



# AUSTRALIAN TAX ADVISER

2309 : MAY 2023

The IFX Legal Tax Team

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## SECTION 1 – PROFESSIONAL DEVELOPMENTS

### GST IMPLICATIONS OF BUY NOW, PAY LATER ARRANGEMENTS

With the ever-growing number of organisations offering buy now pay later options, the Tax Office has released [advice](#) on how the GST affects these arrangements.

Buy now, pay later schemes do not generally have an interest component, but those that do are explained below. The majority of these arrangements can broadly be divided into two types: those where the retailer itself offers the facility and those where the finance is provided by third parties (usually credit card companies).

#### ¶9.1 Financial arrangements generally

The first issue that must be explained about financial arrangements is the definition<sup>1</sup>, which includes *the provision, acquisition or disposal of an interest ...* For this reason, financial arrangements are typically referred to as ‘acquisition supplies,’ which means that both the supplier and recipient of a financial supply will be both making and disposing of the same financial interest.

This aspect of the legislation (though confusing) has relevance both for the calculation of the *financial acquisitions threshold* (where both supplies and acquisitions are considered) and for the calculation of *reduced input tax credits* for entities that exceed the threshold. Readers will be aware that entities that do not exceed the financial acquisitions threshold are entitled to input tax credits for their financial acquisitions<sup>2</sup>.

#### ¶9.2 The basic case – the retailer provides the facility for no charge

This scenario is less common than most other types of buy now, pay later schemes offered to the public. When they do occur however, the retailer makes an input taxed supply of credit, and a taxable supply of the product. The supply of credit is an input taxed supply under s 40-5, and the supply of the merchandise is typically a taxable supply.

It is unusual in these cases for the retailer to exceed the *financial acquisitions threshold*, so the acquisitions relating to the supply of credit would usually be creditable acquisitions. This is of course predicated on the acquisitions having GST in the price (see s 11-5(a)).

The supply of the product would normally be a taxable supply, so the retailer would account for GST on that supply in the normal way.

The terms ‘money’ and ‘digital currency’ are both extensively defined in s 195-1 and elsewhere; the relevance being that a supply of money or digital currency is not treated as a ‘supply’ for the purpose of s 9-5 (unless it

<sup>1</sup> Found in Regulation 40-5.09 of the GST Act

<sup>2</sup> For example, GST incurred on legal fees incurred in relation to the acquisition or disposal of financial interests will still be creditable despite s 11-15(2) (a) of the GST Act (see s 11-15(3)).