

CHAPTER 6

ALTERNATIVE MODELS

Introduction

6.1 The major objectives of this legislation are to correct competitive inequities between Inbound Tour Operators (ITOs) based in Australia and Foreign Tour Operators (FTOs) who are competing for the foreign tourist dollar; and to close off the availability of input tax credits to FTOs which do not also incur GST liabilities. The availability of input tax credits to registered FTOs without an associated GST liability means that competing ITOs must either accept lower margins than those available to FTOs, or else be forced to charge higher prices.

6.2 While all organisations that made submissions or gave evidence agreed that the principle underlying the bill was sound, none agreed that the solution proposed in the bill for correcting the problem was the most appropriate. A range of alternative models were proposed. All are either described as input taxing proposals, or have an effect that is similar in practice. All seek to minimise compliance requirements, particularly for offshore entities, while ensuring that the sale of things intended for consumption in Australia is subject to GST, consistent with the policy intent of the GST legislation. The models proposed vary in relation to the point in the supply chain at which input taxing would apply, and also produce different amounts of revenue. Some models put forward by different organisations have similar features.

6.3 Any model considered should satisfy a number of objectives if it is to be considered as a practical alternative to what is proposed in the bill. Based on the range of opinions expressed in evidence, the following criteria appear to be appropriate:

- redress the current shortcomings in the GST legislation and ensure that GST is payable on the supply of goods, services or other things connected with Australia;
- be able to be effectively administered and enforced by the ATO;
- ensure that equity between Australian ITOs and FTOs is maintained as much as possible;
- minimise compliance costs for Australian ITOs, FTOs and the ATO; and
- comply with World Trade Organisation (WTO) requirements.

6.4 The organisations that put forward detailed alternative models were:

- Australian Tourism Export Council (ATEC);
- Institute of Chartered Accountants of Australia (ICAA); and
- PricewaterhouseCoopers/ITSA.

6.5 A number of other organisations also submitted models for consideration which were similar to those listed, and these are described at the end of the chapter.

6.6 The approach taken by the Committee in this chapter is to show, for reference purposes, the nature of the competitive advantage enjoyed by registered FTOs now, how the model in schedule 3 of the bill is expected to work, and then to review the features of each alternative model put forward, examining how each would perform in relation to common chains of supply of tours to foreign tourists, and the apparent advantages and disadvantages of each.

The current legislation

6.7 The current legislation allows FTOs to register for GST and claim input tax credits in relation to their purchase of tour rights, but does not compel them to remit GST when the tour is sold to a foreign tourist. This gives FTOs a large competitive advantage over Australia-based ITOs, a situation that the bill is intended to address. The example below illustrates the nature of this advantage.

Example 1 – Supply of a right to a tour under the current legislation

Assume that Australian company OZtrips supplies the rights to an Australian tour to (i) an Australian Inbound Tour Operator (ITO) or (ii) an FTO, that then on-sells the tour to a foreign tourist. In the example, it is assumed that each entity that on-sells the rights adds an after tax margin of 20 per cent. For the purposes of the example, the tour contents are assumed to be wholly taxable for GST purposes.

- (i) OZtrips sells tour rights to ITO for \$200 + \$20 GST, total \$220, and remits \$20 GST to the ATO.

ITO factors in an input tax credit of \$20, reducing the price for the tour rights to \$200.

ITO adds margin of 20% (\$40), sells to foreign tourist for \$240 + \$24 GST, total \$264.

ITO claims an input tax credit of \$20 and remits \$4.00 GST to the ATO.

ITO profit is \$40.00, total GST remitted by OZtrips and ITO for the transaction is \$24.

- (ii) OZtrips sells tour rights to a registered FTO that is utilising the loophole in the legislation for \$200 + \$20 GST, total \$220.

Registered FTO factors in an input tax credit of \$20, reducing the price for the tour rights to \$200.

Registered FTO adds margin of 20% (\$40), sells to foreign tourist for \$260, and claims input tax credit of \$20 but doesn't charge or remit GST. (This assumes that the tour package does not contain Australian accommodation but instead is made up of ground transport, entertainment etc. The ATO

considers that rights to accommodation supplied by FTOs should be subject to GST under the current law.)

Registered FTO profit is \$60 (margin plus input tax credit), total GST remitted in relation to the transaction is \$20 (ie: that remitted by Oztrips).

The model proposed in the bill

6.8 Schedule 3 of the bill, if passed without amendment, will require FTOs with turnover related to business in Australia in excess of \$50 000 to register for GST and remit GST in a manner similar to that now required of Australian resident tour operators.

6.9 The advantages of this approach are that it treats Australian ITOs and FTOs equally, and if FTOs are compliant (ie: register), charges the full amount due on the supply of the rights to the foreign tourist. However, much depends on whether FTOs register. If they do not, unregistered FTOs may still enjoy a competitive advantage over those who do register.

Example 2 – Supply of a right to a tour using the model in the bill

Assume that Australian company OZtrips supplies the rights to a tour to (i) an ITO or (ii) an FTO, that then on-sells the tour to a foreign tourist. In the example, it is assumed that each entity that on-sells the rights adds a margin of 20 per cent. For the purposes of the example, the tour contents are assumed to be wholly taxable.

(i) OZtrips sells tour rights to ITO for \$200 + \$20 GST, total \$220, and remits \$20 GST to the ATO.

ITO factors in input tax credit of \$20, reducing the price for the tour rights to \$200.

ITO adds margin of 20% (\$40), sells to foreign tourist for \$240 + \$24 GST, total \$264. ITO claims input tax credit of \$20, remits \$4.00 GST to the ATO.

ITO profit is \$40, total GST remitted for the transaction is \$24.

ii) OZtrips sells tour rights to registered FTO for \$200 + \$20 GST, total \$220.

Registered FTO factors in right to an input tax credit of \$20, reducing the price for the tour rights to \$200.

Registered FTO adds margin of 20% (\$40), sells to foreign tourist for \$240 + \$24 GST, total \$264. Registered FTO claims input tax credit of \$20, remits \$4.00 GST to the ATO.

Registered FTO profit is \$40, total GST remitted for the transaction is \$24.

The following example assumes that the FTO is non-compliant and has not registered.

(iii) OZtrips sells tour rights to unregistered FTO for \$200 + \$20 GST, total \$220. OZtrips remits \$20 GST to the ATO.

Unregistered FTO pays OzTrips \$220. If the unregistered FTO added a 20% margin, (\$44), the selling price to the foreign tourist would be \$264. The unregistered FTO is not entitled to claim an input tax credit, and does not charge the tourist GST.

Unregistered FTO profit would be \$44, total GST remitted in relation to the transaction is \$20 (ie: that remitted by Oztrips).

In this example, the unregistered FTO is able to sell for the same price as the other operators but receives a higher dollar margin than the registered operator (\$44 compared to \$40), and would have the capacity to undercut the registered operators on price, giving the unregistered operator a competitive advantage.

ATEC model

6.10 The Committee understands that this model was developed by the Australian Tourism Export Council (ATEC) and consulting firm Deloitte Touch Tohmatsu, a representative of which gave evidence with ATEC at the public hearing held in Brisbane. The model is described most completely in the ATEC submission and is referred to as the ATEC model. In this section, ATEC put forward two alternatives, both of which were based on input taxing.

Alternative 1 – ATEC's preferred model

6.11 This model is an 'input tax' model which taxes the supply of a third party right where the right is to be sold to a non-resident. ATEC's model utilises the first sale to the non-resident enterprise as the appropriate point in the supply chain to commence input taxing. The model proposes that division 40 of the GST Act be amended to input tax the supply of rights to a non-resident which entitle the recipient of the right to acquire a holiday related supply from an Australian resident enterprise. This is only to apply where the supplier of the right is a separate and distinct enterprise to the ultimate supplier. Only the direct costs (accommodation, meals etc) and not the indirect costs (administration etc) will be subject to input taxing.¹

1 ATEC, *Submission 3*, p. 14.

6.12 The model uses a narrowly based definition of a holiday right. In its proposed amendments, ATEC defines the supply of a right to a holiday to be:

- (a) the supply of a right to transport, accommodation, meals, attractions, and other holiday related supplies where the supplier of the right is an entity which will not be making the underlying supplies to which the right relates, and
- (b) the underlying rights will be ultimately used for the purposes of recreation or entertainment not connected with the carrying on of an enterprise.²

6.13 From evidence given by Mr Nick Hill of Deloitte Touche Tomhatsu (Deloitte), representing ATEC, it is apparent that this model envisages that entities supplying the rights to offshore clients will have their supplies input taxed so that they will not be able to claim any credits in relation to the supply of the rights:

What we suggested to overcome that problem was to input tax all tour package arrangers who are selling to offshore customers. So, whether you are an Australian resident foreign tour operator or a non-resident foreign tour operator, you would be input taxed.³

6.14 ATEC argues that according equal treatment to both resident and foreign enterprises should overcome Treasury concerns about WTO protocols which require foreign and resident taxpayers to be treated the same. ATEC also argued that its approach produces only nominal compliance issues, resolves the Government's revenue problem, is consistent with the way other jurisdictions deal with the tourism sector and doesn't expand the scope of the GST to other industry sectors in foreign jurisdictions.⁴

6.15 The text of ATEC's proposed amendments is included at Appendix 3.

Example 3 – Supply of a right to a tour using ATEC alternative 1

Assume that Australian company OZtrips supplies the rights to a tour to (i) an ITO or (ii) an FTO, that then on-sells the tour to a foreign tourist.

- (i) OZtrips sells tour rights to ITO for \$200 + \$20 GST, total \$220 and remits \$20 GST to the ATO.

ITO's purchase of the tour rights is input taxed, as the tour is to be sold offshore. No input tax credits can be claimed by any subsequent purchaser.

ITO adds a margin of 20% (\$44), sells to foreign tourist for \$264. No GST is payable as the supply of the rights were input taxed.

2 ATEC, *Submission 3*, p. 15.

3 Mr Nick Hill, Deloitte Touche Tomhatsu, *Proof Committee Hansard*, 26 April 2005, p. E37.

4 ATEC, *Submission 3*, p. 14.

ITO's profit is \$44, and the total GST remitted in respect of the transaction is \$20 – that is, the GST previously remitted by OZtrips.

- (ii) OZtrips sells tour rights to FTO for \$200 + \$20 GST, total \$220 and remits \$20 GST to the ATO.

FTO's purchase of the tour rights is input taxed, as the tour is to be sold offshore. No input tax credits can be claimed by any subsequent purchaser.

The FTO adds a margin of 20% (\$44), sells to foreign tourist for \$264. No GST is payable as the supply of the rights were input taxed.

FTO's profit is \$44, and the total GST remitted in respect of the transaction is \$20 – that is, the GST previously remitted by OZtrips.

ATEC Alternative 2

6.16 ATEC Alternative 2 is also an 'input tax' model. This model includes a broader definition of holiday right not focused purely on recreational travel – business related travel (conventions, business trips, incentives etc) would be included.⁵ It includes an 'optional taxing' option, allowing the tour operator, foreign or Australian, to elect to be taxable both in respect of the right and in respect of the on-supply – an 'opt-in' approach.

6.17 ATEC advised that it believed that entities that carry on their business in the business related travel sector will chose the taxing option and thus overcome any unintended consequence of applying the input tax model to a definitional framework broader than the recreational travel market.⁶

Example 4 – Supply of a right to a tour using ATEC alternative 2

Assume that Australian company OZPAKS supplies the rights to supply convention packages to a tour operator (BIZTRAV), where the entity making the supply (ie: BIZTRAV) elects to have its supplies of rights treated as taxable supplies, and that entity on-sells the tour to a foreign traveller. It makes no difference whether BIZTRAV is a local or foreign operator. For the purposes of the example, the package is assumed to be comprised wholly of taxable supplies.

OZPAKS sells rights to BIZTRAV for \$200 + \$20 GST, total \$220, and remits \$20 GST to the ATO.

BIZTRAV has elected to be taxable (ie: will levy and remit GST but is eligible to claim input tax credits).

5 ATEC, *Submission 3*, p. 18.

6 ATEC, *Submission 3*, p. 18.

BIZTRAV factors in a right to an input tax credit of \$20, reducing the price for the tour rights to \$200.

BIZTRAV adds its margin of 20% (\$40), sells to a foreign tourist for \$240 + \$24 GST, total \$264.

BIZTRAV claims input tax credit of \$20, remits \$4.00 GST to the ATO. BIZTRAV profit is \$40, total GST remitted for the transaction is \$24.

6.18 The Committee's analysis of the ATEC proposal indicates that it does offer a method of addressing the current loophole that allows FTOs to claim input tax credits but not remit GST, as well as maintaining competitive neutrality between ITOs and FTOs. A possible shortcoming of the approach is that because supplies are subject to input taxing early in the chain of supply, less revenue will be collected than would be the case if margins are taxed, as is proposed in the bill. This is an inevitable result of input taxing a supply before value is added.

Institute of Chartered Accountants of Australia models

6.19 The Institute of Chartered Accountants of Australia (ICAA) proposed four options, all of which were input tax models in which input tax credits are denied to non-resident tour operators. Each model uses a different method to achieve the same objective, specifically the removal of FTOs from the GST system.

- Option 1 – input tax supplies of tours by Foreign Tour Operators (FTOs) so that the FTOs are denied input tax credits in relation to the supplies;
- Option 2 – limit registration to people carrying on an enterprise in Australia – which would exclude FTOs from claiming input tax credits;
- Option 3 – Grant the Commissioner a discretion to register people. The effect seems to be similar to PWC/ITSA option 3, except that it is the Commissioner who registers or de-registers, whereas in the PWC model, this rests with the individuals concerned;
- Option 4 – Leave the amendments in the bill in their present form but provide the non-resident supplier a right to elect that its supplies of Australian tour packages be input-taxed. The ICAA stated that this option is a variation of option 1 and has precedent in Subsection 40-E of the GST Act.⁷

6.20 The ICAA advised that all of its approaches focused on what was considered to be the fundamental problem, the input tax credit entitlement currently available to

⁷ ICAA, *supplementary submission 1a*.

FTOs. The ICAA argued that its alternative approaches do not seek to tax nonresidents on money they make overseas, pose any enforcement issues for the ATO or have unintended consequences for other industries, shortcomings which they considered existed in the schedule 3 proposal.⁸

ICAA Option 1

6.21 ICAA's option 1 proposes to input-tax the supply of Australian tour packages by non-resident tour operators to non-resident tourists.

Example 5 – Supply of a right to a tour using ICAA option 1

Assume that Australian company OZtrips supplies the rights to a tour to (i) an Australian ITO or (ii) an FTO that then on-sells the tour to a foreign tourist.

- (i) OZtrips sells tour rights to ITO for \$200 + \$20 GST, total \$220, and remits \$20 GST to the ATO.

ITO is a resident tour operator, so is eligible to claim input tax credits. ITO factors in its right to an input tax credit of \$20, reducing the price for the tour rights to \$200.

ITO adds its margin of 20%, (\$40) and sells the tour to a foreign tourist for \$240 + \$24 GST, total \$264.

ITO claims input tax credit of \$20 and remits \$4.00 GST to the ATO. ITO's profit is \$40, total GST remitted to the ATO in relation to the transaction is \$24.

- (ii) OZtrips sells tour rights to FTO for \$200 + \$20 GST, total \$220 and remits \$20 GST to the ATO.

FTO is a non-resident tour operator, so the supply of the tour to FTO is input taxed. No input tax credit can be claimed by FTO.

If FTO adds a margin of 20%, (\$44) it sells to foreign tourist for \$264, the same price as ITO. However, no GST is payable.

FTO profit is \$44. Total GST remitted in respect of the transaction is \$20 (ie: that remitted by OZtrips).

If FTO elects to sell the tour for the same cash margin as ITO (\$40), it has the capacity to undercut ITO, giving FTO a competitive advantage.

6.22 In support of this approach, the ICAA advised the Committee that:

8 Mr Adrian Firmstone, ICAA, *Proof Committee Hansard*, 26 April 2005, p. E19.

...the GST charged by the Australian service providers and paid to the tax office still flows through to the prices of products, because it flows through to the cost of the tour operator and the tour operator cannot claim it back. Then, in passing it on to their customer, the GST flows through. So it brings back the balance, as we said initially, between tours provided by foreign tour operators and tours provided by tour operators in Australia.⁹

ICAA Option 2

6.23 Option 2 proposes to limit registration to people carrying on an enterprise in Australia, effectively exclude FTOs from registering and so claiming input tax credits. This option would effectively be limited to FTOs because of a compensating GST reclaim facility which is proposed to operate in tandem with this approach. The effect on non-resident tour operators (FTOs) would be identical to that shown in example 5.

6.24 Mr Firmstone advised that there were a number of problems associated with this approach which would necessitate the implementation of a GST reclaim facility:

There are overseas residents who do business in Australia and, as a matter of policy, we want to give them GST relief. If we were to take away the option or ability of these people to register, we would need to find another way of accommodating them, such as what happens in Europe with a VAT reclaim system, or something of that nature.¹⁰

ICAA Option 3

The third option put forward by the ICAA is to grant the commissioner a discretion to not register, or to de-register, non-residents that do not carry on a business in Australia. The result of this option would be that the non-resident would be taken as not being required to be registered.¹¹ A de-registered or unregistered non-resident would not have an entitlement to claim input tax credits, nor be required to charge and remit GST.

6.25 The ICAA stated that this is a simpler option than its second option, as it does not change the structure of the GST Act. They advised that this system had recently been introduced into New Zealand.

6.26 The option would operate the same way as shown in the example above, with the same financial outcomes. The only difference is that the FTO is not entitled to claim input tax credits because the commissioner has either de-registered or not registered them, as compared to the criteria applied in option 1 (input tax credits denied because the supplier of the tour to non-resident tourists is a non-resident tour operator) or option 2 (not carrying on a business in Australia so not entitled to register).

9 Mr Adrian Firmstone, ICAA, *Proof Committee Hansard*, 26 April 2005, p. E21.

10 Mr Adrian Firmstone, ICAA, *Proof Committee Hansard*, 26 April 2005, p. E21.

11 ICAA, *Submission 1*, p. 3.

6.27 The Committee considers that the ICAA's options offer a possible solution to the problem identified by the Government and reduce the disadvantage suffered by ITOs under current conditions. However, under these proposals it appears that FTOs still enjoy a competitive advantage over ITOs that inevitably arises when one group pays GST on its margins and another does not.

PricewaterhouseCoopers/ITSA – optional registration model

6.28 PricewaterhouseCoopers, who gave evidence on behalf of a client, the Interactive Travel Services Association (ITSA – a group representing overseas online travel businesses) put forward what they described as an 'option to register' model, rather than an input taxing model, although the effects are similar. Under this proposal, non-residents may opt to remain outside the GST system without accruing a liability for Australian GST. PricewaterhouseCoopers explained that:

By remaining outside the system, they incur GST on their inputs, but do not and cannot claim input tax credits.¹²

6.29 PricewaterhouseCoopers advised that in some circumstances, such as when supplies are being made business to business, entities may wish to opt into the system. If they do so, they would be entitled to claim input tax credits but would also be liable to output tax.

6.30 PricewaterhouseCoopers also submitted that if this approach was adopted by the Government, it should be extended to the provision of accommodation rights, allowing non-residents to remain outside of the GST system if they so elected:

...rights to hotel and similar accommodation should also fall within the same provisions so that we do not have a situation where the tax office still seeks to tax rights to hotel accommodation under the definition of 'real property' in the GST law yet other travel related services fall within these provisions. Both of them should fall within the one and then, ideally, nonresidents should be outside the system.¹³

6.31 The following example shows how the PricewaterhouseCoopers/ITSA model would operate in three circumstances, namely in respect of an Australian inbound tour operator (ITO), a non-resident tour operator (FTO) that elects to remain outside of the GST system; and a non-resident tour operator (FTO) that elects to be part of the GST system.

12 Mr Denis McCarthy, PricewaterhouseCoopers, *Proof Committee Hansard*, 26 April 2005, p. 37.

13 Mr Denis McCarthy, PricewaterhouseCoopers, *Proof Committee Hansard*, 26 April 2005, p. 37.

Example 6 –PricewaterhouseCoopers/ITSA 'option to register' model

Assume that Australian company OZtrips supplies the rights to a tour to (i) an ITO, or (ii) a non-resident FTO that elects to remain outside of the GST system, or (iii) a non-resident FTO that elects to remain in the GST system, and each on-sells the tour to a foreign tourist.

In the example, it is assumed that each entity that on-sells the rights adds a margin of 20 per cent.

- (i) OZtrips sells tour rights to ITO for \$200 + \$20 GST, total \$220, and remits \$20 GST to the ATO.

ITO factors in an input tax credit of \$20, reducing the price it paid for the rights to \$200.

ITO adds a margin of 20% (\$40), and sells to a foreign tourist for \$240 + \$24 GST, a total of \$264.

ITO claims input tax credit of \$20 and remits \$4.00 GST to the ATO.

ITO profit is \$40, total GST remitted in relation to the transaction is \$24.

- (ii) OZtrips sells tour rights to non-registered FTO for \$200 + \$20 GST, total \$220, and remits \$20 GST to the ATO.

The non-registered FTO adds its 20% margin, (\$44) and sells to a foreign tourist for \$264.

The non-registered FTO is not entitled to claim an input tax credit, but does not charge the tourist GST.

Non-registered FTO profit is \$44, total GST remitted in relation to the transaction is \$20 (ie: that remitted by OZtrips).

- (iii) OZtrips sells tour rights to registered FTO for \$200 + \$20 GST, total \$220, and remits \$20 GST to the ATO.

The registered FTO is entitled to claim an input tax credit but must charge the tourist GST. The registered FTO factors in an input tax credit of \$20, reducing the price it paid for the rights to \$200.

The registered FTO adds its margin of 20% (\$40), and sells to foreign tourist for \$240 + \$24 GST, totalling \$264.

The registered FTO claims the input tax credit of \$20 and remits \$4.00 GST to the ATO.

The registered FTO's profit is \$40, the total GST remitted in relation to the transaction is \$24.

6.32 In these examples, the PricewaterhouseCoopers/ITSA model would be similar in its effects to the input tax models put forward by the ICAA. If the non-registered FTO elected to sell at the same price as a registered or Australia-based operator (\$264) it would still receive a higher cash margin than Australia-based operators (\$44 compared to \$40). If the non-registered operator elected to reduce its cash margin to match that of the registered operators, it would have the capacity to undercut them on price.

6.33 PricewaterhouseCoopers submitted that its proposed solution provided a more effective means of addressing the problem identified by the government while not unnecessarily drawing unregistered non-residents into the GST system:

...our proposed solution is fair to both resident and nonresident suppliers of the relevant rights caught by the legislation, subject to the amendment on accommodation...it maintains the integrity of the tax and can effectively be administered by the ATO.¹⁴

6.34 PricewaterhouseCoopers advised the Committee that ITSA members were currently outside the GST system as they were not registered and are incurring GST on their inputs but not claiming input tax credits. Consequently, adoption of the proposed model would maintain the status quo for this group and there would be no resulting need to make price adjustments.¹⁵

6.35 The Committee considers that the PricewaterhouseCoopers/ITSA model should be consistent with WTO requirements, as offshore operators have the option of being treated identically to Australian operators in relation to their access to input tax credits. Further, the model appears to require minimal amendments to the GST legislation.

6.36 However, the Committee notes that as is the case for the input tax models, less GST would be payable on the supply than would be the case if the bill is adopted in its current form,. Further, it appears that the model also confers a competitive advantage over registered Australia operators on unregistered FTOs. As in some other models, this results from not taxing margins added outside of Australia. PriceWaterhouseCoopers contended that this was appropriate:

14 Mr Denis McCarthy, PricewaterhouseCoopers, *Proof Committee Hansard*, 26 April 2005, p. E37.

15 Mr Denis McCarthy, PricewaterhouseCoopers, *Proof Committee Hansard*, 26 April 2005, p. E39.

We submit that this represents the appropriate amount of GST on the amount value added in Australia. It does not impose GST on the amount value added offshore.¹⁶

Other models

6.37 Several other models were proposed in general terms to the Committee. These included:

- Deloitte Touche Tohmatsu, while not advocating a particular model in its submission, noted that every other VAT/GST jurisdiction resolves the identified deficiency in the GST legislation by restricting the input tax entitlement of non-resident entities. Deloitte acknowledged that this approach can have unintended consequences, but the 'these are often resolved by special narrowly focussed refund/reclaim mechanisms'. Deloitte estimated that this approach would produce 85 per cent of the revenue expected from the approach in the bill;¹⁷
- The Association of British Travel Agents proposed a system similar to the Tour Operators Margin Scheme (TOMS) which operates in the European Union;
- The Hotel Motel Accommodation Association of Australia associated itself with the ATEC model;
- The Certified Practising Accountants of Australia proposed an amendment to Division 11 of the GST Act to ensure that non-resident travel agents or tour wholesalers are unable to claim input tax credits on the acquisition of rights tour packages that relate to Australia. This model appears to be similar to ICAA Alternative 1;
- Ernst and Young, on behalf of the Queensland Tourism Industry Council, proposed treating the supply of all Australian Tour packages by FTOs as input taxed supplies. This model also appears to be similar to ICAA Alternative 1.

16 Mr Denis McCarthy, PricewaterhouseCoopers, *Proof Committee Hansard*, 26 April 2005, p. E37.

17 Deloitte Touche Tohmatsu, *Submission 4*, pp. 38-9.

