

# Revenue | Rulings

## Application of section 4(1) to the direct entry systems

### Revenue Ruling DT.002

#### Preamble

In certain circumstances, Section 4(1) of the *Debits Tax Act 1990* (formerly section 3A of the *Debits Tax Administration Act 1982 (Commonwealth)*) operates, for the purposes of the Act, to deem a single debit to an account, which has occurred because of two or more account transactions, to be taxable as separate debits which reflect those account transactions.

For some time there has been uncertainty regarding the interpretation of this section and of the circumstances in which it was intended to operate. Particularly, there has been some doubt whether the legislators intended that it should apply to a single debit to a current account which results from electronic pay-roll or account payment arrangements that make use of the banks' direct entry systems.

The Commissioner has extensively consulted with the Commissioners of other States and Territories as well as exchanging views with the Australian Bankers' Association. It was agreed that there are equally strong, yet conflicting, views on the interpretation of the provision and a lack of clarity as to the intention of the legislature when the provision was originally introduced. However, there is sufficient indication in the Explanatory Memorandum to enable the Commissioner to adopt a purposive interpretation of the section.

The purpose of this ruling is to clarify the application of Section 4(1) to direct entry systems.

#### Ruling

Section 4(1) of the *Debits Tax Act 1990* is essentially to be interpreted as an anti-avoidance provision and will, for example, apply to arrangements involving single debits made to settlement accounts held by non-bank financial institutions with banks. This is a continuation of the interpretation formerly outlined by the Australian Taxation Office in its Ruling No. MT 2039.

However, where under a direct entry system, a single set of instructions is given to a bank, which results in multiple credits and a single debit, the debit will be taken to have occurred because of a single transaction. Consequently, such a transaction will not be treated as separate debits under section 4(1) of the *Debits Tax Act 1990* unless the Commissioner determines the transaction occurred as part of an arrangement to avoid tax.

Please note that rulings do not have the force of law. Each decision made by the State Revenue Office is made on the merits of each individual case having regard to any relevant ruling. All rulings must be read subject to Revenue Ruling GEN.01.

**Denzil Griffiths**

**Commissioner of State Revenue**

**1 August 1995**


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