

## **PRODUCT RULING – BR PRD 16/04**

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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 Paymark Limited.

### **Taxation Laws**

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

This Ruling applies in respect of ss 20(2), 24(3), 24(5), 75(1), 75(2), and 75(3).

### **The Arrangement to which this Ruling applies**

The Arrangement is the use of the Paypr App to upload electronic EFTPOS receipts (e-Receipts) and other information to Xero.

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

### **Parties**

1. The parties to the Arrangement are:
  - Paymark: an electronic payments provider and the operator of the EFTPOS network and the Paypr system and the Paypr App;
  - A card holder: an individual who holds an electronic payment card that is registered with Paypr (Registered Card) and has installed the Paypr App on a mobile device (Card Holder);
  - A merchant: a Paymark client that uses the EFTPOS network to process electronic payments (Merchant);
  - A business customer: a customer that has subscribed to Paypr and uses **Xero to retain the customer's accounting records (Business Customer); and**

- Xero: a New Zealand-based software company that develops cloud-based accounting software for small and medium-sized businesses.

### Paypr App

2. Paymark has developed e-Receipts as an alternative to the paper receipts currently issued by Merchants.
3. The Paypr App puts a token against the Registered Card in the Paymark system.
4. When a Card Holder pays for goods or services from a Merchant on the Paymark network using a Registered Card (Transaction), the Paymark system will recognise the token as belonging to the Card Holder's Paypr account and will create an e-Receipt using the Transaction data available to Paymark.
5. Paymark will send the e-Receipt, along with data populated into an expense entry, direct to the Paypr App.
6. An e-Receipt will consist of an image that, in appearance, looks like the paper receipt that a **Merchant's** EFTPOS machine will print for the Transaction.
7. An e-Receipt will contain the following information:

Details on e-Receipt	Field Description
TERM	Terminal ID
TIME	Transaction Date/Timestamp
CREDIT	Account
CARD	Card Mask / token
AMEX	Card Type
PURCHASE	Purchase Total
TOTAL	Transaction Total
NZ	Currency Code
ACCEPTED	Acceptance Confirmation
The Coffee Shop	Merchant Name
++++'EFTPOS'++++	EFTPOS Terminal Data
COPY ONLY	Copy Only

8. An e-Receipt does not include details of the goods and services supplied by the Merchant.
9. Once an e-Receipt has been issued, the Card Holder will select one of two options in relation to the e-Receipt in the Paypr App. The Card Holder can:
  - **create an expense entry or claim for uploading to the Business Customer's** Xero account, where the transaction is a business-related expense; or
  - discard the e-Receipt, where the transaction is not a business-related expense.

10. Where the Card Holder selects to create an expense entry or claim, the Card Holder enters the following information in the Paypr App in relation to the Transaction (Additional Information):
  - the applicable Xero general ledger code of the Business Customer; and
  - a description of the Transaction, including a description of the goods and services purchased by the Card Holder.
11. For a Transaction of more than \$50 (including GST), the Card Holder also takes and uploads to the Paypr App a photograph or photographs of the paper tax invoice issued by the Merchant (Tax Invoice Photograph). A Tax Invoice Photograph is an electronic image, or a composite electronic image where the Tax Invoice Photograph consists of more than one photograph, of the paper tax invoice issued by the Merchant and contains the following information:
  - **the words “tax invoice” in a prominent place;**
  - the name and GST registration number of the Merchant;
  - the name and address of the Business Customer (for transactions over \$1,000);
  - the date on which the tax invoice is issued;
  - a description of the goods and services supplied;
  - the quantity or volume of the goods and services supplied (for transactions over \$1,000); and
  - either—
    - the total amount of the tax charged, the consideration, excluding tax, and the consideration, inclusive of tax, for the supply; or
    - where the amount of tax charged is the tax fraction of the consideration, the consideration for the supply and a statement that it includes a charge in respect of the tax.
12. The Card Holder then submits the Transaction, including the e-Receipt, the Additional Information and the Tax Invoice Photograph (where applicable), to the Business Customer’s Xero account.
13. On submission of the Transaction to **the Business Customer’s** Xero account:
  - the Transaction is posted to the applicable Xero general ledger accounts (after approval procedures in Xero have been followed where applicable) (Accounting Entries);
  - the e-Receipt, the Additional Information and, where applicable, the Tax Invoice Photograph (Retained Information) is stored in, and linked to, the **Business Customer’s Xero account.**
14. The Accounting Entries and Retained Information will be retained by Xero for at least seven years.

## Conditions stipulated by the Commissioner

This Ruling is made subject to the following conditions:

- a) The information contained in an e-Receipt received and uploaded by a **Card Holder, via the Paypr App, to a Business Customer's** connected Xero account must remain complete and it must not be possible for the information to be edited or altered in anyway by the Merchant, the Card Holder, the Business Customer or Xero.
- b) The image record of an e-Receipt stored in Xero must identify the origin, destination, and the time at which the e-Receipt was sent to, and received by, the relevant Card Holder.
- c) The image record of an e-Receipt retained by Xero must be readily accessible for future reference.
- d) **A Tax Invoice Photograph uploaded to a Business Customer's Xero account must** be a legible and complete duplicate image of the original paper tax invoice issued by a Merchant to a Card Holder for a Transaction. The image, or composite image where the Tax Invoice Photograph consists of more than one photograph, must include all of the following:
  - **the words "tax invoice" in a prominent place;**
  - the name and GST registration number of the Merchant;
  - the name and address of the recipient (for transactions over \$1,000);
  - the date upon which the tax invoice is issued;
  - the quantity or volume of the goods and services supplied (for transactions over \$1,000); and
  - either:
    - the total amount of the tax charged, the consideration, excluding tax, and the consideration, inclusive of tax, for the supply; or
    - where the amount of tax charged is the tax fraction of the consideration, the consideration for the supply and a statement that it includes a charge in respect of the tax.
- e) The information contained in a Tax Invoice Photograph that is uploaded to a **Business Customer's Xero account must remain complete and it must not be** possible for the information to be edited or altered in anyway by the Card Holder, the Business Customer or Xero.
- f) **The image record of a Tax Invoice Photograph stored in a Business Customer's** Xero account must identify the time at which the Tax Invoice Photograph was uploaded by a Card Holder to Xero.
- g) The image record of a Tax Invoice Photograph retained by Xero must be readily accessible for future reference.
- h) The image record of a Tax Invoice Photograph retained by Xero must be readily able to be produced in paper form and that paper form must be a duplicate image of the original paper tax invoice.

## How the Taxation Laws apply to the Arrangement

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

- a) An e-Receipt uploaded to a Business Customer's Xero account will satisfy the record-keeping requirements in ss 75(2) and 75(3) and the Business Customer will not need to retain the corresponding paper form of the e-Receipt.
- b) For a Transaction that does not exceed \$50 (including GST), an e-Receipt and the Additional Information for the Transaction uploaded by a Card Holder, via the **Paypr App, to a Business Customer's** connected Xero account:
  - will satisfy the record-keeping requirements in ss 75(2) and 75(3);
  - will mean the Business Customer will not need to retain the paper form of the e-Receipt or a paper form of the Additional Information to satisfy the requirements in ss 75(2) and 75(3);
  - will be sufficient, for the purposes of s 75(3), to ascertain the Business **Customer's tax liability**; and
  - will be sufficient, for the purposes of s 20(2), to calculate the Business **Customer's input tax deduction for the Transaction**;

provided that if the Merchant, although not being under a legal obligation to do so, issues a tax invoice for the Transaction, the Business Customer must retain either the tax invoice or a Tax Invoice Photograph uploaded to the Business **Customer's** connected Xero account.

- c) A Tax Invoice Photograph, taken and uploaded by a Card Holder via the Paypr App **to a Business Customer's** connected Xero account, will satisfy the record-keeping requirements in ss 75(2) and 75(3).
- d) To satisfy the record-keeping requirements in ss 75(2) and 75(3), a Business Customer will not need to retain the original paper form of the tax invoice that a Card Holder photographs and uploads, via the Paypr App, as a **Tax Invoice Photograph to the Business Customer's** connected Xero account.
- e) For a Transaction of over \$50 (including GST), the e-Receipt, the Additional Information, and the Tax Invoice Photograph for the Transaction uploaded by a **Card Holder, via the Paypr App, to a Business Customer's** connected Xero account:
  - will satisfy the record-keeping requirements in ss 75(2) and 75(3);
  - will mean that, for the purposes of ss 75(2) and 75(3), the Business Customer will not need to retain:
    - the paper form of the e-Receipt,
    - a paper form of the Tax Invoice Photograph, or
    - a paper form of the Additional Information;
  - will be sufficient, for the purposes of s 75(3), to ascertain the Business **Customer's tax liability**; and
  - will be sufficient, for the purposes of s 20(2), to calculate the Business **Customer's input tax** deduction for the Transaction.

- f) For a Transaction over \$50 (including GST), a Tax Invoice Photograph uploaded to **a Business Customer's Xero account will satisfy the requirement in s 20(2) that** the Business Customer is required to hold a tax invoice for the Transaction at the time of making a deduction for input tax for the Transaction, provided the Tax Invoice Photograph has been uploaded to Xero by the time the Business Customer furnishes a GST return containing the deduction.

This Ruling does not apply to a Transaction over \$50 (including GST) where a Card Holder has not uploaded, via the Paypr App, a Tax Invoice Photograph to a **Business Customer's connected Xero account.**

### **The period or income year for which this Ruling applies**

This Ruling will apply for the period beginning on 31 May 2016 and ending on 31 May 2019.

This Ruling is signed by me on the 31<sup>st</sup> day of May 2016.

### **Howard Davis**

Director (Taxpayer Rulings)