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Public Ruling Duties Act:

TREATMENT OF BARTER OR TRADE DOLLARS

A Public Ruling, when issued, is the published view of the Commissioner on the particular topic to which it relates. It therefore replaces and overrides any existing private rulings, memoranda, manuals and advice provided by the Commissioner in respect of the issue/s it addresses. Where a change in legislation or case law (the law) affects the content of a Public Ruling, the change in the law overrides the Public Ruling—that is, the Commissioner will determine the tax liability or eligibility for a concession, grant, subsidy or exemption, as the case may be, in accordance with the law.

What this Ruling is about

1. Barter trade, also known as reciprocal trade or countertrade, is the exchange of goods or services for other goods or services without the need for cash. Bartering between businesses is a legitimate method of conducting trade. More refined forms of barter involve member only, countertrade organisations, where members accept payment for goods or services in ‘trade dollars’ (e.g. Bartercard dollars) or ‘credit units’. In these cases, businesses wanting to take part in reciprocal trading subscribe as a member to a countertrade organisation which acts as a clearing house for trade transactions and promotes the members’ goods and services.
2. Trade dollars are not legal tender and can only be traded with other member businesses. They are not redeemable through the trade exchange for cash.
3. The rules of most countertrade organisations specify a rate for converting credit units into an Australian dollar equivalent. Generally, the rules specify that each credit unit has a value equivalent to one Australian dollar.
4. The Australian Taxation Office (ATO) accepts that, where the monetary value of goods or services worked out using the rate specified in the countertrade organisation’s rules represents fair market value of those goods or services, that rate is to be used when valuing the consideration. In all other cases, the ATO takes the position that a conversion rate which values the goods or services at their fair market value is to be applied when valuing the consideration.¹
5. The purpose of this Public Ruling is to examine the treatment of trade dollars in relation to the *Duties Act 2001*.

¹ ATO Ruling IT 2668, *Income Tax: Barter and Countertrade Transactions* as amended by IT 2668A

Ruling and explanation

6. Where a dutiable transaction uses trade dollars as the currency of exchange, either in whole or in part, as consideration for the purchase of property or otherwise, the trade dollars are to be treated as consideration in money's worth.
7. Generally, in determining the Australian dollar equivalent value of the consideration, the conversion rate for the trade dollars specified by the countertrade organisation in its rules is to be used.
8. Where there is no conversion rate specified, or the specified conversion rate would not result in the consideration representing a fair market value for the property the subject of the barter transaction, the conversion rate to be applied in working out the value of the consideration is that which would result in the property being valued at its fair market value.

Example

An agreement for the transfer of property is executed between a vendor and a purchaser. Both are members of a countertrade organisation and are acting at arms length. The rules of the countertrade organisation specify that one credit dollar is the equivalent of one Australian dollar. This conversion rate is longstanding and widely adopted. The consideration expressed for the purchase is 200,000 trade dollars.

Transfer duty is chargeable on the agreement as a transfer of dutiable property and assessable on either the expressed consideration or the unencumbered value of the property, whichever is the greater. In this case, duty would be assessed on consideration of \$200,000.

Date of effect

9. This Public Ruling takes effect from the date of issue.

David Smith
Commissioner of State Revenue
Date of Issue 20 August 2009

References

Public Ruling	Issued	Dates of effect	
		From	To
DA501.2.1	20 August 2009	20 August 2009	Current