



IS A TAX INVOICE REQUIRED FOR A BARTER TRANSACTION?

Yes. A tax invoice is required for a barter transaction as it is for any other business transaction. However, where a member of a trade exchange makes a taxable supply and the consideration is expressed in credits, the tax invoice must comply with all of the usual requirements for a tax invoice, and it must include:

- the GST inclusive price expressed in Australian currency; or
- the GST payable in Australian currency.

DO AUSTRALIAN BUSINESS NUMBER (ABN) OBLIGATIONS APPLY TO BARTERING TRANSACTIONS?

Yes, to the same extent as for any other business transaction.

Example – tax invoice

Harvey and Carol are registered for GST. Harvey uses his Better Bartering credits (BBs) to acquire a new computer from Carol for his bookkeeping business. The rules of the exchange specify that one BB equals \$1, and the market value of the computer is actually calculated in BB credits on this basis. Carol issues Harvey with a tax invoice, showing the price of the computer in BBs and the GST payable in Australian currency converted at the rate of one BB equalling one Australian dollar.

If Carol did not quote an ABN, Harvey would be required to withhold 48.5% of the payment and remit that amount to us.

DO RECORDS OF BARTER TRANSACTIONS NEED TO BE KEPT?

Yes. Members of trade exchanges must keep records that record and explain all business transactions and other acts they engage in that are relevant to a particular supply importation, acquisition, dealing or entitlement. The records must be kept for five years after the completion of the transaction or acts to which they relate.

In addition to ordinary accounting documents, this may include invoices and receipts, as well as purchase orders, delivery dockets, contracts, barter scheme statements, and any other relevant documents.

The other relevant documents may include the application for membership of the bartering scheme, the rules of the scheme, and any other documents governing the relationships between members, and between members and the trade exchange.

MORE INFORMATION

If you need more information about tax and bartering transactions, you can:

- phone **13 28 66**
- visit our website at **www.ato.gov.au**, or
- write to us at **PO Box 9935** in your capital city.

If you do not speak English and need help from us, phone the Translating and Interpreting Service on **13 14 50**.

People with a hearing or speech impairment with access to TTY or modem equipment can phone **13 36 77**. People without TTY or modem equipment can phone the speech to speech relay service on **1300 555 727**.



BARTERING AND BARTER EXCHANGES

Business transactions involving bartering
will result in tax obligations.

WHAT IS BARTER?

In its simplest form, bartering involves the direct exchange of goods or services for other goods or services without reference to money or a money value.

HOW DOES BARTERING OPERATE NOW?

There are sophisticated forms of bartering in the market place, both locally and internationally. These arrangements are typically controlled by member-only organisations, with credit units the medium of exchange.

The terms 'exchange', 'barter exchange', 'trade exchange' and 'countertrade exchange' are used to describe the organisation that manages the bartering operation. Various terms are used to refer to the medium of exchange, such as units, credits, trade dollars or barter dollars. The most commonly used term is trade dollar.

Trade exchange operations vary in size and sophistication, from community-based to business-based operations.

A trade exchange provides its members with a trading account for the purpose of recording member transactions. The trade exchange credits or debits the account each time a member makes a sale or purchase respectively. The account is also debited for fees the trade exchange charges its members. The trade exchange may buy and sell in its own right, acting as a member with its own trading account.

WHAT IS THE TAX TREATMENT OF BARTERING TRANSACTIONS?

Barter transactions are assessable and deductible for income tax purposes to the same extent as other cash or credit transactions.

When an entity that is a member of a trade exchange makes a taxable supply to another member, there is a liability for tax, including goods and services tax (GST).

Consideration, including payment, may be in money or in kind, or in some instances a combination of these. The consideration paid for supplies between members of a trade exchange is the debiting of the recipient's account and the consideration received is the crediting of the supplier's account.

For tax purposes, we consider one trade dollar (T\$1) equal to one Australian dollar (\$1), unless it can be shown that the T\$1 is being traded consistently at a different value or the amounts

paid or received for goods or services do not reflect the real commercial value of the goods or services. If the consideration attributed to the supply does not reflect the real commercial value of the supply, the credits attributed to the supply convert to the GST-inclusive market value of that supply.

Example – GST payable on a taxable supply between members of a trade exchange

Harvey and Tracey are registered for GST and are both members of the Better Bartering Exchange. Harvey is a bookkeeper and provides bookkeeping services to Tracey who operates a courier service. Harvey's trading account is credited with 440 Better Bartering credits (BBs) for the supply of services to Tracey.

Under the rules of the exchange, one BB equals \$1 and the commercial value of the service is \$440. The price of the supply is 440 BBs. Before calculating the value of the supply, the 440 BBs are converted to their Australian dollar equivalent – \$440. The value of the taxable supply that Harvey makes is \$440 x 10/11, which is \$400. The GST on the supply is therefore \$40 (that is, 10% of \$400).

Harvey will declare \$400 as assessable income on his income tax return, and Tracey will claim \$400 as a deduction on her tax return.

CAN GST BE REMITTED IN TRADE DOLLARS?

No. For the purposes of the tax laws, payments such as GST, income tax and the superannuation guarantee levy must be remitted to us in Australian currency.

Generally, only other members of the trade exchange and the trade exchange itself may accept payment in trade dollars.

CAN TRADE DOLLARS BE USED TO MAKE PERSONAL PURCHASES?

Yes. However, such purchases will not be deductible for tax purposes, and a GST credit cannot be claimed.