

GST ON INCENTIVES IN THE NEWSAGENCY INDUSTRY

INCENTIVE AGREEMENTS FOR NEWSAGENTS AND THE AUSTRALIAN TAX OFFICE VIEW

It has become common practice for greeting card manufacturers and wholesalers to offer newsagency retailers financial incentives to display and sell their merchandise on a preferred or exclusive basis.

The Australian Tax Office has clear guidelines to explain how GST laws apply to formal incentive schemes between retailer and supplier, known as incentive agreements.

An incentive agreement, formalised in writing or made verbally, is defined as any monetary or non-monetary payment received from a greeting card supplier in return for:

- entering into an agreement to use the supplier as your greeting card supplier; or
- renewing a current agreement as your greeting card supplier.

Non-monetary incentives can be in the form of free stock, fixtures and fittings at no cost, or other non-cash benefits.

Under GST rulings, any monetary or non-monetary incentive received from a greeting card supplier is deemed to be payment in return for a taxable supply. The value of the taxable supply is deemed to be the amount of any monetary incentive and/or the value of non-monetary benefits provided (including GST).

Determining the value, and therefore the GST component, of any non-monetary benefit should be done using a reasonable method. Examples include:

- the market value of an identical good, service or other item;
- the market value of a similar good, service or other item;
- the market value of the supply; or
- a professional appraisal.

When an incentive payment (monetary or otherwise) is received, you are required to:

- account for the GST amount included in the supply you make;
- issue a tax invoice to the greeting card supplier if the value of the incentive is more than \$82.50 (including GST); and
- report the GST component of the incentive payment on your BAS.

If the incentive agreement is terminated, the incentive payment refunded (in full or partially) and/or any non-monetary benefits returned after GST has been reported, you will be required to make an adjustment on your next BAS.

For further help with your newsagency's accounting and financial needs, feel free to contact Damian Knoblanche at The Peak Partnership on 07 3360 9888 or send your email to damiank@peakpartnership.com.au.

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