# eJournal of Tax Research

Volume 9, Number 2 December 2011

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Atax UNSW

eJournal of Tax Research (2011) vol. 9, no. 2, pp. 194 - 219

# Financial supplies: Bundling &

a self-supply bias such that financial suppliers would bring in-house many of the activities that they had previously acquired from third party service providers. This was perceived as being potentially damaging to those service providers.

This problem was exacerbated by the relatively narrow application of input taxed financial supply treatment which means that arranging and facilitation type services in the financial sector are taxable supplies. This can be compared with the position in many overseas VAT jurisdictions which exempt such services. The definition of financial supplies was originally contained in table in section 40-5(2) of the GST Act rather than Regulation 40-5.09(1) of the New Tax System (Goods and Services Tax) Regulation 1999 (the GST Regulations). The original definition included 'agreeing to

would otherwise arise on the acquisition of a wide range of supplies from third party service providers and thereby remove the incentive for financial suppliers to self-supply. The Consultation Document commented on the system as follows.

> This approach can deliver a similar tax outcome to broader input taxation (ie. revenue neutral) but at a lower compliance cost for certain suppliers to financial institutions. The approach also reduces other potential self-supply biases as fewer suppliers are subject to input taxation.[4]

The self-supply problem and the Government's solution were summarised in the following terms at paragraphs 5.1 and 2.5 of the Senate Further Supplementary Explanatory Memorandum to the *New Tax System (Goods and Services Tax) Bill 1998*:

> Acquisitions that are made for the purpose of making financial supplies are generally input taxed. This means that generally input tax credits are not available for such acquisitions. This could create a bias towards in-sourcing in financial institutions because the effective tax burden is higher on the outsourced services than in-sourced services. This partial input tax credit effectively removes the bias towards in-sourcing of prescribed services.

The Explanatory Statement for the *New Tax System (Goods and Services Tax) Regulation 1999* identified four benefits of the reduced input tax credit system at page 21 – 'reduced bias to insource, lower compliance costs for smaller entities, greater legislative certainty and a better competitive position for domestic service providers'. Greater legislative certainty was asserted on that basis that the Australian system would avoid the need to grapple with 'ad hoc concepts such as arranging' that have caused difficulties overseas.

The reduced input tax credit system is set out in Division 70 of the GST Act and in Division 70 of the GST Regulations. It allows an entity a partial or reduced input tax credit for an acquisition where it would otherwise not be entitled to any input tax credit because of a relationship between the acquisition and the making of input taxed supplies. The level of reduced input tax credit is 75% of a full credit.

Reduced input tax credits are available for a range of acquisitions called 'reduced credit acquisitions'. These are specifically defined in Regulation 70-5.02. There is a list of 31 separate items many of which are refined further by numerous express inclusions and exclusions. The types of services encompassed by the list include transaction banking and cash management services, payment and fund transfer services, securities transaction services, loan services, debt collection services, insurance services, services remunerated by commission and franchise fees, funds management services and trustee and custodial services.

There is significant uncertainty about the scope of many of the items identified as reduced credit acquisitions. One well publicised example arose in the context of the securitisation industry. There was disagreement for many years between the ATO and participants in that industry as to the availability of reduced input tax credits to a securitisation vehicle for the acquisition of 'servicing' services. There were two

[4] Id., p. 3.

separate points of dispute – whether the category of debt collection services in the definition of reduced credit acquisitions applies to the service of collecting all debts or only bad or delinquent debts, and whether the category of loan management services in the reduced credit acquisition definition is restricted to services acquired by actual lenders or could extend to subsequent assignees of the loans.

Another area of dispute was whether the acquisition of lenders mortgage insurance and title insurance extended to reinsurance.

Part of the problem in identifying reduced credit acquisitions is the mixed and diverse nature of the services listed in the GST Regulations and the specific terminology used to describe those services. The various items incorporate many terms that have particular meanings in the different specialist industries in which they are used and many terms that do not. The ATO has issued a comprehensive public ruling setting out its interpretation of the different categories of reduced credit acquisitions – GSTR 2004/1 Goods and Services Tax: reduced credit acquisitions. Given the binding nature of that ruling, this provides a high degree of certainty on many issues. Nevertheless there are numerous areas where there is disagreement between taxpayers and the ATO, and no doubt new issues will continue to appear.

One issue is currently emerging in the courts. Item 6 in Regulation 70-5.02 includes within the ambit of reduced credit acquisitions the acquisition of services supplied by the operator of a payment system to a participant in the system or to a third party in relation to access to the system. This item relates to item 4 in Regulation 40-5.12 which specifically excludes the supply of an interest in or under 'a payment system' res2e(.69not ad .0(,ad076697.8urT7(y bad.612c)a6( l)5 l)u)1215.0021 Toppat TD d07669b

Many of the services in the reduced credit acquisition list would be input taxed or exempt financial services in other jurisdictions. Accordingly, many of the difficulties that occur in those jurisdictions in interpreting the scope of financial services occur in Australia in the context of the reduced input tax credit system.

In the absence of a control, it is very difficult to know how effective the reduced input tax credit regime has been in Australia in terms of addressing the self-supply bias. However, many of the services identified in the reduced credit acquisition list are not readily substitutable or capable of being in-sourced. Perhaps the best example of this is investment banking services in relation to mergers and acquisitions. To the extent that such items are included in the list, the system is relatively concessionary. It allows an input tax credit even though in practice self-supply is often not a viable option for the acquirers of such services.

There are also many services that are readily substitutable and that can be in-sourced but that are not included in the list of reduced credit acquisitions. One of the best examples of this is some legal services. In relation to such services, the reduced input tax credit system does not alleviate the self-supply bias.

## 3. ARRANGING SERVICES AND BUNDLING

As noted above, the term bundling is used to refer to the situation where an entity acquires a single supply of services that incorporates two or more different elements, each of which could be acquired separately. There is a question whether bundling can create a potential mischief in the context of the reduced input tax credit system. This is best understood by analysing the application of one of the categories of reduced credit acquisition in two relatively simple examples.

***Example 3.1***

Predator Co made a successful takeover bid for Target Co. It engaged an investment bank to organise all aspects of the takeover on its behalf. It was known at the outset that a recent environmental disaster caused by Predator Co might have an adverse impact on the willingness of Target Co shareholders to accept its offer. Part of the investment bank's role in relation to the takeover included dealing with the public relations issues. It engaged a PR firm to assist it in dealing with these issues.

The investment bank charged an 'arranging fee' for its services. That fee comprised two components. The first component was based on a combination of time spent by the investment bank's employees and certain external costs incurred by the investment bank (including third party consultants). The second component was contingent on completion of the takeover and was based on the value of the deal.

The takeover involved Predator Co making only input taxed supplies.

Pursuant to section 11-15(2)(a) Predator Co is denied a full input tax credit for the acquisition of the investment bank's services because that acquisition relates to making .s

The essential difference between example 3.1 and example 3.2 is that in the former the 'bundling' of the PR services with the other services provided by the investment bank results in a greater reduced input tax credit entitlement for Predator Co. The PR services became arranging services by virtue of being incorporated into the services provided by the investment bank.

Is this the correct outcome? Is it consistent with the policy intent behind the reduced input tax credit regime? Is there a different analysis that gives a different result?

## 3.1 Policy considerations

As discussed above, the reduced input tax credit regime was designed partly to avoid input taxing a much wider range of services and partly to overcome the self-supply bias created by input taxation. The former does not provide any guidance as to the interpretation of the concept of 'arranging'. The original definition of financial supply in the GST Act encompassed the arranging of certain financial supplies. Under that definition those arranging services would themselves have been input taxed. The decision to treat those supplies as taxable but provide reduced input taxed credits for a wide range of acquisitions does not throw any light on how those acquisitions are to be interpreted. The scope of reduced credit acquisitions certainly goes well beyond the acquisition of supplies that would have been input taxed under the original definition of financial supplies.

It is interesting to note that the government adopted a narrower concept of financial supplies so as to avoid the perceived difficulties experienced in foreign jurisdictions over the interpretation of the concept of arranging. In some respects, those difficulties have simply been shifted from the financial supply definition to item 9 of the reduced credit acquisition definition.

The second key objective of the reduced input tax credit regime, namely to overcome the self-supply bias, is also of limited assistance in interpreting the various categories of reduced credit acquisition and item 9 in particular. The fact that a particular service is capable of being 'in-sourced' is clearly not determinative of its status as a reduced credit acquisition. While many of the categories of reduced credit acquisition are capable of in-sourcing, there are many more services that can be in-sourced but that cannot be acquired as reduced credit acquisitions.

An argument might be made that if the acquisition of a particular service is not specifically identified in the table in Regulation 70-5.02(2), then it should not receive 'indirect' reduced credit acquisition status by reason of being incorporated as a component of one of the other items in the table. However, this argument is circular. Either an acquisition qualifies as a reduced credit acquisition or it does not. The fact that it may incorporate components that would not qualify separately as reduced credit acquisitions should not be relevant.

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### 3.2 Identify the 'acquisition'

Regulation 70-5.02(2) simply states that 'the following acquisitions … are reduced credit acquisitions' and then lists 31 different items. Confusingly, there is no consistency in the description of those items. Some items are specifically described in terms of acquisitions eg, item 3 – 'acquisition of transaction cards by account providers'. Some items identify different forms of insurance eg, item 12 – 'lenders mortgage and title insurance'. Most of the items contain descriptions of services rather than acquisitions. The clear implication is that an acquisition of one of these identified services constitutes a reduced credit acquisition.

The term 'acquisition' is defined in Regulation 40-5.05 of the GST Regulations but only in relation to the acquisition of interests for the purposes of Regulation 40-5.09. This is not relevant to Regulation 70-5.02. Section 70-5(1) of the GST Act states that 'acquisitions' as specified in the GST Regulations are 'reduced credit acquisitions'. Accordingly, the appropriate definition of acquisition for the purposes of Regulation 70-5.02 is the definition in section 11-10(1) of the GST Act. That provision defines an acquisition as 'any form of acquisition whatsoever'. Section 11(10)(2) specifically includes 'an acquisition of services' within the term 'acquisition'.

It follows that in order to determine the existence or otherwise of a reduced credit acquisition in a transaction, it is necessary to identify the actual acquisitions made. That may sound self evident but in some cases it can be difficult to identify the specific parameters of an acquisition. The same difficulty arises on the supply side given the mirror nature of the supply and acquisition definitions.

If a person goes to a car yard and buys five cars, is it a single acquisition of five cars or five acquisitions of one car each? If a person instructs a share broker to sell 100 shares in X Co and then use the sale proceeds to purchase 300 shares in B Co, does the person make an acquisition of a single broking service or does the person make two acquisitions, one of a selling service and one a buying service? These are simple examples but they demonstrate some of the difficulties of determining the parameters of an acquisition. This can be highly relevant in identifying acquisitions involving services like those listed in the table in Regulation 70-5.02(2) including in particular arranging services.

### 3.3 Composite, mixed and multiple acquisitions

On the supply side of the analysis, the concepts of 'composite' supplies, 'mixed' supplies and 'multiple' supplies have been developed to assist in determining the nature of a transaction. Broadly speaking, a composite supply is a single supply with one dominant component. While it may involve other components, those components are ancillary or integral to the dominant one. A mixed supply is a single supply comprising several different components that are more than just ancillary to another component. Multiple supplies occur where a transaction involves two or more separate supplies. The distinction between a mixed supply and multiple supplies can be a subtle one and is not always recognised.

In GSTR 2004/1 the ATO applies the composite/mixed distinction to acquisitions in the context of the reduced input tax credit regime. Paragraph 28 of the ruling states as follows.

> If something that is listed as a reduced credit acquisition is acquired together with something that is not listed as a reduced credit acquisition, those parts may need to be treated separately. This depends on whether the acquisition is a mixed acquisition or a composite acquisition. These terms are intended to be similar to the concepts of a mixed supply and a composite supply and to adopt similar principles. The difference is that these terms are used to describe an acquisition that consists of parts that are reduced credit acquisitions and parts that are not.

The ruling then cross references paragraphs 223 to 256 of GSTR 2002/2 Goods and Services Tax: GST treatment of financial supplies and related supplies and acquisitions. Those paragraphs explain the terms mixed acquisition and composite acquisition and provide guidance as to how to determine which is which. A mixed acquisition is described in paragraph 232 as an acquisition containing 'separately identifiable parts' where 'no part is dominant and each part has a separate identity'.

Paragraph 233 states that a composite acquisition is an acquisition of one dominant part and includes other parts that are treated as having a separate identity as they are integral, ancillary or incidental to the dominant part of the acquisition'. A composite acquisition 'is essentially the acquisition of a single thing'.

Paragraph 236 of GSTR 2002/2 states that overseas case law illustrates that the relevant factor is 'what the acquirer in essence acquires' and 'what in substance and reality is acquired'. Citing the decision of the House of Lords in Customs and Protection Claim v Customs and Excise Commissioners,[11] paragraph 237 states that 'you must have regard to the essential features of the transaction to see whether it has several distinct principal services or a single service'.

A number of cases since the issue of that ruling have adopted a similar approach in the context of determining the parameters of supplies. In Beynon & Partners v Commissioners of Customs and Excise,[12] the House of Lords held that the identification of supplies should be based on 'social and economic reality'.

A similar issue was considered by the Full Federal Court in Commissioner of Taxation v Luxottica Retail Australia Pty Limited.[13] One of the issues in that case was whether the sale of spectacles comprising a frame with lenses fitted was a single supply or two supplies, being a supply of the frame and a supply of the lenses. Interestingly, the issue was not expressed as whether the sale of the spectacles was a composite supply or a mixed supply. The Full Federal Court reached the following conclusion.

> We agree with the Tribunal that the sale of the spectacles was a single supply. While 'supply' is defined broadly, it nevertheless invites a commonsense, practical approach to characterisation. An automobile has many parts which are fitted together to make a single vehicle. Although, for instance, the motor, or indeed the tyres, might be purchased separately, there can be little doubt that

service even if that activity would not qualify as a reduced credit acquisition on a stand alone basis. However, bundling can not achieve reduced credit acquisition status for the acquisition of a component of a single acquisition if that component is not part of an arranging service.

3.4 The nature of arranging services

GSTR 2004/1 also contains some specific comments about the nature of arranging services for the purposes of item 9 in Regulation 70-5.02. Significantly, there is some commentary on bundling. Paragraph 289 states as follows.

> Equally, due diligence activities, though part of the preparation for the float, are not arranging for the purposes of item 9 (d). This is because due diligence by itself, does not have sufficient connection to the 'arrangement' or preparing or planning a float. However, where an entity provides due diligence activities, as part of its services in planning or preparing a float, then it may come within item 9(d).

This paragraph is saying that a separate acquisition of due diligence services does not qualify as a reduced credit acquisition, however, where due diligence services are provided as part of a wider arranging service, the acquisition of those due diligence services may be part of a reduced credit acquisition. (This distinction is illustrated in examples 36 and 37 in the ruling.) Ing.)ay(()e)2.4(r Tc .lbt' or predement(serviaus9 36 a

The key point is that arranging is a relatively amorphous concept. It can take many different forms and will incorporate very different activities in different circumstances. In appropriate circumstances those activities could include broking services, advertising services, PR services, legal services, due diligence services, and accounting services. Whatever the circumstances in a given case, where the essence of the service is the organising and causing to occur of a financial supply by a financial supply facilitator, the activities that constitute that service will be part of an arranging service and the acquisition of those activities will be a reduced credit acquisition. That will be the case even if the acquisition of one or more of those activities would not qualify as a reduced credit acquisition on a stand alone basis.

Returning to example 3.1 above there are two questions - (i) whether Predator Co makes a single composite acquisition from the investment bank including the investment bank's PR activities or makes either a mixed acquisition or two separate acquisitions, and (ii) if Predator Co makes a single composite acquisition, whether that is an acquisition of an arranging service.

The better view is that looking after the PR issues associated with the takeover bid is an integral part of the wider service that the investment bank provides in organising the transaction and causing it to occur. On that basis it is part of a single composite service acquired by Predator Co from the investment bank. Predator Co looks to the investment bank to organise all aspects of the takeover including the PR issues. In the words of paragraph 233 in GSTR 2004/1, it is essentially the acquisition of a single thing' by Predator Co from the investment bank.

It is clear that the investment bank can accurately be described as arranging the takeover by Predator Co of Target Co. It organises the takeover and causes it to happen. Accordingly, the composite acquisition acquired by Predator Co from the investment bank qualifies as an acquisition of an arranging service and is therefore a reduced credit acquisition.

### 3.5 In-house versus subcontracting

There is an issue as to whether the validity of bundling various activities into a single

Item 27 covers 'supplies for which financial supply facilitators are paid commission by financial supply providers'. Once again status as a reduced credit acquisition is determined by the nature of the supply and the acquirer, and the payment mechanism, and not by the nature of the acquisition. Provided that payment for the acquisition takes the form of a commission, bundling does not appear to be a concern. There is some discussion of the operation of item 27 in the ATO's GST Determination 2007/1.

There are specific inclusions in many of the other reduced credit acquisition items that are capable of widely differing interpretations. In some cases a broad interpretation of an inclusion can result in reduced credit acquisition treatment for a 'bundled acquisition' comprising some components that would not qualify as reduced credit acquisitions if acquired separately.

## 5. TRUSTEE SERVICES AND BUNDLING

Perhaps the most open ended categories of reduced credit acquisition in Regulation 70-5.02 are 'trustee services' in item 29 and 'responsible entity services' in item 31. These are important items given the prevalence of trusts in many financial structures including in particular in securitisation and funds management. These items have been the cause of significant confusion since the GST regime was introduced. There are three primary reasons for this. First these terms are not defined in the GST Regulations or the GST Act. Second, while a trust is not a legal entity, section 184-1(1)(g) of the GST Act defines an entity as including 'a trust'. Furthermore, section 184-1(3) states as follows.

> A legal person can have a number of different capacities in which the person does things. In each of those capacities, the person is taken to be a different entity.

This means that an entity that is a trustee of a trust has two different capacities – its personal capacity and its capacity as a trustee. It can act in relation to the trust of which it is trustee in both those capacities.

compliance with the terms of the deed are trustee services, the acquisition of which is a reduced credit acquisition under item 29.

This paragraph suggests that any services that a trustee is required to provide to a trust under the terms of the relevant trust deed are trustee services. Other services provided by the trustee are not trustee services. Furthermore services acquired by the trust directly from third parties (ie. by the trustee in its capacity as trustee) are not trustee services. The significant point here is that the characterisation of services as trustee services is not determined by reference to the nature of the services but rather by reference to the document giving rise to the obligation to provide those services. Trustee services might have been interpreted in a more limited way such as the holding of assets, the performing of certain administrative functions, the entering into of contractual arrangements on behalf of the trust etc. However, the ATO did not seek to go down that route in GSTR 2004/1 although to be fair it may not be available given the broad wording in item 29.

When GSTR 2004/1 was issued, there was tremendous variation in the services required to be provided by trustees and the services required to be arranged by trustees under different trust deeds. Some trust deeds operated on the basis that the trustee would provide a very wide range of services itself, in the expectation that the trustee would sub-contract many of those services to third parties. Other trust deeds did not require the trustee itself to provide a wide range of services but rather required the trustee to arrange for other third parties to provide those services to the trust. In other words, the distinction was between the trustee acquiring third party services in its own right in order to provide comprehensive trustee services to the trust and the trustee acquiring services from third party service providers in its capacity as trustee of the trust. Under the latter scenario the trustee's services acquired by the trust were much more limited.

The remuneration arrangements in trust deeds reflected these two alternatives. Broadly speaking, where a trustee acquired third party services in its own right, it was entitled to be paid a single fee for its trustee services. The single fee could take one of two forms – (i) a fixed percentage of trust funds/fixed amount or (ii) a component for 'pure' trustee services pf7(ke one of )]TJ T* (o7ly)-7.7(ere aensiv)05 Tc .1375 Tw [( ra1t trust.

trustee services was described in the following terms in paragraphs 70 and 71 of that Discussion Paper.

> Different structures can be adopted in relation to the compensation of the trustee for expenses incurred in fulfilling trust obligations. The trustee may seek specific reimbursement for expenses. Alternatively, the trustee may charge a single fee which covers both the reimbursement and the remuneration for trustee services. Such a fee may take a variety of forms, such as a flat fee or a percentage of funds under management. In all cases, both the reimbursement or fee and any separate remuneration are met from trust assets.
>
> There are many valid commercial reasons for having single fee trustee arrangements. However, the present GST treatment of such arrangements advantages them over all other entities engaged in equivalent activities, including trusts adopting different payment arrangements. There is no policy rationale for this distinction.

The Discussion Paper puts forward three possible options to remove what it identifies as a fee based problem. Those options are as follows.

> ***Option 1 – made and provided***
>
> The consideration for a supply of trustee services should be reduced by the consideration for acquisitions the trustee has made that have been provided to the trust, except where a separate payment has been made by the trust to the trustee for it.
>
> ***Option 2 – substance and character***
>
> RITCs should not be available for an acquisition of trustee services to the extent that the acquisition is the on-supply by the trustee to the trust of things the trustee has acquired without any alteration to the substance or character of the thing acquired.
>
> ***Option 3 – define trustee services***
>
> RITCs should only be available for an acquisition of trustee services to the extent that the trustee service does not relate to advertising, auditing, taxation or valuation services.

There are various 'carve outs' for each of those options. The key objective of those carve outs is to ensure that input tax credits and reduced input tax credits 'should remain available to the trust to the extent that the acquisition is one for which the trust could have obtained a RITC or an input tax credit if the acquisition had been made directly by the trust from a third party'.

Paragraph 78 of the Discussion Paper describes the intention of these three options as 'to ensure neutrality in the RITC provisions by eliminating advantages associated with bundling various acquisitions into a single acquisition of trustee services'. The intention is reasonably clear. However, each of the three options put forward for achieving that intention has its problems.

It is easy to foresee interpretative difficulties arising in relation to each option. In terms of option 1, there would be many scenarios where it would be difficult to determine whether a particular service was 'provided' to the trustee or to the trust. (The made/provided distinction is often far from straightforward in the context of tripartite arrangements.) The Discussion Paper gives the example of the acquisition of investment advice from a third party and states that this advice is 'provided' to the trust because 'the benefit and substance of the advice' goes to the trust. However, if the trustee is a recognised funds manager in its own right, the terms of the trust deed require the trustee as part of its trustee func

The Government received submissions on the Discussion Paper. Many of those submissions were highly critical of options 1 and 2. It seems unlikely that either will eventuate. Option 3 was also identified as having problems. It remains to be seen what the eventual outcome will be. However, it is clear that there is no easy solution to overcome what the Government perceives as inappropriate bundling in the trustee context.

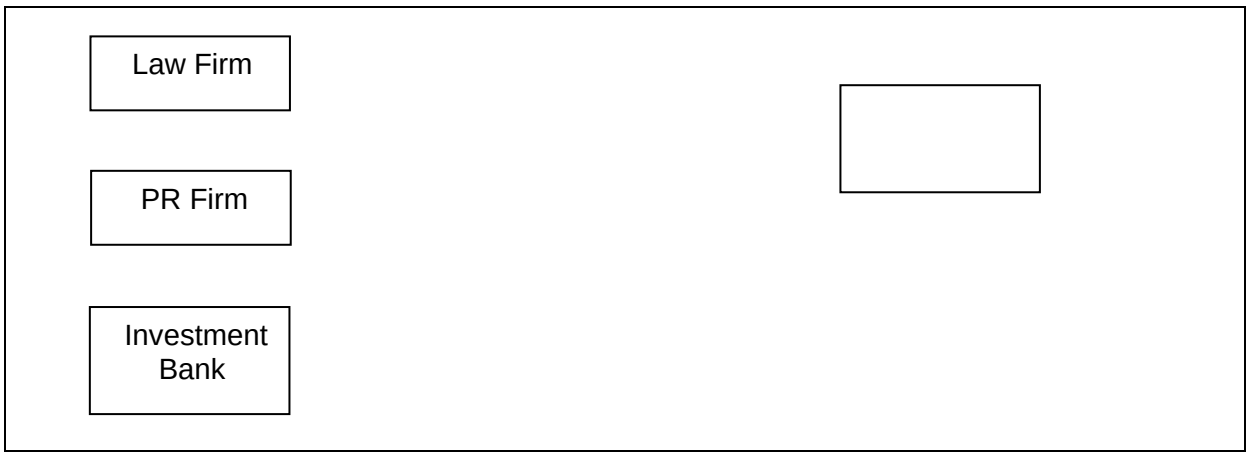
## 6. SPECIAL PURPOSE IN-HOUSE ARRANGER

Last year the ATO issued Taxpayer Alert TA 2010/1: GST – interposing an associated 'financial supply facilitator' to enhance claims for reduced input tax credits for expenses incurred in the course of a company takeover. That publication is directed at what the ATO perceives as a form of 'unbundling' based mischief. It suggests that the activity described may have technical problems and/or fall foul of the anti-avoidance provisions in the GST Act.

To analyse TA 2010/1 it is useful to look at three different examples.

***Example 6.1***

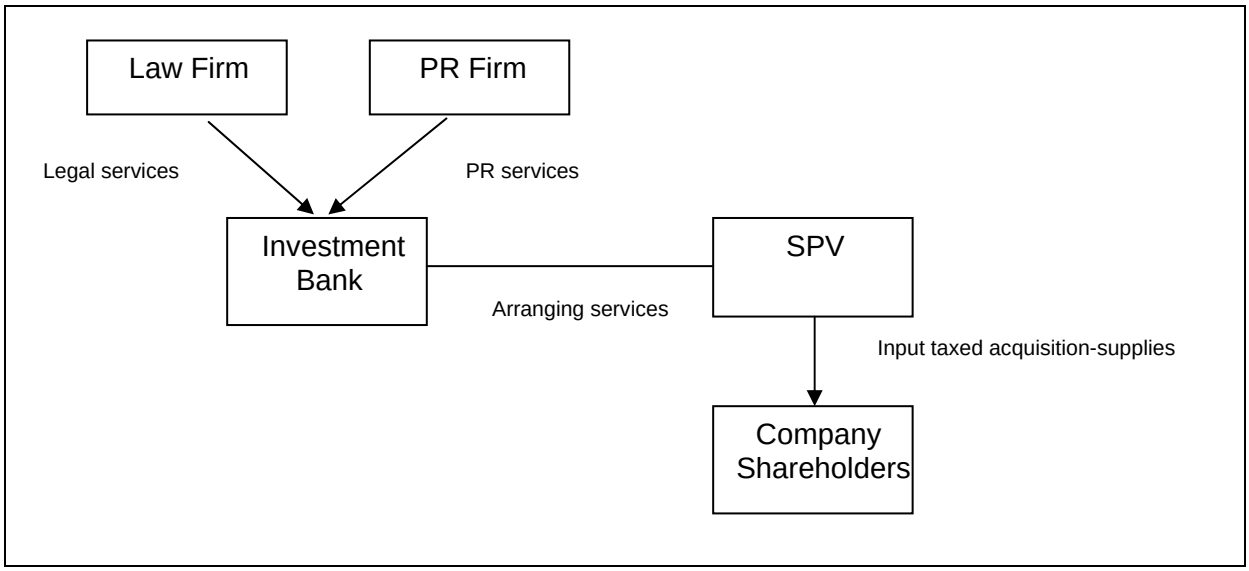
A special purpose vehicle (SPV) is established to acquire shares in a company pursuant to a takeover. It acquires a range of services from various unrelated third party service providers.




SPV cannot claim full input tax credits for any of its acquisitions because they relate to making input taxed supplies. It can claim a reduced input tax credit for the acquisition of the arranging services from the investment bank but it cannot claim a reduced input tax credit for the acquisition of either the legal services or the PR services.

***Example 6.2***

SPV enters into a 'package' arrangement with the investment bank whereby the investment bank agrees to arrange all aspects of SPV's takeover, including the legal and PR aspects.




This example raises the same issues discussed earlier in relation to item 9 in Regulation 70-5.02(2) and the scope of arranging services. The key question is whether the legal services and the PR services are truly integrated into the other activities of the investment bank so that they become part of a single arranging service acquired by SPV from the investment bank.

The potential benefit of this type of structure was identified soon after the introduction of the GST regime. However, in practice, at least in relation to legal services, it has not been widely utilised. It has never been usual commercial practice for transacting entities to acquire comprehensive legal services from investment banks. Such entities prefer to acquire legal services from law firms and to have direct relationships with those law firms.

***Example 6.3***

SPV enters into an arrangement with an associate. The essence of the arrangement is that the associate acquires and pays for legal, PR and investment banking services supplied by third parties and then in turn supplies arranging services to SPV. SPV and its associate are not members of the same GST group.

The desired GST outcome from the perspective of SPV and its associate can be summarised as follows. The associate obtains full input tax credits for its acquisitions from the law firm, the PR firm and the investment bank. It accounts for GST in full on its supply of arranging services to SPV. SPV claims a reduced input tax credit for the entire acquisition of arranging services from the associate. The difference between example 6.1 and example 6.3 is that reduced input tax credits are effectively obtained by SPV for the acquisition of the legal services and the PR services in example 6.3 because of the way in which those services are bundled into the arranging services provided by the associate to SPV.

This structure raises the same issues discussed earTc .1q0 TD .0005 Tc .1429 Tw 4.9399 0 T

The requirement for a market value charge for the parent company's arranging services may also necessitate a mark-up on the cost to the parent company of the services acquired from third parties and its employees. That mark-up will be subject to GST and only 75% of that GST will be recoverable as a reduced input tax credit by the subsidiary. Accordingly, there will

loans services to the finance company.e Th finance company is entitled to a reduced input tax credit for its acquisition from the special purpose entity.

The GST benefit in example 2 is that the finance company is effectively entitled to