

GST Information Sheet #3 for system suppliers



Invoice requirements for GST-registered customers

Background

At times, the treatment of GST on environmental certificates (STCs, VEECs and ESCs) has been a difficult issue for system suppliers to manage, and has been compounded by the emergence of a variety of different business models and the presence of confusing and often contradictory information.

To better understand the GST requirements of your environmental certificate assignment, the following two important principles may assist:

1. In a standard installation, there are actually two separate and distinct transactions taking place:
 - the sale of the PV, hot water, heating or lighting system from the supplier to the system owner (your customer); and
 - the sale of the right to create certificates from the system owner to the registered agent (e.g. Green Energy Trading).
2. Where the system owner is registered for GST, an input tax credit cannot be claimed by the registered agent unless the agent holds a compliant tax invoice from the *system owner* for the sale of the right to create the certificates.

For further clarification, please refer to the following fact sheet on the Australian Taxation Office's website: <http://www.ato.gov.au/Business/GST/In-detail/Your-industry/Other-industries/GST-and-the-small-scale-renewable-energy-scheme/>

Assignment requirements

Green Energy Trading requires a number of supporting documents to process a certificate assignment. These may be required for regulatory or compliance purposes, or simply to meet standard business requirements, and may change from time to time.

When the system owner (your customer) is registered for GST (i.e. a commercial or business installation), Green Energy Trading requires a tax invoice for the right to create certificates from the system owner. This satisfies the ATO requirements outlined above, but does not affect the flow of payments or any existing business arrangement between yourself and your customer, and you may still accept the certificate value as part payment of the system cost.

Green Energy **Trading** Pty Ltd
ABN 21 128 476 406
2 Domville Avenue
Hawthorn VIC 3122 Australia
T 1300 077 784 | +61 3 9805 0700
F +61 3 9815 1066
benefit@greenenergytrading.com.au
greenenergytrading.com.au
Part of the Green Energy Group

Commonly, the price quoted to the system owner for the certificate value differs from what Green Energy Trading will actually pay, due to certificate price movements or value-sharing business models. In this situation, Green Energy Trading will require an adjustment tax invoice from you, the system supplier, for the difference in value. Whilst this sounds complex, in practice it is easy to implement, as this example demonstrates:

Solar Inc. supplies and installs a system for Acme Pty Ltd. The total price is \$11,000 inclusive of GST.

Solar Inc. provides an allowance for the STC value of \$3,300 to Acme Pty Ltd, which gladly accepts.

After installation, Solar Inc. submits the assignment to Green Energy Trading. As the STC price has risen since the job was quoted, Green Energy Trading will actually pay Solar Inc. \$3,850 inc. GST for Acme Pty Ltd's STCs.

This extra \$500+GST will mean that Solar Inc. actually receives \$11,550 for the installation. To account for this, they provide Green Energy Trading with an invoice for \$550 (inc. \$50 GST) for 'handling/administration fees'.

Green Energy Trading will then make full payment of \$3,850 (inc. \$350 GST) as directed in the assignment form.

In a situation where the price has fallen, Green Energy Trading will issue the adjustment invoice to you, the system supplier, enabling you to recover the GST paid on the higher amount quoted (via an input tax credit on your BAS).

Please access the following link, where the Australian Tax Office, in collaboration with the REC Agent's Association, has confirmed this as a compliant practice for the example given:

<http://www.recagents.asn.au/raa-briefing-paper-on-gst-for-environmental-certificates/>

These processes do not affect the net payments received from us for the certificate value. They merely ensure we are all transacting in the compliant manner advised by the ATO.

An explanatory fact sheet has been prepared for system owners, explaining the requirement to invoice Green Energy Trading and providing all necessary information. A handy calculator is also available from Green Energy Trading to quickly determine what adjustment invoice – if any – is required.

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

The following information is based on the most up-to-date information available to Green Energy Trading and is of a general nature. As such, it may not be appropriate for your specific situation, and you should always seek advice from your taxation specialist. Whilst we make every effort to ensure that the information on this fact sheet is accurate and complete we do not accept any liability arising from any inaccuracy or omission in any of the information herein, or any liability arising in respect of information provided by us or any other person.