not be charging 10% GST and

- not be obliged to provide tax invoices.

Therefore, the normal rules requiring the supplier to provide an ABN and tax invoice do not operate in relation to imports. However, a Statement by a Supplier may be required, ticking the box “The supplier is not entitled to an ABN as they are not carrying on an enterprise in Australia”. This is to prevent No ABN Withholding tax being deducted.

Refer to GST Standard - No ABN Withholding Obligations

**Imported Goods**

When goods are imported directly into Australia, GST will not be charged by the overseas supplier of the goods as they are not registered for GST in Australia. When the invoice is received, it must be processed as a GST-free supply, the tax code to use is:

<table>
<thead>
<tr>
<th>Tax Code</th>
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<tbody>
<tr>
<td>P5</td>
<td>No GST in price non-capital item</td>
</tr>
<tr>
<td>C5</td>
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</tr>
</tbody>
</table>

However, GST will most likely be charged by ACS or a customs agent on the overseas transaction unless it falls under a customs duty concession, some other exemption or if it would normally be GST Free or input taxed if purchased in Australia.

**Taxable Importations**

An Australian entity pays GST on all taxable importations irrespective of whether or not they are registered for GST or carrying on an enterprise. The general rule is that GST on taxable importations is paid at the same time, place and manner as customs duty is payable on the imported goods. Technically, you make a taxable importation if (s13-5):

- Goods are imported, i.e. brought to Australia with the intention of unloading them.

- You enter the goods for home consumption under Customs Laws.

Importers are entitled to input tax credits where the goods are imported for a creditable purpose (i.e. solely for business purposes), the importation is a taxable importation and the importer is registered for GST. In other words, input tax credits will be claimed by the importer of the goods, who also happens to be the entity that pays the GST.

A special Deferred GST Scheme is available to Approved Importers which allows them to defer payment of the GST until their first Business Activity Statement is due. This Scheme is only applicable if the Importer has obtained written approval from the ATO.
Queensland Health has not yet applied for written approval from the ATO as it is not considered necessary due to the small quantities of goods it imports and the perceived benefits of implementing the scheme.

**How GST is paid on Imports**

The Australian Customs Service collects GST on taxable importations. GST is 10 per cent of the value of a taxable importation (s13-20).

The value of a taxable importation is the sum of:

- the customs value of the goods;
- any customs duty payable;
- the amount paid or payable to transport the goods to the port or airport of final destination in Australia;
- the insurance cost for that transport, and
- any wine equalisation tax payable (s13-20).

**Tax Invoice Requirements**

Tax invoices are not required to claim Input Tax Credits on creditable importations. This is because the importer is both the payer of GST and the entity entitled to Input Tax Credits - there is no other party involved. However, a document or invoice from ACS or the customs agent needs to account for and substantiate the amount of GST paid so input tax credits can be claimed.

**Claiming Input Tax Credits**

Since Queensland Health is registered for GST, input tax credits can be claimed on any creditable importation. This will be processed in our Business Activity Statement lodged for the tax period in which GST is paid on that importation.

Refer to the section Payment to ACS or a Customs Agent below for information on how to process the payment in order to claim the input tax credits.

**Payment to ACS or a Customs Agent**

When the goods are received at an Australian port, ACS will assess them for import duty and tax and charge the recipient GST on the inclusive value of the goods (which includes any duties) if they are a taxable supply. The invoice QH receives from ACS or a Customs Agent will therefore be for the GST amount and import duty, and GST will not be 1/11th of the total of the invoice. In these circumstances staff will need to recognise that the amount previously recorded as a supply with no GST in the price (the payment to the overseas supplier) should be taxable. Therefore, it will be necessary to record the full value of the Customs GST charge as GST. Hence, the following entries should occur.

The payment of the invoice will be reflected in FAMMIS as three line items (or more if other duties have been charged), as follows:

- Line 1 – Record the amount that will be paid to the vendor, in this case, ACS or a customs agent.
- Line 2 - Record the taxable value of the GST amount. This will be an amount calculated as 11 times the value of the GST to be paid. A posting key of 40 (debit entry) must be used; and
• Line 3 - An adjustment to reverse the component of Line 2 (above) that exceeds the GST amount. This is calculated at 10 times the value of the GST to be paid to ACS or the customs agent. A posting key of 50 (credit entry) must be used.

Example: $100.00 is the amount of GST to be paid to ACS or a customs agent.

<table>
<thead>
<tr>
<th>Posting key</th>
<th>Description</th>
<th>Tax code</th>
<th>Amount $ Dr</th>
<th>Amount $ Cr</th>
</tr>
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<tr>
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**TOTALS** $1,100.00

Each line would be posted to the same Cost Centre and GL account code as the original invoice from the overseas supplier.

Note: P9 is used for the Adjustment of GST status as this is only to clear the balance out of the account.

Example of Actual Customs Invoice:

Please note: Any material printed is regarded as an uncontrolled copy.

It is the responsibility of the person printing the document to refer frequently to the relevant Department of Health site for updates.
Calculations

Are all Importations of Goods Taxable? No!

Some goods imported into Australia will NOT be subject to GST. These are:

- Goods that would have been GST-Free or Input Taxed if supplied within Australia – such as basic food, certain medical aids and appliances, cars for use by certain people with disabilities, and precious metals; or
- Goods that qualify for certain customs duty concessions.
- Items 32A and 32B – ‘low-value goods’ on which customs duty or taxes comes to $50 or less and which have a customs value of:
  - Less than $1000 (for goods imported by post); or
  - Less than $250 (for other goods).

Goods that qualify for certain customs duty concessions that are also non-taxable for GST purposes include the following items from Schedule 4 to the Customs Tariff Act 1995:

- Item 15 – goods imported by overseas travellers. (Any goods imported by travellers that are in excess of the duty free allowance will be subject to Customs duty and GST);
- Items 17 and 17A – goods returned to Australia in an unaltered condition (conditions apply);
- Items 18A and 18B – goods returned after repair or replacement under warranty;
- Item 18C – global product safety recall goods;
- Item 21 – goods imported for repair, alteration or industrial processing, then export;
- Items 23A and 23B – bequeathed goods;

Importation of Computer Software

QH may purchase computer software or licences etc. from overseas vendors who provide these goods or services via internet download or sent via email.

As GST is an Australian tax, it is not included in the price of the goods or a service purchased from overseas vendors.

Products purchased via download from overseas suppliers will therefore not be levied with GST by ACS or a customs agent and no input tax credits are available. A general invoice will be acceptable as a record of payment.

Chief Finance Officer
Importations
System Support Services
10/10/2017

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These types of transactions should be coded to:

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**Importation of Services**

Division 84 of the GST Act is intended to bring within the GST regime a supply of something other than goods or property (i.e. intangibles such as services or rights) which takes place outside of Australia, and which is made to a registered recipient, but which is nevertheless consumed here. An example of this kind of supply would be the supply of an intellectual property right made by a foreign supplier overseas to a registered entity.

More specifically, section 84-5(1) makes a supply of anything other than goods or real property, that is a supply not connected with Australia, a taxable supply if:

- The recipient of the supply acquires the thing supplied solely or partly for the purpose of an enterprise that the recipient carries on in Australia, but not solely for a creditable purpose;
- The supply is for consideration; and
- The recipient is registered, or required to be registered.

Where the requirements of section 84-5(1) have been fulfilled, the GST on the taxable supply is payable by the recipient (Australian entity) rather than the supplier, calculated as 10% of the “value of the supply”. For this reason it is referred to as a “reverse charge”. The rationale for the reverse charge approach, with its placement of the GST payment burden on the recipient, is that it would be administratively difficult to collect GST from foreign suppliers. Entitlement to an input tax credit for the GST paid would be on a pro rata basis i.e. to the extent it was for business purposes (eg, extent it was not used to provide input taxed financial supplies).

If, instead, the supply was made to an entity that acquired the item for supplies it makes solely for a creditable/business purpose (i.e. solely for taxable or GST-free supplies), Division 84 has no operation, and hence no GST is payable. It need not apply because the input tax credits otherwise available would invariably eliminate the GST payable.

Although Division 84 does not apply where the thing supplied is acquired solely for a creditable purpose, if the recipient subsequently uses the thing otherwise than solely for a creditable purpose, the adjustment rules in Division 129 will operate.

QH transactions would generally always fall outside of Division 84 as most acquisitions would be for a creditable business purpose and therefore NO GST would be payable.

**“Reverse Charges” on Taxable Supplies made by non-residents**

Supplies made by non-residents can be taxable supplies where the supply is connected with Australia & the non-resident is registered or required to be registered because its annual turnover from supplies connected to Australia is $75,000 or more. However, this can cause practical problems when the non-resident does not have a presence in Australia.

To help overcome this problem, Division 83 prescribes that GST on taxable supplies made by non-residents can, with the agreement of QH (the recipient) be “reverse charged” to QH.

GST on a taxable supply is payable by the recipient of the supply and is not payable by the supplier if:

- The supplier is a non-resident;
• The supplier does not make the supply through an enterprise that the supplier carries on in Australia;
• The recipient is registered or required to be registered for GST;
• The supplier and the recipient agree that GST on the supply be payable by the recipient.

QH can claim back the input tax credits in these circumstances, and does not require a tax invoice for the “reverse charge” supply.

However, this section does not apply to:

• A supply that is a taxable supply under Division 84 (see Importations of Services);
• A taxable supply made by a non-resident through a resident agent.

4. Related legislation and documents

• Financial Management Practice Manual
• A New Tax System (Goods and Services Tax) Act 1999
• A New Tax System (Goods and Services Tax Imposition (Recipients) – Customs) Act 2005
• Good & Services Tax Ruling – GSTR 2003/15: importation of goods into Australia
• GST Standard – When GST is not 1/11th
• GST Standard - No ABN Withholding Obligations
• Statement by a Supplier Form

5. Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>GST Act</td>
<td>A New Tax System (Goods and Services Tax) Act 1999</td>
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Version Control

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<td>01/09/2015</td>
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