ITEM 6:

Disbursement and reimbursement

What is the GST treatment for disbursement and reimbursement.

(1) Recovery of expenses may be treated as disbursement or reimbursement and this will depend on whether the expenses are incurred by a principal or an agent acting on behalf of a client.

(2) GST treatment on disbursement and reimbursement are as follows –

<table>
<thead>
<tr>
<th>Disbursement</th>
<th>Reimbursement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not a supply</td>
<td>Is a supply</td>
</tr>
<tr>
<td>Not entitled for input tax claim</td>
<td>Entitled for input tax claim</td>
</tr>
</tbody>
</table>

(3) In general, to determine whether recovery of expenses is a disbursement for GST purposes, a registered person must fulfilled all the following criteria, *(Subst. w.e.f. 6/6/2016)*

(i) Incur expenses as an agent acting on behalf of the client.

(ii) The client is the recipient of the supply (invoice is in the client’s name)

(iii) The client is the person responsible to pay for the supply

(iv) The payment is authorised by the client.

(v) The client knew that the supply is made by a third party.

(vi) The exact amount is claimed from the client and the agent has no right to alter or add on the value of the supply.

(vii) The payment is clearly an additional to the supply made to the client.