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ILL tax ruling

It is not often I think of taxation as a good news story. Good news it is though from the Australian Taxation Office (ATO) in a private ruling for the Association on inter-library lending. We sought clarification from the ATO on the distinction between taxable and non-taxable supplies. We were prompted to do this because of differing interpretations on inter-library lending and the GST being given to some of our members. In effect the ruling confirms the advice from PricewaterhouseCoopers provided to our members in April this year.

In summary, the issue and redemption of inter-library loan vouchers by ALIA will not attract GST on the face value of the vouchers but GST is payable on the handling fee; GST is payable on the supply of an inter-library loan; and the provision of a loan or copies of documents under an agreement where no fee is charged, either by way of a voucher or in cash, is GST-free where there is no right of reciprocal service from the recipient of the loan or copy.

The initial issue of the ILL voucher is not a taxable supply up to the face value. Section 100 of the *A New Tax System (Goods and Services Tax) Act 1999* provides that the initial issue of a voucher which has an agreed or identifiable value is not a taxable supply.

A taxable supply occurs when:

- a supply is made for consideration; and
- the supply is made in the course of conducting an enterprise; and
- the supply is connected with Australia; and
- the entity making the supply is registered or required to be registered for GST purposes.

The ATO considers that the use of vouchers to acquire goods (photocopies) or services (access to a loan item) is a taxable supply.

The consideration is the face value of the voucher. It represents an asset which can in turn be used to acquire something of an agreed value.

The supplier of the loan or copy will have a liability to include the GST component of the value of any vouchers provided in return for the supply. The library which acquires the loan or copy will be entitled to claim an input tax credit equal to the GST component of the voucher it provides.

A non-taxable supply is the provision of loan or copies of documents under an agreement where no fee is charged, either by way of a voucher or in cash, and where there is no right of reciprocal service from the recipient of the loan or copy. The Association advised the ATO that within the inter-library lending scheme there are a large number of co-operative groups/consortia which provide loans or copies from their specialised discipline or collection to other libraries at no charge, for example between health and medical libraries, law libraries, and public library networks. The groups have formal arrangements in place whereby participating libraries are members. The groups operate under the same principles as the inter-library lending scheme including that there is no financial or commercial gain by participating libraries, there is no cost to the user requesting the supply, and there is no legal requirement on any library to provide the supply, or to expect a supply of equivalent value. According to the ATO in such circumstances there is seen as being no consideration for the supply and therefore it cannot be a taxable supply. However, if there is a clear right to reciprocal service, rather than a mere expectation, that right is seen as being the consideration for the supply and a taxable supply occurs and the recommended scale of charges for ILL would be the best reference for the supply.

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Membership renewals

Our move to the July–June membership year has confused some members. Your renewal paid at the beginning of the year was for the six-month period, January to June 2000. The renewal notice sent out in June is for the twelve-month period, July 2000 to June 2001. And thanks for the positive feedback on the membership cards. ■