

PRODUCT RULING - BR Prd 11/06

This is a product ruling made under s 91F of the Tax Administration Act 1994.

Name of the person who applied for the Ruling

This Ruling has been applied for by St Lukes Group Limited.

Taxation Law

All legislative references are to the Goods and Services Tax Act 1985, unless otherwise stated.

This Ruling applies in respect of ss 5(11D)–(11I) and 8.

The Arrangement to which this Ruling applies

The Arrangement is the provision of the electronic gift card scheme (Westfield Gift Card scheme) whereby customers can purchase Westfield Gift Cards and the card holders can redeem them for goods and services supplied by the participating stores and, on limited occasions, by the applicant.

Further details of the Arrangement are set out in the paragraphs below.

Details of the Arrangement

Parties to the Arrangement

1. The Arrangement involves:
 - the applicant: St Lukes Group Limited, being the provider of the Westfield Gift Card scheme and the owner of Westfield Gift Cards;
 - participating stores: the stores within Westfield shopping malls in which card holders may redeem the Westfield Gift Cards for goods or services;
 - card holders: people who hold a Westfield Gift Card and are entitled to receive goods or services on the redemption of the gift card;
 - customers: people who purchase a Westfield Gift Card; they may not be the same people as the card holders if they allow another person to use or take possession of the Westfield Gift Card.
2. The applicant and all participating stores are “registered persons” (as defined in s 2(1)).
3. The Westfield Gift Card scheme will operate as described in paragraphs 4 to 22.

Terms and conditions documented

4. A detailed description of the terms and conditions of the Westfield Gift Card is set out in two documents (which are not materially different to the copies of these documents attached to the ruling application dated 16 May 2011):
 - *Gift Card Terms and Conditions (In-Store)*, for in-store gift card purchases;
 - *Gift Card Terms and Conditions (Online)*, for online gift card purchases.

Purchase of gift cards

5. A customer will be able to purchase a Westfield Gift Card from a Customer Services Desk in a Westfield shopping mall or online through the Westfield website. Additionally, participating stores as agents on behalf of the applicant may sell Westfield Gift Cards.

Value of gift cards

6. On the purchase of the Westfield Gift Card, the customer may load a value from \$10 to \$995 on to the card. The funds loaded on to the card are transferred into a trust bank account. Interest accumulating on the funds held in trust will be payable to the applicant.
7. The value loaded on the Westfield Gift Card may then be used to purchase goods and services at participating stores within the Westfield network or from the applicant in limited situations. Purchases cannot be made online.

Fees and surcharges

8. In addition to the amount loaded on to the Westfield Gift Cards, a fee may be charged for each Westfield Gift Card, accompanying greeting card and envelope.
9. Under the *Gift Card Terms and Conditions (Online)*, when payment for a Westfield Gift Card purchased online is to be made by Diners Club, American Express, Visa or MasterCard, the applicant reserves the right to charge customers a surcharge, imposed by card companies and banks.

Gift cards cannot be topped up but can be combined

10. At present, Westfield Gift Cards will not be able to be topped-up or added to after they have been purchased. However, if a card holder has several Westfield Gift Cards with differing values, the card holder may ask for a new Westfield Gift Card to be issued that combines all the card balances. A fee may be charged for the issue of the new card in this instance.

Value may be printed or handwritten on gift cards

11. Bulk orders of Westfield Gift Cards are often ordered by corporate customers (who may want to distribute the cards as gifts to their customers or employees). In this case, the initial value loaded will be printed on the Westfield Gift Cards. For individual customer Westfield Gift Card orders, the initial value loaded will usually be handwritten on the cards.

Balance of gift cards can be checked

12. Card holders can check their Westfield Gift Card balances at any time:
 - at a website;
 - by text;
 - by phoning;
 - by asking at any Customer Services Desk in a Westfield shopping centre.
13. A cost of 50 cents per message will be chargeable when a card holder sends a text message to check the Westfield Gift Card balance.

Expiry of gift cards

14. Westfield Gift Cards expire 12 months after their purchase. Any balance remaining on a Westfield Gift Card after its expiry date will become the property of the applicant.

Gift cards may be used with alternative payment options

15. If a card holder does not have sufficient funds on the Westfield Gift Card to purchase an item, the card holder may pay using both the gift card balance plus an alternative payment option (ie, cash, credit card or EFTPOS).

Gift cards are not redeemable for cash and are not legal tender

16. Westfield Gift Cards cannot be redeemed for cash.
17. Westfield Gift Cards are not legal tender, account cards, credit or debit cards, or securities.

Applicant incurs the scheme's operating costs

18. The applicant will incur costs in relation to the operation of the Westfield Gift Card scheme, including transaction fees from the processing of gift cards at retailer terminals. These fees include third-party maintenance costs (eg, server hosting fees, licensing and system monitoring and transaction fees for activating and replacing cards) along with the costs of setting up and running the software required to manage the scheme. Costs also include ongoing costs such as the printing costs of the cards and the envelopes sold.
19. The applicant may make limited supplies. For example, Westfield Gift Cards may be used to purchase bus tickets from Westfield information centres, but this is estimated to be less than 1% of the total goods and services acquired by card holders using the gift cards.

Participating stores will honour gift cards

20. The applicant has agreed with the participating stores that the participating stores will honour a Westfield Gift Card, if a card holder presents the card before its expiry date. This is a condition of the lease agreement.

Lost or stolen gift cards may be replaced

21. If a Westfield Gift Card is faulty or has been lost or stolen, the applicant will provide a replacement card of the same value as the unused value and with the expiry date as for the original Westfield Gift Card. For lost and stolen Westfield Gift Cards, card holders must provide an original receipt and card number. A fee may be charged for the issue of the replacement card.

Applicant owns the gift cards

22. The Westfield Gift Card remains the property of the applicant.

Scope of this Ruling

23. This ruling does not cover the GST implications of:
 - the cost of 50 cents per text message that is charged to a card holder when they send a text message to check the Westfield Gift Card balance;

- any re-charge to customers of bank or credit card company surcharges when customers purchase the Westfield Gift Cards online.

Assumptions made by the Commissioner

This Ruling is made subject to the following assumptions:

- i) The applicant (the Lessor) and the participating stores (the Lessee) enter into an agreement (generally by way of lease), which includes the following matters (or words to this effects):
 - The administration of electronic gift cards is reliant on EFTPOS/Credit Card facilities;
 - With the agreement of the Lessor, where a Lessee has no electronic EFTPOS/Credit card facilities the lessee will not be obliged to honour electronic gift cards;
 - The electronic gift cards may only be used by a customer for the full or partial purchase of the Lessee's goods or services;
 - No cash or credit notes may be issued by the Lessee for balances remaining on electronic gift cards;
 - The Lessor will pay to the Lessee by way of cheque, direct credit or in cash, that part of the value of the transaction that a customer uses an electronic gift card to purchase the Lessee's goods or services.

Conditions stipulated by the Commissioner

This Ruling is made subject to the following conditions:

- (a) The applicant is, at all times, the supplier of the Westfield Gift Cards to the customers for the purposes of s 5(11G).
- (b) The applicant and the participating stores agree that a supply for GST purposes occurs when a Westfield Gift Card is used to acquire goods or services and not when the Westfield Gift Card is issued or sold.

How the Taxation Law applies to the Arrangement

Subject in all respects to any assumption or condition stated above, the Taxation Law applies to the Arrangement as follows:

- Under s 5(11G), any goods and services supplied by the participating stores on redemption of Westfield Gift Cards will be treated by the applicant as a supply of goods and services for GST purposes. Accordingly, the participating stores are required to charge card holders GST and account for GST output tax when goods and services are acquired by the card holders using the Westfield Gift Cards.

The period or income year for which this Ruling applies

This Ruling will apply for the period beginning on 2 November 2011 and ending on 30 November 2014.

This Ruling is signed by me on the 2nd day of November 2011.

Tracey Lloyd
Acting Assurance Manager