

GST Information Sheet #1 for system suppliers



How to invoice your customer

Background

In recent times there has been some confusion amongst suppliers of renewable energy and energy saving systems on how to treat GST. Green Energy Trading has worked closely with the Australian Tax Office (ATO) and other industry bodies to define better practice. Whilst the existence of environmental certificates does add an additional layer of complexity to the invoicing process, the correct procedure is quite straightforward.

Invoicing system owners

Regardless of whether the system owner (your customer) is registered for GST or not, you must add the full 10% GST to the total price of the system, before any allowance is made for the environmental certificates.

It is permissible to offer the system owner an upfront reduction on their bill, in exchange for receiving the proceeds of the environmental certificates. Whilst this is commonly known as a 'point of sale discount,' it is important to understand that the ATO considers this merely another method of receiving payment – it is *not* a discount of any kind.

To ensure correct GST compliance you must treat the certificate value as a payment, and ensure that it does not reduce the GST amount on your invoice. This process is best explained in the following examples of correct and incorrect invoicing:

EXAMPLE BASED ON: System cost = \$9000 Certificate value = \$5000

CORRECT INVOICING

DESCRIPTION	TOTAL
System cost	\$9000
GST	+\$900
SUBTOTAL	\$9900
CERTIFICATE VALUE	-\$5000
TOTAL	\$4900

INCORRECT INVOICING

DESCRIPTION	TOTAL
System cost	\$9000
Less certificate value	-\$5000
SUBTOTAL	\$4000
GST	+\$400
TOTAL	\$4400

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Giveaway products

The above interpretation has particular significance to suppliers whose business model includes the supply of 'giveaway' products which are entirely funded by the value of environmental certificates. Whilst it is permissible to supply products at effectively no upfront cost, the ATO still expects the supplier to remit 10% GST on the true or market value of the supply.

Assuming then that an LED lamp is installed as a straight exchange for the certificate(s) created, you must still invoice the supply correctly for the lamp's list price (or a reasonable estimate), calculate the GST payable, then deduct the certificate value from that figure.

For further information

The ATO has published a helpful fact sheet outlining these requirements. Whilst it deals exclusively with STCs, we have been advised that the principles remain the same regardless of the type of environmental certificate being created. This fact sheet can be accessed here: <http://www.ato.gov.au/Business/GST/In-detail/Your-industry/Other-industries/GST-and-the-small-scale-renewable-energy-scheme/>

Should you have any further questions in relation to GST, please don't hesitate to:

- call us on 03 9805 0700 or 1300 077 784, or
- visit our website at www.greenenergytrading.com.au

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