Monash University Procedure

Procedure Title	**GST on Barter and In-Kind Transactions Procedures (Australia only)**
Parent Policy	Goods and Services Tax (Australia) Policy
Date Effective	23-April-2013
Review Date	17-September-2011
Procedure Owner	Divisional Director, Corporate Finance
Category	Operational Procedure
Version Number	2.2
Content Enquiries	Finance Policy
Scope	All Australian campuses All Australian staff members
Purpose	To ensure the University complies with Australian GST legislation and rulings
PROCEDURE STATEMENT	

Monash University can incur a GST liability when it makes a supply for consideration. Consideration will usually be money, but it can include non-monetary forms of payment such as found in "barter" transactions or transactions where "in-kind" contributions are made.

The GST liability occurs on either the issue of an invoice or payment of the consideration. Hence when Monash receives the supply that comprises its part of a barter or in-kind transaction, this is deemed to be 'payment of the consideration' for the supply provided by the University, and a GST liability arises. Monash must remit 1/11th of the value of the supply it provided to the ATO.

Where the value of the two supplies is the same (ie has the same dollar amount, GST amount and GST status), swapping complying tax invoices in the same month ensures that the GST liability and the input tax credit to be claimed back from the ATO offset each other and this negates the need for any funds to be transferred between the two entities.

There may be some cases where one supply is worth more than the other. Where this occurs the two invoices will not completely offset each other and a payment for the balance will be required by one of the entities.

Barter and In-Kind Transactions

1. Determining who will take responsibility for the invoices for the two transactions

1.1. The department negotiating the deal with the other entity should ensure that the Tax Accountant, Corporate Finance is made aware of the transaction up front as well as the relevant Research and Revenue Accounting staff member.

Responsibility
Faculty Staff

1.2. The Tax Accountant will work with the faculty staff member and the external entity to determine the best approach to take with regards to the invoicing. One of the following three approaches may be selected:

a. The external entity will enter into an RCTI agreement with Monash University and the entity will issue both the tax invoice for their supply and the RCTI for the supply provided by Monash; or

b. The external entity will enter into an RCTI agreement with Monash University and Monash University will issue both the tax invoice for its supply and the RCTI for the supply provided by the external entity; or

c. Each entity will issue their own tax invoice for the supply that they are providing.

Responsibility
Tax Accountant, Corporate Finance

2. RCTI arrangements where the external party creates the invoice and the RCTI

2.1. An RCTI agreement must be in place before the transactions are processed. This should be generated by the external party creating the invoice and the RCTIs but if they do not have a standard agreement, one must be created by Monash University.

Responsibility
Taxation Accountant, Corporate Finance

2.2. The RCTI agreement must be signed by Corporate Finance Division.

Responsibility
Executive Director, Corporate Finance

2.3. It must be communicated to the external party that both the invoice and RCTI must be sent directly to the Taxation Accountant, Corporate Finance, who will arrange processing.

2.4. The tax invoice received by the Taxation Accountant must be coded to an appropriate General Ledger expense account, cost centre and fund.

2.5. The RCTI received by the Taxation Accountant must be coded to an appropriate General Ledger income account, cost centre and fund.

Responsibility
Taxation Accountant, Corporate Finance

2.6. The Tax Team will advise Corporate Receivables of the transaction and an RCTI will be processed in SAP ensuring that the posting date is in the same month as the posting date which will be used to process the tax invoice.

2.7. The tax invoice and a copy of the RCTI are to be provided to the Accounts Payable Team Leader.

Responsibility
Corporate Receivables

2.8. The tax invoice is processed in SAP by Accounts Payable (posted in the same month as the RCTI) and the vendor account is offset against the RCTI, where:

a) both the RCTI and the tax invoice are for the same amounts and have been entered in SAP, the tax invoice will be processed in such a way as to offset the RCTI so that no transfer of funds is required by either entity.

b) the supply to Monash is for an amount greater than the supply to the other entity, the RCTI and the tax invoice will still be offset against each other, but Monash will owe an additional amount and the balance will be paid.

c) the supply to the other entity is for an amount greater than the supply to Monash, the RCTI and tax invoice will still be offset against each other but the customer will be required to pay Monash the balance.

Responsibility
Accounts Payable Team Leader

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3. RCTI arrangements where Monash creates both the tax invoice and the RCTI

3.1. An RCTI agreement must be created and signed by both organisations.

Responsibility
Taxation Accountant, Corporate Finance

3.2. The RCTI agreement must be signed by Corporate Finance Division.

Responsibility
Executive Director, Corporate Finance

3.3. A tax invoice for the barter transaction must be created in SAP using an appropriate general ledger income account, cost centre and fund and the original invoice is to be provided to the Tax Team, Corporate Finance, who will ensure it is sent together with the RCTI produced by Monash.

Responsibility
Research and Revenue Accounting Services Staff Member

3.4. An RCTI must be created which contains all the information required (refer to the Accounts Payable procedures).

3.5. The RCTI Monash is paying on, must be sent to the Accounts Payable Team Leader along with a copy of the tax invoice issued by Monash.

Responsibility
Taxation Accountant, Corporate Finance

3.6. The RCTI is processed in SAP by Accounts Payable (posted in the same month as the RCTI) and the vendor account is offset against the invoice raised by Monash, where:

a) both the RCTI and the tax invoice are for the same amounts, no transfer of funds is required by either entity.

b) the supply to Monash is for an amount greater than the supply to the other entity, the RCTI and the tax invoice will still be offset against each other, but Monash will owe an additional amount and the balance will be paid.

c) the supply to the other entity is for an amount greater than the supply to Monash, the RCTI and tax invoice will still be offset against each other but the customer will be required to pay Monash the balance.

Responsibility
Accounts Payable Team Leader

3.7. The original tax invoice and the RCTI must be sent to the external organisation together, within 28 days of the RCTI being raised.

Responsibility
Taxation Accountant, Corporate Finance

4. Arrangements where each entity issues a tax invoice for the supply it is providing

4.1. It must be communicated to the external entity that the tax invoice they raise must be sent to the Taxation Accountant, Corporate Finance to ensure it is processed in the same month as the invoice to be raised by Monash University.

4.2. The tax invoice which Monash University receives from the other entity must be coded to an appropriate general ledger expense account, cost centre and fund.

Responsibility
Taxation Accountant, Corporate Finance

4.3. The tax invoice which Monash University issues must be raised and coded to an appropriate general ledger income account, cost centre and fund account. The posting date should be in the same month as the date of the tax invoice received from the other entity so that a transfer of funds can be avoided and so that the GST is both paid and collected in the same month.

4.4. The invoice should be sent to the customer and a copy provided to the Taxation Accountant, Corporate Finance.

Responsibility
Research and Revenues Accounting Staff Member

4.5. The Taxation Accountant will instruct Accounts Payable to process the invoice from the external entity and offset it against the tax invoice created by the Research and Revenue Accounting staff member, where:

a) both invoices are for the same amounts, they will be processed in such a way as to offset each other so that no transfer of funds is required by either entity.

b) the supply to Monash is for an amount greater than the supply to the other entity, the two invoices will still be offset against each other but Monash will owe an additional amount and the balance will be paid.

c) the supply to the other entity is for an amount greater than the supply to Monash, the two invoices will still be offset against each other but the customer will be required to pay Monash the balance.

Responsibility
Accounts Payable Team Leader

Responsibility for implementation	Vice-President (Finance) Divisional Director, Corporate Finance
Status	Revised
Approval Body	**Name:** Vice-President (Finance) **Date:** 10-July-2015 **Author:** Taxation Manager Corporate Finance Division
Definitions	**ATO**: Australian Taxation Office **GST**: Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999 (the GST Act). **Input Tax Credit**: An entitlement arising under section 11-20 or 15-15 of the GST Act. The amount of an input tax credit for a creditable acquisition is an amount equal to the GST payable on the supply of the thing acquired. **Barter**: The direct exchange of goods or services for other goods or services without the exchange of money. **In-Kind**: Where benefits such as staff and infrastructure are provided without the exchange of money. **Consideration**: As defined in the GST Act. It includes any payment, or any act or forbearance, in connection with a supply of anything; and any payment, or any act or forbearance, in response to or for the inducement of a supply of anything. **Recipient Created Tax Invoice (RCTI)**: An invoice which is issued by the entity that receives the taxable supply (the recipient) rather than the actual supplier. This is permitted where both the recipient and the supplier are

	registered for GST and, at the time the RCTI is issued, the entities have a current written agreement with each other stating the supplies covered (RCTI Agreement). Refer to the GST and Tax Invoices (Accounts Payable) (Australia) Procedures and GST and Tax Invoices (Accounts Receivable) (Australia) Procedures. **SAP**: The University's finance system. **Supply**: As defined in the GST Act: Any form of supply whatsoever and includes: a supply of goods; a supply of services; a provision of advice or information; a grant, assignment or surrender of real property; a creation, grant transfer, assignment of any right; an entry into, or release from, an obligation to do anything, to refrain from an act, or to tolerate an act or situation.
Legislation Mandating Compliance	A New Tax System (Goods and Services Tax) Act 1999
Related Policies	Global Taxation Policy
Related Documents	