

# GST INFORMATION NOTE FOR NEM REGISTRATION APPLICANTS

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## IMPORTANT NOTICE

### Purpose

This document provides limited information for registration applicants about the application and administration of the GST to National Electricity Market transactions, current as at the date of publication.

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## **VERSION RELEASE HISTORY**

Version	Effective Date	Summary of Changes
1.0	November 2009	Initial version
<u>2.0</u>		Update to AEMO format <u>and complete review</u>

## GST INFORMATION NOTE FOR REGISTRATION APPLICANTS

Administration of the Goods and Service Tax (GST) in the National Electricity Market (NEM)

~~As you are aware the~~ GST is applied to most National Electricity Market (NEM) transactions, although NEM spot and ancillary services prices are published exclusive of GST.<sup>1</sup> A detailed paper on the administration of the GST in the NEM, "Application of the GST to NEM Transactions" is ~~also~~ available on AEMO's website. Finance staff of applicant organisations should familiarise themselves with the detailed information in that paper.

This information note is intended to explain, for applicants wishing to be registered as NEM Market Participants, the requirement to provide your organisation's written agreement addresses two issues discussed in the paper:

~~1. Reinforce that the Price exclusive approach to publishing Electricity Spot Prices is adopted in the NEM; and~~

~~2. Obtain the Written Agreement of your organisation to AEMO issuing Recipient Created Tax Invoices for NEMational Electricity Market transactions.~~

~~1.—The NEM Spot price will be published exclusive of GST~~

~~The ACCC has confirmed that they do not object to the publishing of Spot Prices exclusive of GST provided any publication clearly states that GST exclusive pricing is the method of pricing being used. As from 1 July 2000, the published spot price has been deemed GST exclusive. In GST exclusive sales, the Spot Price will be increased by 10% at the time of invoicing. All other NEM transactions, such as Ancillary Services and Pool Fees rates, that are deemed taxable supplies will be treated in a consistent manner and initially calculated on a GST exclusive basis and increased by 10% at the time of invoicing.~~

~~2.—Background on the Written Agreement regarding the issue of the Recipient Created Tax Invoice by AEMO~~

The Tax Invoice is the primary document to support claims made to the Australian Tax Office for input tax credits. AEMO trades as a principal in the ~~NEMational Electricity Market~~. This means that AEMO purchases energy, ancillary services and other services from participants providing energy, market network services and ancillary services, engaged in generator and network service provider activities and then acts as the seller of those energy amounts and ~~, ancillary services and other services~~ to the participants who are required to purchase them from the NEM, engaged in retailer and end-use customer activities.

It follows that AEMO should issue a Tax Invoice for taxable supplies made by AEMO to Market Participants who purchase energy and services from the NEM engaged in retailer activities.

However, it is generally not workable for Market Participants who make taxable supplies of energy and services to AEMO. On the other side, Participants engaged in generator and network service provider activities are generally making taxable supplies to AEMO.

However AEMO believes it is not practical for these Participants to issue AEMO with Tax Invoices for those supplies. This is because AEMO's systems determine the as-prices, volumes and trading amounts for those supplies. For practical purposes therefore, AEMO will be determined by AEMO's systems. The alternate option is that AEMO issue Recipient Created Tax Invoices.

Goods and Services Tax Ruling (GSTR) 2000/10 Paragraph 8 identifies circumstances relevant to the NEM where invoices ~~may would~~ be created by the recipient of supplies:

<sup>1</sup> As are prices for any other taxable supplies in the NEM. GST at the applicable rate is added at the time of invoicing.

- (a) the value of the supply is established by the recipient rather than by the supplier, and
- (b) (iii) the supplies are arranged and recorded using electronic purchasing systems operated by the recipients (to require a tax invoice to be issued by the supplier would detract from the effectiveness of these systems).

~~Agreement is also being sought with retailers and end-use customers to cover the possibility that future settlement may identify a taxable supply by the Participant to AEMO.~~

The legislation requires that a ~~w~~Written ~~a~~Agreement be in place between the parties to any transaction before an RCTI can be issued for that transaction. The points to be agreed are set out in paragraph 13(e) of GSTR 2000/10 and have been reflected in [AEMO's form of Agreement For The Issue of Recipient Created Tax Invoices](#).

~~Applicants for registration as Market Participants are required to execute and return this agreement in accordance with the instructions provided. Note this requirement also applies to Market Customer applicants~~ is also being sought with retailers and end-use customers to cover the possibility that future settlement may identify a taxable supply by the ~~Market Customer Participant~~ to AEMO.