

TAX TALKS

Australia's Tax News Podcast - The Podcast for Australian Tax Professionals

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137 | Indirect Tax Zone

For there to be a taxable supply there must be a connection with the indirect tax zone. If the supply has no connection with the indirect tax zone, it is not taxable.

Indirect Tax Zone

Exports are GST-free. So you still get all your input tax credits but don't have to charge any GST. You check in two steps whether your supply qualifies as an export.

The first step is to see whether the supply has even a connection with the indirect tax zone (ITZ). If it doesn't, then you don't need to worry whether it is GST-free since it is not a taxable supply anyway. So the indirect tax zone plays a crucial role in GST land and this is what this episode is about.

The second step is to see whether the supply qualifies for a GST-free export. And we cover that in the next two episodes for the export of goods and services.

At the top you find the audio file of our talk with Simon Dorevitch of [A & A Tax Legal Consulting](#) in Melbourne about the indirect tax zone. We have summarised our learnings from this talk with Simon here for you, but please listen to the episode itself since Simon explains all this much better than we ever could.

Taxable Supply

To be a taxable supply, the transaction must meet 6 conditions listed in s9-5 of the GST Act.

- 1 – There must be a supply.
- 2 – The supply must be for consideration.
- 3 – The supply must be in connection with the supplier's enterprise.
- 4 – The supply must be connected with the indirect tax zone.
- 5 – The supplier must be or required to be registered for GST.
- 6 – The supply must not be GST-free or input taxed.

So with regards to exports you first determine whether the supply has a connection with the indirect tax zone. And if it has, then you check whether it qualifies as a GST-free export.

Connected with the Indirect Tax Zone

The indirect tax zone (ITZ) is a concept that started as of 1 July 2015. The ITZ covers a smaller area than Australia and excludes certain offshore territories and sea locations.

Section 9-25 distinguishes between the supply of goods, real property and 'anything else' with respect to the indirect tax zone.

Goods

The supply of goods is connected with the ITZ if the goods are delivered/ made available in or removed from the indirect tax zone.

Real Property

Any supply of real property has a connection with the ITZ if the land is in the ITZ. Real property includes a contractual right over land.

Anything else

For anything else it is all about where the thing is done. A supply is connected with the ITZ, if the thing is done in the ITZ or if the thing is done through an enterprise carried on in the ITZ.

Enterprise Carried on in the ITZ

Section 9-27 (1) of the GST Act defines when an enterprise is carried on in the indirect tax zone. It all depends on the physical location of people and its place of business. The enterprise needs to have people and a place of business in the ITZ.

Separate Supplies

Sometimes a supply is partly in and partly out. One part of the supply has a connection with the indirect tax zone. And the other part doesn't

If this is the case, then s 96-5 advises to treat the supply as two separate supplies. So you treat the part of the actual supply connected with the ITZ as if it was a separate, stand-alone supply.

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