A Goods and Services Tax Manual for Uniting Church Treasurers and Agencies

Acknowledgements

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Special thanks to Joan Blanchard, Manager Financial Services, Synod of South Australia, for proof reading the final draft.

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Foreword

In March 2000, the Commonwealth Government, through the GST Start-Up Assistance Office, contracted the Uniting Church in Australia (in co-operation with the various Synod offices) and Lifeline Australia, to deliver GST Start-Up Assistance to the Uniting Church and Lifeline. The assistance focused on business skills and other arrangements necessary to operate in the new tax system – A New Tax System (Goods and Services Tax) Act 1999.

A Uniting Church GST Assistance Project Team was appointed to provide information services and undertake an extensive education program in all states and territories of Australia prior to completion of the project on 30 June 2000. This project team consisted of a National Co-ordinator and a number of State Co-ordinators based in Brisbane, Sydney, Melbourne, Adelaide and Perth. The project was co-ordinated from the Victorian Synod office where the National Co-ordinator was based.

Presbyteries, congregations, community service agencies, other organisations of the Church and Lifeline centres participated in seminars and workshops throughout the country.

This Manual was initially designed to complement these seminars arranged by the GST Assistance Project Team. It is not an exhaustive reference on the GST, but rather a guide to assist with the introduction and ongoing application of the GST. The Manual is being continually updated as the GST legislation is refined and Australian Taxation Office Rulings are issued.

I am indebted to our Church and Lifeline Treasurers for the way that you have met the challenges presented by GST and are keeping up to date with the many changes which still continue to take place. On behalf of the Church, I want to acknowledge the tremendous amount of time and effort you have put in. I trust that this revised version of the Manual will continue to be a very useful resource for you.

Now that the new tax system has settled down a little, we all need to be mindful of our tax reporting responsibilities to the Government from an ethical and compliance point of view. This Manual will provide assistance with completing all the required returns.

The Australian Taxation Office has recently released a number of new publications to assist churches and charities with the issues of Taxation generally. A list of resources is included in this Guide.

The Assembly acknowledges the financial contribution made by the Commonwealth of Australia in assisting us to develop the initial Treasurers Manual on GST for use within the Uniting Church and Lifeline, on which all subsequent editions have been based.

Terence Corkin
General Secretary
National Assembly

Disclaimer for printed information material

Important information concerning this material - please read

This manual was originally auspiced as part of the Commonwealth's GST Start-Up Assistance Program, and was designed to provide general information on the GST and on business skills, practices and processes necessary to operate with the GST. The manual was derived from a number of publications issued by the ATO which focussed on small and medium enterprises and the community and education sectors.

Since the introduction of GST on July 1st, 2000, there have been a significant number of amendments to the original Act, (**A New Tax System (Goods and Services Tax) Act 1999,)** plus there have been, at the time of writing this edition in August 2003, 62 GST public rulings, 21 GST Determinations, 12 GST Bulletins, and innumerable private and miscellaneous rulings.

The updated edition of this manual has been written in accordance with the current "state of play," as it existed when the manual was being updated, but readers need to be mindful that the legislation, and its interpretation, may alter at any time.

Caveat Emptor

Because business circumstances can vary greatly, the material is not designed to provide the optimal GST or business advice for every specific circumstance. Rather, because aspects of the GST are complex and detailed, the material is designed to provide a generalist, but relatively comprehensive cover of all aspects of the GST as it applies to the Church, charitable and community sectors.

Before you rely on this material for any important matter for your business, you should:

- **make your own enquires about whether the material is relevant and still current, and whether it deals accurately and completely with that particular specific matter; and**
- **as appropriate, seek your own professional advice relevant to that particular matter.**

This material is provided on the understanding that neither the Commonwealth nor its personnel, nor the Uniting Church in Australia, is engaged in providing professional advice for a particular purpose.

(Note : These limitations and warnings also applied to information based on the material presented at any seminars or workshops which were provided as part of the initial GST Start-Up Assistance Program.)

Contact

If you have any questions regarding this manual or its contents, or suggestions on matters that would improve it for future editions, please contact Ian Johnston at the Uniting Church in Australia, Synod of Victoria and Tasmania.

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Introduction

This manual is provided for Uniting Church in Australia congregations and related not-for-profit organisations to:

- provide an understanding of the basic concepts of the Goods and Services Tax (GST)
- explain the importance of appropriate documentation and record-keeping required to account for the Goods and Services Tax (GST)
- mention some basic business risks that may arise as a consequence of GST
- outline some elementary steps to be taken prior to the introduction of GST
- assist in making appropriate basic decisions relating to GST registration.

The manual contains both the theory and the application of the GST and the practical tools to help you prepare for implementation.

It should be noted that, although many references refer to congregations, it is equally applicable to presbyteries, clusters, shared ministries, other congregation grouping structures or not-for-profit organisations.

GST, or, The New Tax System

GST, or, The New Tax System as the Government called it, commenced on July 1st, 2000, and comprised a number of key features including:

- A new unique identification number for all taxation and other government transactions called the Australian Business Number (ABN).
- A Goods and Services Tax (GST) of 10% on the supply of most goods and services consumed in Australia.
- A Pay As You Go (PAYG) system that replaced a number of tax systems, including Pay As You Earn, the Prescribed Payments System, the Reportable Payments System, Provisional Tax and company instalments.
- A requirement to report fringe benefits on employees' payment summaries at grossed-up rates.
- The introduction of a single reporting form called the Business Activity Statement (BAS) that replaced several previous business tax forms.
- The requirement for charities to be endorsed as deductible gift recipients and/or income tax exempt entities.
- Reduced rates of personal income tax.
- Extensions to the Diesel Fuel Rebate Scheme.
- A luxury car tax and wine equalisation tax (to offset the abolition of wholesale sales tax).
- Changes to excise on alcohol.
- Abolition of the wholesale sales tax and some State and Territory taxes.
- A capping requirement on fringe benefits provided to lay employees

A total change in tax philosophy

The change from the wholesale sales tax arrangement to the GST was a major change in the manner in which tax was administered, particularly in that for the first time, many entities within the not-for-profit (NFP,) sector had to deal with taxation. Under the previous system, a NFP entity could obtain a registration number which it was permitted to quote to obtain an exemption from wholesale sales tax. Thus it was the entity that was exempt from tax. Under GST **there is no such thing as an exempt entity**, ALL entities are liable for charging and/or payment of GST, however, some supplies of goods and services are exempt.

Tax, or the exemption from tax, is therefore related solely to the specific transaction, not to the entity.

Wholesale sales tax, and the use of the exemption numbers, ceased effective July 1st, 2000.

Implications for UCA congregations

The New Tax System affected the Uniting Church in a number of ways including:

- Each congregation/agency requires an ABN and will need to register for GST. (See Registration page 1000)
- GST registered congregations need to:

  charge GST as appropriate;

  claim tax credits; and

  prepare a BAS (Business Activity Statement).
- If registered only for ABN and not GST, the organisation will still need to complete a BAS to pay PAYG withholding taxes (Payroll deductions, amounts held where no ABN is quoted, and also any FBT) unless all payments of this type are made through the Synod central payroll.
- All types of income transactions will need to be reviewed to determine if GST applies.
- GST will impact upon:
  - documentation received and produced (tax invoices)
  - the organisation's information and reporting systems
  - pricing of goods and services
  - government grants
  - specific new clauses required when entering into contractual arrangements
  - fundraising. To exclude fundraising activities from the GST net, congregations/agencies may choose to have these activities recorded as unregistered sub-entities. The church council or agency will need to maintain a list of these sub-entities. Refer to page 1004.
- Incorrect handling of GST-related matters will cause financial loss to an organisation.
- Staff, office bearers and especially treasurers need to be informed on how GST affects their organisation and trained in aspects that affect their work.
- The Goods and Services Tax (GST) will affect payments for most supplies provided to the church and refunds can be claimed only if you are registered for GST.
- The Pay As You Go (PAYG) system has replaced a number of taxes including: Pay As You Earn (PAYE), the Prescribed Payments System (PPS), and Provisional Tax.
- Withholding tax of 48.5% may apply to payments made in excess of $50.00. (See page 801.)
- Agencies or schools that currently have Public Benevolent Institution (PBI) status or issue income tax deductible receipts should seek endorsement, (via the Synod,) as a deductible gift recipient if this has not already been done.
- All congregations need to obtain endorsement as an income tax exempt charity to maintain their current exemption from paying company taxes.
- The Uniting Church in Australia is registered as a GST Religious Group.
- Fringe benefits are to be shown on employees' payment summaries at the grossed-up value. (Not applicable to Ministers of Religion employed by Religious Institutions for benefits provided in relation to religious or pastoral duties.)
- From 1/01/01 fringe benefits for PBI staff are capped at $30,000 grossed up before any FBT becomes payable. (Ministers employed by a PBI are not employed by a religious institution, therefore they are included in this cap and are subject to normal reportable benefit legislation.)

The New Tax System contains special provisions for charities. As explained on the following page the Uniting Church in Australia is a charitable institution.

The reason that churches and other religious organisations are able to take advantage of the concessions granted to charities in *The New Tax System* is because the legal meaning of the word 'charity' arises from common law and is wider than the commonly understood meaning.

Organisations will be charitable if they are conducted on a not-for-profit basis and are established to benefit the community, or some section of it, through:

- the relief of poverty or sickness
- the advancement of education
- the advancement of religion, or
- other purposes beneficial to the community.
- and they are an 'institution' or a 'fund'.

The term 'charitable' has the same meaning for GST as it has for income tax purposes.

What is 'advancement of religion'?

Institutions and funds established for the advancement of religion include:

- churches
- synagogues and other religious congregations
- seminaries
- religious orders
- organisations for:
    - building or repairing religious buildings
    - maintaining clergy, and
    - spreading religious doctrine and practice.

To advance religion means 'to promote it, to spread its message ever wider amongst mankind; to take some positive steps to sustain and increase religious belief; and these things are done in a variety of ways which may be comprehensively described as pastoral and missionary'.

Next page is 100

GST concepts

GST is a broad based tax, currently set at a rate of 10%, and applying to most goods and services consumed in Australia. GST is a transaction-based tax not an organisation-based tax. Therefore treatment usually depends on the type of transaction and not whether the organisation is income tax exempt. (Refer : A total change in tax philosophy, on page b.)

The ultimate/final consumer usually bears the cost of GST, not the organisation providing the goods and services. However, the liability to pay GST to the Australian Taxation Office (ATO) rests with the supplier of the goods and services, not with the customer.

Importantly, charitable, religious and not-for-profit organisations are now part of the tax system, however many activities are favourably taxed as GST-free transactions. By being registered for the GST, congregations are able to claim credits for GST paid on acquisitions and are obliged to charge GST on a proportion of income.

The previous entity-based exemption system from wholesale sales tax for charitable, religious and not-for-profit organisations was not transferred to the activity-based GST.

The Uniting Church in Australia is a charitable institution as identified by taxation legislation. This expands the range of transactions that are GST-free as well as providing income tax benefits. (See Charitable Provisions page 200).

How GST works

GST is collected at each stage in the process of production. Each organisation or person in the chain:

- charges GST on services delivered or sales made,
- claims back from the ATO all GST paid on the goods purchased and other expenses as inputs to sales,
- when they make their return to the ATO, they subtract the GST collected on their sales from the GST they have paid on their inputs, to calculate the net amount payable,
- the final consumer bears the tax, ie. they cannot claim credit for GST paid on purchases.

In the example following your organisation might be the retailer, selling items of stationery to raise income for the services you provide. For you, the GST consequences are as follows:

- you purchase stationery from the wholesaler for $330, including $30 GST
- you sell the stationery and charge the customer $550, including $50 GST
- when you submit your GST return to the ATO you are able to claim back the GST on your purchases, but must submit the GST collected on your sales. It is the difference between these ($50 collected from the customer less the $30 paid to the manufacturer) that must be paid to the ATO: that is $20.

Manufacturer Sells goods to Wholesaler for $220 including $20 GST	GST on sales $20 *less* input tax credit $0 **GST to pay $20**	$20 GST paid by Manufacturer to ATO
Wholesaler Supplies goods to Retailer for $330 including $30 GST	GST on sales $30 *less* input tax credit $20 **GST to pay $10**	$10 GST paid by Wholesaler to ATO
Retailer Supplies goods to buyer for $550 including $50 GST	GST on sales $50 *less* input tax credit $30 **GST to pay $20**	$20 GST paid by Retailer to ATO
End Consumer pays $550 including $50 GST (Where 50=1/11th of 550)		**$50 total GST paid to ATO**

Because your organisation claims back the GST on almost all its purchases (whether for resale or not), and collects the GST on its commercial sales to customers, it can be seen that the GST is not a direct burden on the organisation.

Looking at the example as a whole, you can see that businesses have paid a total of $50 GST to the ATO. But when you look at the bottom row of the table, you can see that the final consumer has actually paid that $50. The input credit mechanism (that is only available to registered businesses and organisations, not consumers) means that the final GST cost is borne by the consumer, not the organisation.

This example assumes that all transactions took place in the same tax period. In real life transactions may occur in different tax periods. The GST legislation does not require outputs to be matched with inputs.

The key points to note are that you must remember to charge and record the GST on your services and sales, and to keep a record of the GST you have paid on your inputs (ie. the stationery).

Tax fraction

> The GST is 1/11th of the total price charged or paid

Total price includes GST

When an organisation enters into a transaction that is a taxable supply, GST must be added to the value of the supply to arrive at a selling price for the good or service. In other words, whatever an organisation charges or pays for a taxable supply will have GST included in the price it charges or pays.

Total price includes cost

Because 10% is added to the value of a taxable supply, the GST component of the GST-inclusive price is $1/11^{th}$ of that price; the rest ($10/11^{ths}$) is the value before GST.

In relation to that supply, that remaining $10/11^{ths}$ of the price is the supplier's real 'income' as the GST collected must be remitted to the ATO.

Similarly, for the acquirer of the supply, that remaining $10/11^{ths}$ of the price is ordinarily the true cost of the taxable supply as the GST content is recoverable from the ATO. (There are some exceptions to this rule and these are discussed later.)

With any taxable supply you would typically find:

GST-exclusive price	$10	($10/11^{th}$)
Plus GST 10%	$ 1	($1/11^{th}$: The tax fraction)
GST-inclusive price	$11	

Congregation book accounting

Where 'tax invoices' use the words 'The total price includes GST' in order to post cash-book entries treasurers will need to use the $1/11^{th}$ 'tax fraction' to calculate the amount of GST. For example, if a GST-inclusive invoice is received for $49.50, the GST component of $4.50 will be calculated by dividing the invoice by the tax fraction of 11.

Types of supplies

There are three types of supplies:

- Taxable supplies
- GST-free supplies
- Input-taxed supplies

Additionally there are supplies that are excluded by the *GST Act*.

Taxable supplies (SCREAM)

Registered entities must apply GST on revenue unless the revenue item fails to meet one of the six essential elements of a taxable supply outlined below that makes the acronym SCREAM:

- **S**upply for
- **C**onsideration by a
- **R**egistered entity in the course of furtherance of an
- **E**nterprise that the entity is carrying on that is connected with
- **A**ustralia which
- **M**ust not be a GST-free or input-taxed supply.

It is critical that every registered congregation understands that if the congregation fails to charge GST when it should, the congregation will still have to pay to the ATO $1/11^{th}$ of the price charged. If a congregation fails to keep track of its purchases made in respect of taxable supplies and GST-free supplies, it could miss out on claiming back GST.

GST at the rate of 10% would be added to the value of taxable supplies. However, a taxable supply specifically excludes supplies that are GST-free, and supplies that are input-taxed.

Explanation of the six elements of SCREAM

S – Supply/acquisition

It is very important to appreciate that for GST to be payable, there must be a taxable supply of goods and services.

The GST is intentionally very broad in its coverage. It is intended to capture all forms of consumption, so may include a range of things that you may not have thought of. Unless specifically excluded, congregations will need to forward to the Australian Taxation Office 1/11th of revenue received for taxable supplies. All forms of revenue have the potential to be taxable supplies, so it is important that you understand what can be a supply.

Supply includes sources of revenue, such as services provided and sales, and includes:

- Goods, eg. sale of stationery
- Services, eg. catering services
- Advice or information, eg. counselling
- Real property, eg. sale of business premises
- Right, eg. rental, or right to occupy
- Obligation, eg. grant received that creates an obligation, such as to build a hall.

Goods can be grown, made, or imported and can be bought and sold repeatedly.

Services also come in many different forms. Services can involve a plumber fixing a blocked drain, or the local swimming club teaching the kids to swim. The local Council, Federal Government, and the local Citizens Advice Bureau all provide services. Some services we use are costly, some cost nothing, and some organisations provide services in return for subscriptions and members' donations.

A significant proportion of supplies made by congregations will not be taxable, but it is important that congregations recognise and charge GST on supplies that are taxable.

Acquisitions

An **acquisition** is the purchase of a supply. In most cases input credits can be claimed for GST paid on acquisitions.

Time of supply

GST applies to all supplies made after 30 June 2000. Refer to page 700 if you have any issues regarding transactions covering the transitional period immediately prior to and after July 1st, 2000.

> Note: The special rules used to decide the tax period, to which specific accounting entries are attributed, are not based on time of supply but are based on either time of payment (cash) or invoicing (accruals). (See page 601 for attribution rules.)

C – Consideration

A transaction must involve the giving and receiving of consideration to be a taxable supply. In broad terms, consideration is something given or received in return for the goods and services that are purchased or sold by an organisation. In most cases the consideration will be in money. In this context the money may be paid by way of cash, a cheque, or payment using a credit card. However where the consideration is reduced, GST only applies to the reduced consideration. Whilst GST may apply to goods and services, for no cost its value will be zero, ie. $1/11^{th}$ of zero is zero.

Care must be taken in relation to transactions that may include a non-commercial component. In a case where a transaction has been deemed to be GST Free because it is non-commercial, there can be an element of the transaction which could be ruled as being consideration, but which has not, in the original transaction, been quantified. The Australian Taxation Office has ruled that this situation will be taken as applying in a situation where a not-for-profit entity sells an item to an employee for less than the commercial price. The services of the employee will be taken to be consideration, and the GST will be payable on the amount that would have been the commercial selling price.

Gifts and donations excluded from consideration

The GST definition of consideration **specifically excludes genuine gifts**. The basic definition of gift as defined by case law must contain the following elements:

- be voluntary, with
- no material benefit provided to the donor as a result of a gift.

> Note: The supply of small tokens, eg. Red Noses, does not stop the donation being a gift. However, receiving fundraising pens, flowers, raffle tickets or tickets to a dinner in return for making a donation are not regarded as gifts.

Barter 'Contra' included in consideration

The definition of consideration has a very wide meaning for GST and includes value for non-cash items such as barter, ie. where goods are supplied in return for other goods, or for services. The goods and services that are supplied in a barter transaction have value to the person providing them and they constitute 'consideration' for the person receiving them. In others words, in a barter transaction, value is both given and received and may be a taxable supply even if no money changes hands.

Example

A congregation arranges to purchase a new photocopier and trade-in their old one.

Purchase price of new photocopier	$5,000
Less: trade-in of old photocopier	$1,000
Cash paid to dealer	$4,000

In this case the consideration received by the dealer is $5,000, as is the consideration paid by the congregation. Money or monies to the value of $5,000 has been given and received in each case.

For GST purposes, the dealer has made a taxable supply for consideration totalling $5,000. A tax invoice must be issued to the congregation for that amount, not for the $4,000 received in cash. The dealer pays $1/11^{th}$ of the $5,000 as GST payable to the ATO. The congregation can claim a $454.55 GST input, ie. $1/11^{th}$ of $5,000.

Conversely the congregation has made a taxable supply of the old photocopier for a consideration of $1,000. The congregation must issue a tax invoice to the dealer for the supply of the old copier for $1,000 and pay to the ATO $90.91 GST (being 1/11th of $1,000). The dealer can claim a GST input credit for $90.91.

In the circumstances where a barter "club" or similar exists, and a transaction is entered into on the basis that at no point will there be an exchange of funds between either party, GST may still be payable. The ATO has ruled there will generally be a deemed value, and hence GST will be payable, if at least one of the items has an economic value, and it is a "good or service" that an acquirer would usually be prepared to pay money for.

A transaction of this nature will require that the specific circumstances are investigated, and the character and "value" of the transactions assessed.

R – Registered Entity

To register for GST, you must be an **entity** conducting an enterprise.

To charge GST, an entity must have an Australian Business Number (ABN) and be registered for GST. Only registered entities can charge GST and only registered entities can claim the GST credits on business acquisitions (purchases).

The **Uniting Church in Australia State Property Trusts** are registered legal entities. Each has its own ABN and is registered for GST.

The definition of entity is also extremely broad and includes:

- individuals
- corporate bodies. (including Uniting Church State Property Trusts)
- partnerships
- trusts
- superannuation funds
- un-incorporated bodies. (including Congregations.)

Congregations

Congregations and presbyteries need to be registered as entities. Each registered congregation and presbytery has its own ABN.

ATO legislation requires not-for-profit entities, including congregations, with a turnover of $100,000 or more to register for GST. Congregations with a turnover of less than $100,000 are strongly encouraged to registered. Most congregations will be entitled to GST refunds and will wish to register for GST. (See Registration page 1000.)

Legislation has also been passed to enable the creation of a GST Religious Group (Division 49). To be part of this group every congregation, council within the group must be registered for GST and ITEC endorsed. The benefit of this GST Religious Group is that transactions between members are exempt from GST.

Congregations also have the ability to use charitable and/or unregistered sub-entities to exclude activities such as fetes from the GST net. (See Registration page 1004.)

E – Enterprise

To register for GST you must be an entity conducting an enterprise.

For congregations it is important to know that the definition of enterprise includes religious activities but excludes salaries and wages.

Enterprise is about making things happen and getting things done. Enterprise manifests itself in many ways. Enterprise involves everything from the activities undertaken by Australia's largest companies, to the activities of community-based organisations such as churches delivering to society's needs and wants. Enterprises that are required to register for GST may not necessarily be 'businesses' or 'organisations' in the way those terms are normally perceived.

The definition of enterprise includes an activity or series of activities in the form of a:

- business
- trade
- **religious activity**
- property transactions
- operation of gift deductible funds
- public institution activities.

However enterprise excludes:

- salaries and wages
- private pursuits and hobbies
- loss-making enterprises.

A – Supplies connected with Australia

Only supplies connected within Australia are subject to Australian GST. Supplies connected with Australia include:

- goods in Australia, or being removed from, or brought into, Australia.
- real property in Australia
- other supplies where supply is done in Australia or made through an Australian enterprise.

> Note: Special rules apply for payment of GST on imports and make exports GST-free.

M – GST-free and input-taxed supplies

Normal taxable supplies must not be either GST-free or input-taxed supplies.

GST-free supplies

A GST-free supply is a special classification that completely removes the impact of GST from the transaction, that is GST is not charged in the sale price, but input tax credits on supplies can be claimed back, effectively removing all GST from the cost structure. For congregations, many of the negative aspects of GST are eliminated when supplies are classified as GST-free transactions. Therefore the net cost should not increase and GST does not apply to the sale price.

If a supply by a congregation is GST-free, then

- **the congregation does not charge GST**
- **the congregation can claim input credits for GST included in the price paid for the things acquired to make the supply.**

For congregations, the *GST Act* contains special provisions (highlighted below) that enable most supplies to end consumers to be GST-free. Where the supply is to a domestic consumer this is important as it enables the supply to be made free of GST. For supplies to a business this is not as important, as businesses can usually claim credits for any GST they pay. The non-commercial category is particularly important, as it can enable congregations to provide GST-free supplies that are normally taxable.

Listed below are some major GST-free categories:

- basic food (see Food page 321)
- health including
    - recognised medical services
    - other recognised health services including dentists,
    - chiropractic, nursing, optical, pharmacy
    - hospital treatment
    - residential aged care (not Independent Living Units) (See page 312.)
    - community care, eg. meals on wheels
    - medical appliances, eg. hearing aides
    - drugs and medical preparations
    - private health insurance
- education (See Training page 312.)
- child care (See Child Care/Pre-school page 324.)
- exports for consumption outside Australia
- **religious services** (See page 200.)
- **non-commercial activities by charities*** (See GST Charitable Provisions on page 204.)
- **donated second-hand goods by charities*** (See page 203.)
- **raffles and bingo conducted by charities*** (See Bingos and Raffles page 320.)
- water and sewage
- supplies of going concerns (applies to sale of an existing business)
- transport (applies to transport to/from Australia and includes the domestic component of international travel)
- precious metal (applies to first sale after mining)
- duty-free shops
- farmland

- cars for disabled people (special requirements apply)
- international mail.

*****The Uniting Church is a charitable institution.

> **Example**
>
> A wedding ceremony which is integral to the practice of religion and when conducted by a religious institution is GST-free. However, car hire and the purchase of flowers for use by the wedding party are not integral parts of a religious service and are not GST-free.

While the above general categories of supply will be GST-free, each has a very specific meaning. Where further details are not provided in this manual, congregations may need to seek further clarification. Remember, if a congregation makes a mistake and doesn't charge GST because it was thought at the time that the supply was GST-free, but it later turns out to be taxable, the GST liability rests with the congregation not the consumer.

Input-taxed supplies

Rather than tax the final consumer, this category taxes the supplier as the end consumer.

For input-taxed supplies, congregations

- **do not charge GST on the supply; and**
- **are not entitled to input tax credits for anything acquired to make the input-taxed supply.**

Whilst this classification reduces the cost increase to the end consumer, it increases the supplier's costs. In order to maintain profit margins price increases are required for input-taxed supplies.

Input-taxed supplies include:

- residential rents – potentially includes rental income from manses and independent living units. (See page 312.)
- sale of residential premises. (See page 315.)
- financial supplies - includes banking, life insurance and superannuation, interest, dividends, deposits realised, loans received and loans repaid.
- precious metals.
- school tuckshops and canteens – the legislation allows not-for-profit bodies to choose to be input taxed or to apply the general GST rules. Please note this choice is not available if supplies are made for other than food, eg. sale of books or uniforms.

Additionally there are special rules for long-term commercial accommodation. (See Rental Income, page 312.)

Financial supplies are transactions of a money nature covering all types of banking or money transactions such as lending, mortgages etc.

However, there are a number of exclusions that can be allied to these areas which are, in fact, taxable supplies, eg.

- advisory services
- legal services
- brokerage on share purchases

- accounting services
- tax agent services
- safe custody services for cash, documents or other things
- payroll services.

Example

Residential rent received by congregation	$10,000
GST	$ 0
Less congregation costs:	
Repairs (including $100 GST)	$1,100
Insurance (including $50 GST)	$ 550
	$ 1,650
Surplus	$ 8,350

The $1,650 figure includes $150 GST (being 1/11th of $1,650). The congregation cannot recover the $150 GST as an input tax credit. This is because the residential rent is treated as input taxed.

For congregations, input-taxed transactions have a number of negative implications that include:

- the need to increase revenue to maintain margin
- extra administration to identify and not claim the GST paid on acquisitions, acquisitions include an apportionment of general administration costs
- special insurance requirements. (See page 416.)

A supply that at first examination should be an Input-taxed supply, may qualify to be a GST-free supply.

This is important for manses or houses that are rented (see page 204), as we believe a number of manses may be GST-free under the non-commercial provisions. (See also Independent Living Units, page 312.)

Importantly the classification of residential rental as GST-free rather than input taxed will:

- simplify accounting for congregations, as they will no longer be required to account for GST on acquisitions for which they cannot claim GST input credits
- simplify insurance requirements, as our insurance broker must be advised where our property is input taxed (See Insurance page 416.)
- remove the possibility of an adverse impact of inadvertent application of associate's provisions of the GST legislation.

Claiming money for GST paid (input tax credits)

GST paid can usually be claimed back from the ATO. (Input taxed supplies excluded.) This is termed ‘input tax credits’. For input tax credits to be claimed, GST must be included in the price paid, and it must be a creditable acquisition. (Acquisitions from non-registered entities do not include GST.)

A creditable acquisition is made:

- if something is acquired in order to carry on an enterprise (excludes input-taxed supplies or acquisitions made for private use)
- if the goods or services supplied are taxable supplies
- if the congregation is registered
- if it’s not entertainment. (See page 407.)

Private use is an acquisition of a private or domestic nature. GST paid on Ministers’ Benefits Accounts (MBA) and staff fringe benefit expenditure is not considered private use and can be claimed.

To avoid any confusion later on, **input-taxed supplies** are not the same as input tax credits. **Input tax credits** are the credits allowed for GST paid on business expenses incurred to enable you to provide taxable or GST-free supplies. **Input-taxed supplies** are goods and services on the sale of which there is no GST charged and the acquisitions of which input tax credits cannot be claimed.

For financial supplies, restrictions only apply on claiming GST credits on associated acquisitions, where the value of the associated GST credits is material, ie. the lesser of $50,000 GST credit or 10% of the total value of input taxed credits. It is expected that congregations can always claim GST credits on acquisitions associated with financial supplies.

Business Activity Statement (BAS)

For the relevant tax period, GST-registered congregations will submit a BAS to the Australian Taxation Office (ATO) which either claims a GST refund or pays the value of GST owing. (See page 904 on the BAS statement for detailed instructions.)

Example

	Total	GST 1/11th
Revenue	$	$
Open plate offerings	30,000	
Rent manse (GST-free)	7,000	
Hall rental (commercial)	550	50
Total revenue	**37,550**	50
Expenditure		
Minister's stipend	25,450	
Manse repairs (incl. $200 GST)	2,200	200
Other expenses (incl. $900 GST)	9,900	900
Total expenditure	**37,550**	1100
BAS return		
GST received		50
Less GST paid		-1100
GST refund due from ATO		1050

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GST charitable provisions

Special provisions are provided by the GST legislation relating to charities (which includes churches). These cover:

- religious services
- donated second-hand goods
- non-commercial supplies
- raffles/bingo. (See page 320.)

Religious services of churches

The Government considers these ceremonies to be 'religious services' and :

- Religious services will be GST-free. Uniting Churches and other institutions that supply religious services will not charge tax on those services and will be able to claim input tax credits for tax paid on their inputs. The service supplied **must be integral to the practice of the religion** to be GST-free.

For the purposes of the Uniting Church in Australia, the following activities are considered *integral* to the practice of religion:

- weddings
- funerals
- baptisms and dedications
- spiritual retreats and education of the faith.

Spiritual retreats:

- in some cases religious training may be GST-free both as a GST- free religious service and as GST-free education
- whilst spiritual retreats may include other activities, eg. break for exercise, religion must be the primary focus. A church retreat where the primary focus was not religious activity would not be GST-free.

This activity includes the preparatory classes that are required for the service and the conduct of the service.

The location of GST-free religious services is not restricted to church buildings. The location is restricted to Australia but can be anywhere including on land, on water or in the air.

Example - Wedding

Joe and Mary have elected to get married at a GST-registered Uniting Church. In order to get married they are required to participate in the Prepare/Enrich course. The fee charged by the church consists of:

Minister	$50
Sound	$50
Flowers (to decorate the church)	$30
Prepare/enrich	$55
Church hire	$20
Total cost/fee	$205

The charge for the wedding would be GST-free, except for the provision of the flowers on which it must be charged, as the ATO regards these as not being integral to the wedding service. All GST costs incurred by the Church are claimable.

Example - Baptism

Jane has her baby baptise

d and gives the congregation a thank-you gift of $50. As there is no scheduled fee for this service, the $50 is understood to be a gift and is therefore not deemed to be consideration for supply of the baptism and 1/11th does not need to be given to the ATO. Baptisms are considered GST-free religious services. Therefore, even if $50 was considered payment for services it would be GST-free.

It is important to note that religious services not supplied by a 'religious institution' are not GST-free. Therefore the following are not GST-free:

- ceremonies conducted by civil celebrants
- ceremonies provided by undertakers, etc.

Note: Undertakers may act as agents for the Uniting Church and pass to the client our GST-free charge for conducting a religious service.

- religious services provided by a minister rather than a church.

Note: Ministers are generally not registered for GST as individuals, and therefore cannot charge GST. (It is the congregation that is registered.)

Religious Services and Undertakers

Where the church provides a "Religious Service' including a funeral service it is GST-free and we cannot charge GST. If required we can quote the congregation ABN to avoid the 48.5% PAYG withholding tax.

Where a minister (not registered for GST) supplies a religious service (in their own right) they cannot charge GST because they are not registered for GST. The government has announced that it will enact legislation creating a zero withholding tax rate for ministers providing pastoral duties. Therefore PAYG withholding does not apply. (Refer to Page 404)

Where an unregistered sub-entity of the church provides catering it cannot charge GST (or claim GST credits). The sub-entity may have separate accounts or account for its activities in separate cash book columns. If required the unregistered sub-entity can quote the congregation ABN to avoid PAYG withholding. NB: ABNs apply to the total entity and GST is only one of the purposes such as PAYG withholding the entity includes the sub-entity.

If catering is supplied by the congregation (not an unregistered sub-entity) GST would apply unless the supply is non-commercial (ie less that 75% of cost or 50% GST inclusive market value). Congregations would need to quote the Churches ABN where GST has been charged to avoid PAYG withholding by the entity for whom the catering has been provided.

The above rules apply to our supplies regardless of whether the supply is to individuals, estate or undertakers.

Where the congregation, sub-entity or minister, supply the funeral service/catering to an undertaker GST will not normally apply. However GST will apply to the subsequent supply from the undertaker to the executors of the estate. Executors cannot claim the GST credit and would therefore benefit financially by avoiding GST if they paid directly to the church/sub-entity or ministers. Other practical issues such as payment of invoices may enter into such a decision.

To create an unregistered sub entity, there are two basic rules,

1. a decision must be formally made to create an unregistered sub entity, and
2. the accounting items or transactions that relate to the activities of the sub entity must be able to be clearly identified in the accounts, from that of the congregation.

For the purposes of the first requirement, a formal motion at the Church Council, documented in the minutes, will be satisfactory. This record must be retained for a minimum of five years. With respect to the second requirement, the minimum requirement would be separate columns in the cashbook for revenue and expenses for the input taxed events, and ***only*** transactions that relate to these should be recorded in those columns. These should be shown at the total figure, (GST inclusive for expenses,) with zero shown in the input tax column.

Donated second-hand goods

Second-hand goods are considered to be goods that have been used previously. Provided they retain their original character, the sale of donated second-hand goods is a GST-free supply by the church. Donated food items or animals are not second-hand goods.

The sale of clothing that has been cleaned and repaired for sale is GST-free, but the sale of goods made from recycled clothing is subject to GST. For example, sales of clothing from opportunity shops will generally be GST-free, while the sale of industrial cleaning rags that have been made from recycled clothing will be subject to GST.

The ATO has accepted that the sale of buttons, lace and zips removed from donated second-hand goods is a GST-free supply.

(See GST commentary on Charitable Opportunity Shops page 500.)

> **Example** - Selling donated second-hand goods
>
> A church receives donations of damaged second-hand clothes for sale in its opportunity shop. If the donated clothing is cleaned and/or repaired prior to sale it will be GST-free.
>
> If the second-hand clothes are cut up and sold as rags, the sale of the rags will be subject to GST as they are no longer the same as the goods that were donated, but have been manufactured by the church into a new product, that is, rags.

In most circumstances small quantities of donated new goods will be GST-free (eg. small quantities of new shirts left in a bin). The Commissioner of Taxation will accept that all goods received in collection bins will be considered second-hand, unless the charity has information to the contrary. For example, if a clothing manufacturer advised the charity that it will be depositing 500 new shirts in their collection bin, the shirts would not be considered second-hand goods.

If registered for GST, GST should be charged when selling purchased second-hand goods, however there are special rules for claiming GST credits.

Non-commercial supplies

Although a significant proportion of supplies of goods and services by *businesses* are subject to GST, supplies made by *churches* and other charitable institutions will be GST-free as a non-commercial supply.

The non-commercial activities of churches and charities will be GST-free if the consideration is:

Supplies other than accommodation

Less than 50% of the GST-inclusive market value of the supply, **or**

Less than 75% of the GST-inclusive market value of the consideration the supplier provided for acquiring the thing supplied (cost).

Accommodation supplies

Less than 75% of the GST-inclusive market value of the supply **or**

Less than 75% of the GST-inclusive market value of the cost to the supplier of supplying the accommodation.

This is the primary provision for charity organisations to enable an easing of the potential burden of GST. The key test is the market value of the cost of supply. When using this provision, congregations must either use:

ATO benchmarks (where applicable), **or**

Provide documentation that would be acceptable by a reasonable person.

Specific ATO benchmarks have been developed to help determine the 'Market Value' for some restricted activities (Refer page 210). It is important that each congregation considers some form of documentation to support any major transactions where they have elected to apply this provision.

Example - Supplies for less than 50% market value

Church book sales not subject to GST

A GST-registered church conducts a bookstall at the monthly community Sunday Market. The bookstall is operated by the church as a means of propagating the Christian faith. The bookstall sells Bibles and evangelistic texts either at no cost or at well under half their market value.

The bookstall can be regarded as a non-commercial activity of the church and therefore the sales are GST-free. The bookshop is entitled to an input credit equal to its stock purchases and operating costs (but not wages).

Where sales are made on a 'non-commercial' basis, they will not be subject to GST (see fundraising section on page 306).

Example - Supplies for less than 75% of the cost of the supply.

Non-commercial activities are exempt from GST

A church charges its members $100 for a Bible. The cost of purchasing the Bible is $140.

As the Bible is sold for less than 75% of the cost of the supply, the sale will be GST-free.

How to determine cost

In general terms when calculating the cost of providing something an organisation should include:

All direct costs incurred – for example materials and stipends/salaries paid

A reasonable apportionment of indirect costs incurred – for example administration, office costs, electricity, telephone, insurance etc.

For supplies other than accommodation only those amounts paid or payable may be included in the calculation. The following things can not be included because they do not involve an actual outlay by the church council:

- Depreciation of assets
- Donations of goods (ie an individual donates the paper for the photocopying)
- Volunteers time
- Imputed costs (ie rent where the organisation has not actually provided any consideration or incurred any real costs)

For supplies of accommodation only costs incurred in providing the accommodation can be included. This includes depreciation, donation of goods, volunteers' time and other imputed costs. Where depreciable assets form part of the cost of supplying the accommodation, the organisation should use the depreciation amount for the asset rather than the whole cost of the asset.

How to determine Market Value

The market value may be determined by either,

- ATO guidelines where applicable, **or**
- Documentation that would be acceptable by a reasonable person.

In either case it is important that you keep the records you have used to arrive at the decision that the income is GST free.

The ATO has defined market price as an arms length price, ie one that a willing but not anxious buyer would be prepared to pay to a willing but not anxious seller, in an open market. There is no distinction for the special markets that charities and not-for-profits create or operate within. In those circumstances it is the limited or selected market which would be used to establish what the market value is. Once a market value has been established for a supply, this can be used for a period that aligns with the practice of the market in which the charity operates. It would be expected that when prices are reviewed the market value would also be reviewed, and this must be done on a regular basis.

The first step before determining the market value is to determine what it is you are actually supplying. It should be noted that there must be a supply. Where there is no consideration, or if you are not registered for GST, or if you are not an entity etc, you can not charge GST. In other words the essential elements of a taxable supply must be present. (refer page 104: SCREAM).

In determining the market value the commercial equivalent must be comparative. You must use similar prices, calculate market value based on costs or use ATO approved benchmarks.

Method 1: The actual market value for a supply in the open market

Establish whether the same supply exists within the same locality. Obtain a written quotation or documentation detailing prices for a commercial equivalent from two sources. This documentation should be retained, and an explanatory record maintained with it which clearly documents the date, location, and comparison made to support the contention that it is a non-commercial supply. In the event of a query by the ATO, these documents are the evidence to support your actions. (This is known as the "general" test of market value.)

> Example: Actual market value for Hall rental for same supply:
>
> The commercial equivalent for the rental of the hall may be the local School hall, Scout hall, RSL hall, Community Centre, or Catholic Halls (wedding receptions).
>
> If the rental is less than 50% of the GST inclusive Market Value the supply will be GST-Free.

Method 2: Market Value of a Similar Supply

Only where you are unable to use the above method, because there is no supply that is the same, can a comparison with the Market Value of a similar, but not necessarily interchangeable, supply be used. In determining a similar supply, you should seek comparisons that are similar and / or equivalent in nature, quality, size, or time length and conditions of supply. For supplies of accommodation similar includes consideration of the type of premises, standard of facilities offered and conditions of use or occupancy.

> Example: Similar market value for Hall rental for same supply:
>
> A similar equivalent for the rental of the hall may be the local Wedding Reception Centre, Town Hall, Leisure Centre Hall or a hall in a neighbouring rural town.
>
> If the rental is less than 50% of the GST inclusive Market Value the supply will be GST-Free.

Method 3: Other methods approved by the Commissioner.

It would be expected that this test would rarely be used. The onus for developing a methodology lies with the entity under a broad framework as outlined below.

The entity must retain documentation that adequately shows that successive examination of the above two methods are unable to determine the market value,

A) The entity will need to isolate the specific supplies for which a market value cannot be determined.

B) The entity may use an appropriate determination of 'cost plus' to determine the market value of a supply. Cost plus method allows an entity to us full absorption costing and then apply a mark-up appropriate to the general market of the particular supply.

Additional information on this particular method of assessing the market value test is contained in the following section of the GST manual covering the subject of Church journals and publications.

For further details also refer to Market Value Guidelines on the ATO website:

<u>It is very important that you document your calculations for future justification.</u>

ATO - Benchmark values

The ATO benchmarks that existed at the time the GST was introduced have not been updated since 1999, therefore although they still appeared in recent editions of this manual they are no longer correct. Accordingly, the ones which appear in this revision of the GST manual, have been updated using CPI movement data for the various capital cities and states of Australia. Broadly, they are a guide only, and their use should be restricted to:

- Supported accommodation and community housing (long term accommodation rates)
- crisis care (short term and long term accommodation as appropriate)
- retirement villages (long term accommodation)
- housing provided to clergy (minister must be residing in residence)
- Meals on wheels, charity soup kitchens and organisation that prepare and supply meals to the frail, homeless or needy.

(The revised "Benchmarks" appear on page 210.)

They do not apply to ex Manses now rented or leased. To be GST free as non-commercial, ex-manses must pass the 75% of market value test based on the local property rental market. Unless the property passes this test it will be input taxed and the congregation cannot claim the GST credit for manse expenditure.

Sale or trade in of vehicles

Where a registered charity sells a vehicle for less than 75% of cost or 50% of market value it is GST-free under s38-250. That is the charity does not charge GST and the purchaser cannot claim any GST credits. In this situation you should ensure you advise the dealer in writing that the supply is GST-free as this will probably reduce the trade in value.

Church journals and publications

Special rules have been developed to determine the market value for church journals and publications.

Publications include newsletters, magazines and journals that are not marketed in a commercial context. The term publication does not apply to books and the ISBN will be used as a basis for determining whether a publication is a book.

Under the GST legislation, if a charity sells a publication for less than 50% of the market value of the supply or less than 75% of the costs the charity incurred in making the supply, the supply will be GST-free.

To simplify the compliance burden placed on charitable organisations, one of the following proposed methods may be used to determine a market value for their publications, where there is no commercial market.

Market Value "Tests"

Method 1: the 'general' rule

The market value of an item is the price that a willing but not anxious buyer would have to pay to a willing but not anxious seller for the item. Put differently, it is the best price that may reasonably be obtained for the items if sold in the general market.

If there is no general market, (ie. there is a small number of potential buyers), then this limited market is used as a substitute for the general market, and the price these buyers are willing to pay becomes the market value. On this basis, the market value of newsletters sold by a charity would naturally equal the amount the arm's length market (however limited it may be) is willing to pay for the item.

Thus for a Christian publication issued by a Church congregation, such as a daily prayer guide or Bible reading, the market would be that for Christian publications generally, not that for commercial publications at the local shopping centre.

Method 2: the 'benchmark' rule

Charities will be permitted to adopt a suitable benchmark as a substitute for market value. A suitable benchmark would be a publication of similar length, that does not have a high level of advertising, and that focuses on industry specific issues. Examples would be investment newsletters, industry or trade specific journals, or private club or association newsletters. These would generally be considered an acceptable comparison for the type of publication which a congregation would most likely to be selling. Again it is the market value for this publication which will set the benchmark.

Given the prices charged for some investment newsletters and trade publications, this could effectively make the sale of most newsletters by charities GST-free, however it is essential that entities retain the supporting documentation to justify their decision on GST liability.

Method 3: the 'cost plus' rule

Where no commercial equivalent exists, nor has it been possible for a Congregation to find a similar or equivalent publication, a charity could calculate its own market value, based on the costs it incurs in producing each publication and applying a standard mark-up to these costs. Where a charity relies on voluntary labour in producing its publications, it would be reasonable to determine a 'deemed' cost of labour and add this to the actual costs of production before applying the mark-up in determining a "deemed market value." The costs of production would be based on full absorption costing, incorporating direct material and labour, and direct and indirect manufacturing overheads. A mark-up of 100% on cost would be considered reasonable for the purposes of calculating the ‘deemed’ market value of publications.

Given churches generally price their publications on a cost recovery basis, the ability to determine market value in this manner (incorporating a 100% mark-up) would effectively render the sale of publications GST-free.

It is important to realise that this method can only be used where neither of the former two method "tests" can be satisfied, ie. there is no equivalent commercial or limited market publication, nor is there even a similar or equivalent type of publication. You cannot go direct to method 3, methods 1 and 2 MUST be applied first.

If the selling price of the publication is less than 50% of the determined market value of the supply, the supply will be GST-free.

Determination of the cost method "Test"

If the cost method is used to determine whether the sale of a publication is GST-free (ie. the sale is less than 75% of the costs) then the following guidelines have been developed:

- A charity may employ full absorption costing in determining its costs of supply. Accordingly, direct materials and labour and direct and indirect manufacturing overheads may be included in the calculation.
- However under the GST legislation, only those costs paid or payable may be included in the cost calculation. As volunteer labour does not involve an actual outlay of monies by the charity, it cannot be included in the calculation of the cost of supply.

Substantiation

Under either method, appropriate records should be kept to substantiate how the market value or cost has been calculated. Appropriate records would include a written self-assessment that is reviewed regularly, for example, yearly or when prices or costs change.

The treatment of advertising

It should be noted that a supply of advertising in a newsletter is distinct from the supply of the newsletter itself. The provision of advertising by a charity will be subject to GST unless either the 50% of market value, or 75% of cost of supply rule is satisfied.

Volunteer Input

The use of a deemed cost for volunteer input ONLY applies to method number 3 using the "market value" test to establish whether a supply is commercial or non-commercial, and hence whether GST must be included or not in the selling price. It cannot be included in establishing a "cost of supply." The latter can only include the actual expenses incurred.

Market benchmarks

The following benchmarks are restricted to support accommodation, community housing, crisis care, retirement villages, housing provided to clergy, and meals on wheels. They do not apply to ex-manses now rented. ***These benchmarks are no longer available from the ATO, hence the following figures are based on the last published set, 1999, adjusted for inflation to the March quarter 2003.*** These are therefore published as a guide only, not a definitive standard, and Congregations should make their own enquires to establish correct figures for their region.

Market value – residential rents – weekly
1. Long-term accommodation

Table 1 – market values *				
Location	4 or more bedrooms	3 bedrooms	2 bedrooms	1 bedroom
Canberra	$372.81	$268.43	$238.60	$164.04
New South Wales	$821.56	$627.38	$478.00	$351.03
Northern Territory	$504.88	$375.05	$302.93	$216.38
Queensland	$379.31	$289.77	$252.88	$178.50
South Australia	$380.94	$274.28	$205.71	$144.76
Tasmania	$265.28	$221.06	$191.59	$132.64
Victoria	$599.50	$449.63	$352.21	$239.80
Western Australia	$367.50	$249.90	$220.50	$139.65

The above market values cover long-term accommodation (28-day or more continuous occupation). These can be used instead of obtaining written market values for the purpose of applying the ‘less than 75% of market value for rentals on residential properties.’

Table 2 - GST-free if less than :				
Location	4 or more bedrooms	3 bedrooms	2 bedrooms	1 bedroom
Canberra	$279.61	$201.32	$178.95	$123.03
New South Wales	$616.17	$470.53	$358.50	$263.27
Northern Territory	$378.66	$281.29	$227.19	$162.28
Queensland	$284.48	$217.32	$189.66	$133.88
South Australia	$285.70	$205.71	$154.28	$108.57
Tasmania	$198.96	$165.80	$143.69	$99.48
Victoria	$449.63	$337.22	$264.15	$179.85
Western Australia	$275.63	$187.43	$165.38	$104.74

Note: The above values are expressed as 75% of the market values as shown in table 1 above.

2. Meals

Table 3 – Market value of meals				
Location	High cost city and country centres+ (100% MV)**	Less than 50% GST-free	Other (100% MV)**	Less than 50% GST-free
Breakfast	$17.39	$8.70	$15.48	$7.74
Lunch	$19.36	$9.68	$17.75	$8.88
Dinner	$33.34	$16.67	$30.59	$15.30

** Note: the figures quoted as market value are GST-inclusive.

+High cost city and country centres are defined as follows: Adelaide; Brisbane; Canberra; Darwin; Hobart; Melbourne; Perth; Sydney; Alice Springs (NT); Bright (Vic); Broome (WA); Burnie (Tas); Christmas Island; Cocos (Keeling Islands); Dampier (WA); Derby (WA); Devonport (Tas); Exmouth (WA); Gold Coast (Qld); Halls Creek (WA); Horn Island; Jabiru (NT); Kalgoorlie (WA); Karratha (WA); Kununurra (WA); Newcastle (NSW); Newman (WA); Nhulunbuy (SA); Norfolk Island; Paraburdoo (WA); Pt. Hedland (WA); Roebourne (WA); Thursday Island; Tom Price (WA); Weipa (Qld); Wilpena (SA); Wollongong (NSW); Yulara (NT).

3. Short-term accommodation

Short-term crisis and emergency accommodation is for periods up to 28 days.

Location	Per day rates	Less than 75% GST-free
Adelaide	$97.50	$73.25
Brisbane	$110.50	$83.00
Canberra	$90.50	$68.00
Darwin	$102.50	$77.00
Hobart	$82.50	$62.00
Melbourne	$132.00	$99.00
Perth	$107.00	$80.25
Sydney	$142.00	$106.50
High cost country centres	See table below	
Tier 2 country centres ++	$77.50	$58.25
Other country centres	$64.50	$48.50

++ Tier 2 country centres includes: Albany (WA); Ballarat (Vic): Bathurst (NSW): Bendigo (Vic); Broken Hill (NSW); Cairns (Qld); Castlemaine (Vic); Griffith (NSW); Katherine (NT): Launceston (Tas); Marla (SA); Port Pirie (SA); Wagga Wagga (NSW).

Short-term accommodation – high cost country centres

Centre	Per day rates	Less than 75% GST-free	Centre	Per day rates	Less than 75% GST-free
Alice Springs (NT)	$84.25	$63.19	Bright (Vic)	$87.24	$65.43
Broome (WA)	$118.90	$89.18	Burnie (Tas)	$83.65	$62.74
Christmas Island	$93.81	$70.36	Cocos (Keeling Islands)	$110.54	$82.90
Dampier (WA)	$95.00	$71.25	Derby (WA)	$83.65	$62.74
Devonport (Tas)	$86.04	$64.53	Exmouth (WA)	$116.51	$87.38
Gold Coast (Qld)	$102.17	$76.63	Halls Creek (WA)	$102.77	$77.08
Horn Island	$118.31	$88.73	Jabiru (NT)	$175.67	$131.75
Kalgoorlie. (WA)	$89.63	$67.22	Karratha (WA)	$131.45	$98.59
Kununurra (WA)	$109.94	$82.46	Newcastle (NSW)	$90.22	$67.67
Newman (WA)	$116.51	$87.38	Nhulunbuy (SA)	$119.50	$89.63
Norfolk Island	$112.33	$84.25	Paraburdoo (WA)	$99.19	$74.39
Pt Hedland (WA)	$111.14	$83.35	Roebourne (WA)	$83.65	$62.74
Thursday Island	$139.82	$104.86	Tom Price (WA)	$87.24	$65.43
Weipa (Qld)	$107.55	$80.66	Wilpena (SA)	$107.55	$80.66
Wollongong (NSW)	$97.39	$73.04	Yulara (NT)	$310.10	$232.58

As noted previously, these figures are provided as a guide only, they are not "definitive" benchmarks.

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GST Religious Group

Legislation was passed to enable the creation of a GST Religious Group (Division 49). To be part of this group every congregation or other entity within the group must be registered for GST, and be ITEC endorsed. (Income Tax Exempt Charity.) The benefit of this GST Religious Group is that transactions between members are exempt from GST.

A GST Religious Group has been created for the Uniting Church in Australia.

Entities

The expectation at the time of the lodgement of initial applications for registration, ie. pre GST commencement in July 2000, had been that congregations would have been sub-entities of the Property Trust in each State. However, the Australian Taxation Office advised that their considered opinion was that congregations should be registered as entities in their own right. Consequently, all congregations and agencies originally registered for GST through the Synod Offices were converted from sub-entities to entities, and all subsequent applications have been lodged for entities.

Income Tax

To maintain our exemption from income tax, each congregation needs to be both registered with an ABN, and endorsed as an Income Tax Exempt Charity, (ITEC.) While in theory ITEC status can be requested at time of lodgement of the original request for an ABN number, experience has indicated the ATO rarely processes them together. It is therefore simpler to regard it as a 2 stage operation, first, apply for the ABN, and second, apply for ITEC once the ABN has been received.

All individual congregations and agencies that registered for an ABN through the Synod Offices pre July 1st, 2000, subsequently had an application for ITEC endorsement lodged on their behalf.

Sub-entities and fundraising

It should be noted that because congregations are entities they have a responsibility to keep a register of any activities they take out of their GST records by creating unregistered sub-entities (ie fundraising activities). This may be as simple as the Church Council recording the creation of sub-entities and activities covered by those sub-entities (for example a minute in the Church Council official minutes). If required the sub-entity should quote the congregation's ABN.

A side benefit of this GST Religious Group status is that creditable acquisitions are based on the total group. This gives a benefit in relation to the operation of Investment Funds and overall Synod insurance.

GST Religious Group and Input taxed supplies

GST credits on acquisitions for input taxed supplies cannot be claimed even when the acquisitions are made by a different member than the member making the input taxed supply.

The benefits of the GST Religious Group means it is very important for all congregations to be registered for GST. Unregistered congregations will have GST charged.

Next page is 300

GST on revenue

This chapter provides a basic overview of congregation income and how it will be treated under the GST.

Most revenue for churches in Australia comes in the form of tithes, offerings, gifts and donations from its members and adherents. Other revenue can come from ‘commercial activities’ such as bookshop sales and hall hire and various fundraising activities.

The following table provides a summary listing of transaction types. Further details and practical examples are found in the corresponding notes. This is not an exhaustive list, but rather an attempt to describe the GST effect on common transactions occurring within congregations.

The congregation is responsible for charging GST where applicable and, where GST applies, 1/11th of proceeds must be remitted to the ATO even where a tax invoice is not supplied.

It should be noted that transaction between members of a GST religious group are exempt from GST. (Refer to page 250)

No	Supply		Nature of supply	GST treatment
1	Offerings	Tithes, open plate offerings, envelope offerings, retiring offerings	Open plate offerings	Exempt income, not reported on BAS
2	Donations	Specific purpose donation	Receipt of donations	May be exempt income or taxable, refer to notes.
3	Sponsorships	Payment for provision of services	Telstra mobile phone tower located in a belfry	Taxable
4	Fundraising activities	Usually low costs to the congregation due to resources being donated and the income is derived by providing a good/ service to the community for a nominal fee. These activities are generally not commercial in nature and are designed to generate income over and above costs	Fete sales chocolate/ lamington/sock drives, sausage sizzles, walkathons, car wash, fete, food stalls, garage sale, trivia night.	Taxable, where supplied by a registered entity except where input taxed under ATO guidelines. Not taxable where GST provisions for non-commercial activities apply with the price being less than 50% of market value, or treated as an activity of an unregistered sub-entity.
5	Bookshop sales	Sale of books to customers	Sale of books	Taxable
6	Commissions	Royalty or commission received for selling goods or services on behalf of others	Art shows, sale of books	Taxable, unless non-commercial

No	Supply		Nature of supply	GST treatment
7	Uniting Church Grants	Grants for specific purposes Non-specific purpose	Mission and Service Grants for specific projects Ministry grants	Taxable. However if registered and part of GST Religious Group, GST-Free. Not subject to GST as the recipient, a Minister or similar, is not registered and not making a taxable supply.
8	Government Grants	Grants for Specific programs	Subsidy of program, or provision of specific purpose funding	Taxable
9	Rental income	This is the rental of residential accommodation (eg. manse rented out)	Manse / house rental	Input taxed if at commercial rates
10	Religious services	These are activities undertaken in the course of practising religion. These activities may or may not have a fee attached to cover the costs of the service	Worship services, weddings, funerals, baptisms	GST-Free
11	Livestock scheme	Proceeds from the sale of livestock	Sale of livestock	Taxable
12	Dividends	Dividend received	Shares	Input taxed
13	Interest	Interest received or credited to bank or investment accounts	Interest income from banks and trust funds	Input taxed
14	Trust distributions	Distributions from trusts		Input taxed
15	Proceeds from bequests	Grants from bequests or bequests received.	Proceeds from bequests	GST-Free
16	Property	Proceeds from sale of property		Will vary according to type and use of property. Contact Synod office with specific details.
17	Membership fees	Taxable		
18	Training courses	Fees charged for training courses	Courses for weddings Ministry training	Taxable GST-Free

No	Supply		Nature of supply	GST treatment
19	Community Outreach	These services are usually provided with little or no expectation of payment from the recipient. (A donation might be asked for or received but not required.) The cost of the services may be met by other organisations, eg. Govt. grants, sponsorship, etc.	Community carols / sausage sizzles, training and education programs for targeted community groups (unemployment programs), child-care facilities, soup kitchens, drop-in centres, capital works – buildings, provision of equipment	Where there is no scheduled fee/direct link to a payment for a service any funds gained through 'gifts' are not taxable The non-commercial test where consideration is <50% of the cost of providing the service may apply
20	Cash transactions		Loans received Investments realised	No GST applicable
21	Internal transfers		Transfers from one organisation to another.	No GST where part of the same GST Religious Group. Otherwise GST applies. The exception to this is where the supply is to an unregistered sub-entity. In this case GST may apply.

Commercial activities

Commercial activities of churches are subject to GST.

There is a wide range of income-producing activities of churches that may be subject to GST.

Such activities might include:

- rental of church or church hall
- sale of religious books, tapes and CDs
- advertising revenue
- some fundraising activities.

GST does not have to be charged on revenue,

- earned by a church which is not registered for GST, or
- which meets the criteria of 'non-commercial' income.

Example - Church book sales subject to GST (1)

A GST-registered church operates a bookshop on its premises which are in a busy retail shopping district. The bookshop only sells religious books, music tapes and CDs. Sales are at market rates, although a 10% discount is given to church members.

The church bookshop must charge GST of 10% on all its sales. The bookshop is entitled to an input credit equal to the GST on its stock purchases and operating costs (but not wages).

Despite the fact that the sale of prayer books to a church's own members might not be considered by some to be a 'commercial' activity, GST law does not make this distinction. The sale of anything at cost or market value takes the transaction outside the exemption available for 'religious services'.

Example - Church book sales subject to GST (2)

A GST-registered church operates a bookstall each Sunday that sells prayer books and Bibles to church members. The church sells the books and Bibles at cost, making no profit at all.

The sales of prayer books and Bibles are subject to GST, since these sales are commercial activities and do not fit the 'religious services' exemption.

Remember where sales are made on a 'non-commercial' basis, they will not be subject to GST. **(See GST Charitable Provisions page 200.)**

GST revenue items

1. Offerings

From early biblical times, tithing has been part of a personal covenant made with God. In Genesis 28, Jacob vowed to give one-tenth of all he received back to God as a thank offering for his care. In this sense, the meaning of the word *offering* can be distinguished from the word *donation*, or even the word *gift*. In any event, the ATO has stated that church offerings do not fall into the category of *turnover*, and are therefore excluded from the GST tax regime. This includes pledged offerings, systematic envelope offerings, retiring offerings, offerings for special appeals (eg. Share, Christmas Bowl, etc.)

Example - Collection plate

A church receives an average of $1,500 through the collection plate weekly.

The collection of $1,500 is not made in relation to the supply of goods or services and is not subject to GST.

2. Donations

A donation in the form of a payment, in cash or in kind, is not subject to GST provided there is no material benefit to the donor. A donation of this type is the same as an offering, exempt income.

Example – Conditional donation

A parishioner donates $10.00 to help buy food for the elderly, they are not receiving a material benefit in return for this donation. It is the elderly person who receives the benefit. The donation is not subject to GST.

Similarly where a member of your congregation gives a donation to your organisation to purchase new microphones. The supply is a gift, the member is not receiving a material benefit from this donation. The gift is not subject to GST.

Unconditional grants and unconditional sponsorships are also not subject to GST for similar reasons.

Example - Building fund donations

A church receives $30,000 in donations towards its forthcoming building extensions.

Since those who donated received nothing in return the $30,000 is exempt from GST.

Non exempt donations

Donations that are linked to a benefit received by the donor are not really donations at all. They fall into the category of supplies and would normally be subject to GST. A church treasurer should always seek professional advice if a particular donation appears not to be genuine.

Example - Donation for hall hire

A GST-registered church receives an annual 'donation' of $500 from a nearby school in recognition for the use of the church hall for their speech night. Because a benefit passes in this transaction (from the church to the school), it is subject to GST.

Note: Where receipt for supply of the hall is at a non-commercial rate, supply will be GST-free.

Non-cash donations

Donations of goods-in-kind have the same character as donations of money. They are what accountants call a 'non-reciprocal transfer'. Value passes from one party to another – one way – without any expectation of a return of value. Donations of goods-in-kind are not subject to GST.

Example - Donated goods exempt from GST

Michaela is a florist. She donates to a church the flowers she was unable to sell at the end of the day's trading. As this is a donation it is not subject to GST. Michaela is entitled to an input tax credit for GST included in the price paid to the grower, even though some of the flowers were donated.

3. Sponsorships

Amounts paid as sponsorship fees are usually payment for services (such as advertising) and will be subject to GST if the sponsored entity is registered for GST.

Monetary sponsorship

If a church which is supplying the service (such as advertising) is registered for GST, the organisation paying the sponsorship fee will be entitled to an input tax credit of $1/11^{th}$ of the payment if it is registered. If the entity supplying the services is registered it will be liable to pay GST on the supply.

> **Example** - Sponsorships
>
> A GST-registered church is given $2,200 p.a. by Telstra in return for use of its bell-tower as a mobile phone transmitter. GST is payable by the church on the supply.
>
> The GST payable is $1/11^{th}$ of the amount paid, that is, $200.

Non-monetary sponsorship

If a sponsor provides goods and services in return for other goods and services, such as advertising or promotion, there is a supply by both parties to each other. This is called 'contra sponsorship'. If both parties are registered for GST, each will be liable to pay GST on the supply to each other. The GST will be 10% of the GST-exclusive market value of the supply made by the other party, or $1/11^{th}$ of the GST-inclusive market value.

Where a supply of equal value is made by each party to the other in the same tax period, each party will still need to account for GST payable and input tax credits on each transaction. However, no GST will be payable to the ATO because the value of the supply is the same as the value of the acquisition, and hence both parties will have an input tax credit and an output tax debit of equal amount. (Assuming the value is equal, and would continue to be so if determined by an arms length valuation).

> **Example** - Contra sponsorship
>
> An estate agent provides an advertising billboard to a local GST-registered church for their annual fete in return for advertising. The name of the agent appears prominently below the fete advertisement. Each supply has a GST-inclusive value of $250.00.
>
> GST would be payable by the estate agent as $1/11^{th}$ of the market value (including GST) of the advertising received as consideration for the supply of the venue. GST would also be payable by the church as $1/11^{th}$ of the market value (including GST) of the billboard hire received as consideration for the supply of the advertising. Both parties would be entitled to input tax credits equal to the amount of GST payable (assuming they are entitled to a full input tax credit).

> Note: If congregations elect to use accrual accounting, the GST payable and the input tax credits available may not be in the same period.

One party of non-monetary or contra sponsorship unregistered

Where the other party to a non-monetary contra sponsorship is unregistered, a congregation will need to calculate $1/11^{th}$ of the value of the supply it has made and forward this to the ATO.

Example

A ballet school with an ABN but not registered for GST advertises a church fete and, in return, receives free use of the church hall. (Note: the congregation is registered for GST.) The congregation will forward 1/11th of the nominal hall rental to ATO.

(Subject to non-commercial supply rules).

4. Fundraising activities of churches

Congregations have a number of options for GST treatment of fundraising activities such as fetes, lamington or pie drives, cake stalls, and fundraising dinners. These options include:

(a) Inclusion in GST net

Congregations registered for GST can run these activities in their own name claiming GST credits on associated acquisitions and charging GST where appropriate.

Where there are GST credits that could be claimed, congregations should consider using this option when:

- revenue is GST-free (eg. supply is basic food, non-commercial or donated second-hand goods), **or**
- the recipient can claim GST credits.

In the above circumstances, the use of this option reduces costs and increases profits as GST credits can be claimed on associated acquisitions without adversely affecting the revenue received.

(b) Unregistered sub-entity

Congregations can use sub-entities not registered for GST to remove fundraising activities from the GST net. Under this option congregations will not charge GST on revenue but cannot claim GST-credits on any associated acquisitions.

To the extent that GST credits cannot be claimed, the use of this option will increase costs. However, in line with general post-GST price increases, it should be possible to increase the surplus by increasing the prices charged.

Example - Sale of chocolate bar

	Unregistered	Registered
Cost (incl. GST)	0.55	0.55
GST credit (Input Tax Credit Claimable)		0.05
Net cost	0.55	0.50
Sale price	1.10	1.10
GST debit (Output Tax Payable.)	0.00	0.10
Net revenue	1.10	1.00
Profit	0.55	0.50

The use of this option could reduce administration, as GST cash-book entries are not required.

This option can only be used where:

- the total turnover of the sub-entity (ie the fundraising event) is less than $100,000 p.a., and
- sub-entity activities can be separately identified by either location or activity, and
- separate accounts are maintained or can be separately identified within the congregation's accounts, and
- record of sub-entity is maintained by a Uniting Church entity. **It is important that Church Council record the creation of sub-entities and activities covered by those sub-entities. (for example a minute in the Church Council official minutes)**

An unregistered sub-entity can use the parent entities ABN (ie congregations ABN) when making business to business transactions to ensure that 48.5% is not withheld.

Note: It is recommended that all GST-registered congregations have at least one fundraising sub-entity, eg. UCA Saint Andrews Bendigo Fundraising.

Congregations should consider using this option for most fundraising events.

(c) Input tax fundraising activity

Section 40-160 of the GST legislation allows special fundraising events to be input taxed. Under this option congregations will not charge GST on revenue but cannot claim GST credits on any associated acquisitions. A special fundraising event is an event that is conducted for the purpose of fundraising and does not form any part of a series or regular run of like or similar events and is one of the following:

- A fete, ball, gala show, dinner, performance or similar event (ie Charity auction, cake stall, faction parade)
- An event comprising sale of goods, provided each sale is for consideration not exceeding $20.00 and selling of these goods is not a normal part of the supplier's business (except sale of alcoholic beverages or tobacco products) The supply is made in connection with a fund-raising event.
- An event approved by the Commission of Taxation. (applications must be made in writing)

The frequency of fund-raising events that may be held without forming part of a series or regular run of like or similar events is fifteen in any income year.

Therefore a charity may hold up to 15 fetes, 15 balls, 15 gala shows, 15 performances, 15 charity auctions, 15 fashion parades, 15 national flower days, 15 golf days etc in any income year before the event is considered part of a series or a regular event.

This option may be used where fundraising events are in excess of $100,000 p.a., and hence the unregistered sub-entity option is no longer available. The event will be input taxed if all the following requirements are satisfied:

- The supplier is a charitable institution, trustee of a charitable fund or a gift deductible entity.
- The supply is made in connection with a fund-raising event.
- The supplier chooses to have all supplies that it makes in connection with the event treated as input taxed.
- The event is referred to in the supplier's records as an event that is treated as input taxed. It will therefore be excluded from GST reporting, and will not count towards the parent entities turnover for assessment of the requirement to be registered for GST.

Church fetes (registered for GST)

Where the church council decides not to use the unregistered sub-entity option or the input taxed option the application of GST will need to be considered. Fundraising activities usually involve the provision of supplies. A church fete is a good example. Supplies made by churches and other charitable institutions will be GST-free provided that:

- the consideration is less than 50% of the GST-inclusive market value; **or**
- the consideration is less than 75% of the cost of the supply.

Example - Supplies for less than 50% market value

At its annual fete a church sells donated boxes of plant seedlings for $2 each. The GST-inclusive market value of the seedlings is $6 if sold by a business (including GST).

As the seedlings are sold for less than 50% of the market value, that is, less than $3, the sale at the fete will be GST-free.

Example - Supplies for less than 75% of the cost of the supply

At the beginning of each year a church sells prayer books to its members which cost the church $3 each, but are sold to members for a reduced price of $2 each.

As the prayer books are being sold for less than 75% of the cost of the supply, the sale will be GST-free.

Example - A congregation registered for GST has a major fundraising fete. The activities at the fete include:

Drink sales	Cans purchased at 50c and sold for $1
White elephant stall	Second-hand and donated goods sold at various prices
Helium-filled balloons	Costs of approx. $600 for 800 balloons sold at $1

Face-painting	$1
Jumping castle	Free
Sausage sizzle	$1 ($200 worth of sausages donated by local butcher – his advertising is put up near the BBQ. Bread is donated by a local bakery.)

Unless the activity is part of an unregistered organisation, each transaction needs to be assessed for application of GST. The likely outcome from this is that these events would be GST-free under the market value provisions (less than 50%). The Jumping Castle is not taxable because there is no consideration.

The provision of advertising in response to the donation of sausages is considered a GST transaction. However, even if the deemed value of the advertising was the market cost of the sausages ($200), when compared to the market value of public advertising space, it is unlikely that this would have GST applied.

Fundraising dinners and theatre nights

Where participants receive value for the funds they contribute, fundraising revenue will normally be subject to GST (but note – there are exceptions).

Example - Fundraising dinner

A church sells 150 tickets for a fundraising dinner at a cost of $110 (including $10 GST) per person.

The supply of the ticket will be taxable as the dinner is considered a commercial activity, consistent with current income tax treatment.

The congregation should consider using either option (b) or (c) above to remove this dinner from the GST net.

5. Bookshop sales

Some congregations operate their own bookshops. The supply of books will be taxable under the GST and GST will need to be charged at 10%.

Example - Bookshop

A GST-registered congregation operates a bookshop on its premises which is in a busy retail shopping district. The bookshop sells only religious books, music tapes and CDs. Sales are at market rates, although a 10% discount is given to congregation members. A GST of 10% must be added to the price of books, music tapes and CDs sold.

If a church bookshop sells books that are second-hand and have retained their original form, they are GST-free.

If new books pass the non-commercial test (50% market value or 75% cost), they will also be GST-free.

Educational Textbook Subsidy Scheme

With the introduction of the GST from 1 July 2000, it was expected that the retail price paid for books would rise by approximately 8%, consequently the Government introduced an Educational Textbook Subsidy Scheme (ETSS) to assist students studying at Australian educational institutions.

The Commonwealth Department of Education, Training and Youth Affairs (DETYA) administers the scheme.

The subsidy is capped at 8% of the retail purchase price of textbooks.

Only books included on prescribed textbook lists or recommended reading lists at Australian educational institutions attract the discount. Booksellers give the discount to the student (or their parents) at the point of sale and then claim the subsidy back from DETYA.

Educational booksellers need to be registered with DETYA to participate in the scheme, as well as having GST registration. Further information is available from the Synod Office or from the Department of Education, Training and Youth Affairs.

6. Commissions/agency sales

Where a congregation receives a commission for acting as an agent for a seller, for example the sale of a painting belonging to an artist, there are two separate supplies that need to be considered for GST. These supplies are:

(a) Commission received by congregation

Where a commission is received in return for the supply of a service, it will be subject to GST at the rate of 10%.

Example - Commission

The congregation has an art show and receives $220 from the artist for the commission on the sale of paintings. As the congregation is registered for GST, it must pay 1/11th of the commission, that is $20, to the ATO.

Note: A non-commercial supply for less than 50% of the GST-inclusive market value would be GST-free. In the case of the painting, as the revenue to the congregation is the commission, not the selling price, the issue that requires assessment is whether the commission is commercial or not, not whether the selling price is commercial.

(b) Sale by supplier

For commission sales, the congregation is acting as an agent for a sale by the supplier. As outlined in the GST concepts (page 100) the normal GST rules would apply in deciding if GST applies to the supply between the seller and purchaser, eg. if the seller is registered and the supply is taxable, GST applies.

In a significant proportion of cases the seller will not be registered and there will be no GST on the sale. However, if the supply is taxable the congregation's responsibilities would depend on the agency agreement between the supplier and the congregation. For example the congregation may be obliged to issue tax invoices for the supplier.

Example

Acting as a commission agent the congregation art show sells a painting for $2,200 for an artist. The artist is registered for GST and is responsible for paying $1/11^{th}$ of the sale price to the ATO. As agreed with the artist, the congregation has issued a tax invoice in the artist's name and forwarded details to the artist.

Note: This is an additional transaction to the example given in (a) above.

PAYG withholding tax

Where a supplier does not have an ABN, withholding tax could apply. (See PAYG page 801.)

7. Internal Church Grants

Aid receiving churches receive grants from the Synod Mission Support Fund to help them get established in a new community or maintain an existing community.

If both congregation and Synod are part of the UCA Religious Group, the transaction will not attract GST irrespective of the purpose of the Grant.

If the congregation is registered for GST but not part of the UCA Religious Group (for example a joint UCA/Anglican congregation which has chosen to be part of the Anglican Religious Group) then GST may be payable. This will be dependant on whether:

- the funds are considered a donation, ie. no material benefit to the donor. (Therefore no GST.)
- the funds are paid in return for goods, services or rights. (Which will attract GST.)

Where GST is applicable, the amount payable to the ATO is 1/11th of the grant. The Synod making the grant is entitled to an input tax credit equal to $1/11^{th}$ of the grant amount and the congregation will need to submit $1/11^{th}$ to the ATO. The congregation will need to provide the Synod with a tax invoice.

If the congregation receiving the grant is not registered for GST, (and therefore cannot be part of the GST Religious Group,) that congregation should issue the Synod Mission Support Fund with a tax invoice on which no GST is charged. In this case the purpose of the grant is of no consequence, it is still a GST free transaction as the receiving congregation cannot charge GST.

Grants received from other congregations or churches

These grants need to be considered in terms of whether:

- both churches are part of the same GST Religious Group, (No GST,)
- payment is a donation; (No GST,) or,
- payment is in return for goods or services or rights. (see above.)

Grants from the Synod Long Service Leave Fund or Special Insurance Fund

Where a congregation receives a grant from the Synod LSL or Special Insurance Fund to cover the cost of a supply Minister, if both congregation and Synod are part of the GST Religious Group no GST will apply. However, if the congregation is not a member of the group, GST will apply. Where the Central Stipend Payroll Service pays a supply Minister, and the grant is paid to the Synod, not the Congregation, GST does not apply.

Personal grants to ministers from either Fund will be excluded from GST, but may have PAYG withholding tax implications.

8. Government Grants

If a government agency provides a grant to a registered entity (such as a community organisation, charity or business) in exchange for goods and services, the grant will be consideration for a taxable supply and GST will be payable.

Where GST is payable, the amount payable to the ATO is $1/11^{th}$ of the grant. The entity making the grant (the grantor) is entitled to an input tax credit equal to $1/11^{th}$ of the grant amount. You may need to provide a tax invoice, however, many government departments will not usually need invoices, as they will create their own on your behalf. (Recipient Created Tax Invoice.)

Where your organisation is not registered for GST, no GST is payable and the grantor is not entitled to an input tax credit. (Note: Government Departments will generally not deal with unregistered entities.)

> **Example** - GST and grants
>
> A GST-registered church receives a grant of $4,400 from the local council to provide a counselling service for youth. As the church is registered for GST, it must pay $1/11^{th}$ of the grant, that is $400, to the ATO, and the local council can claim $400 as an input tax credit.

The Government has decided that where Commonwealth Government Departments provide grants to GST-registered churches and charities, the grant will be grossed up by 10%.

> **Example** - Grants are revenue neutral
>
> A GST-registered church receives an annual grant of $10,000 from the council to provide community counselling services. From 1 July 2000, the church will have to pay $1/11^{th}$ of its grant to the ATO as GST.
>
> To maintain the existing level of funding, the council can increase the grant by $1,000 to $11,000. The council claims $1,000 as an input tax credit.

The entity that provides the goods and services and receives the grant must pay GST equal to $1/11^{th}$ of the grant. The Government agency that makes the grant will be entitled to an input tax credit equal to $1/11^{th}$ of the grant.

9. Rental income

Congregations receive rental income from both residential and commercial properties. The treatment of these supplies will vary in each case.

Residential property

Residential rent is generally an input taxed supply. That means, you cannot charge GST on residential rent and you cannot claim back GST inputs for things like agent's management fees and GST charged for maintenance by tradespeople or GST on materials for maintaining the property.

The exception to this rule is where the rent you charge is less than 75% of the local market for a similar property. For example, as part of their mission some UCA organisations and congregations make available low cost accommodation for marginalised families, or other special purposes at rents well below local rents. In such cases providing the rent charged is less than 75% of the local rate for a similar property you can claim back all you GST inputs and you will not need to charge GST in the rent received (GST-free). You need to be able to provide evidence (a letter from a local estate agent will do) that the rent you are charging is less than 75% of the local market to qualify for this special relief.

Example - Supply of services

A congregation in Tasmania rents a four-bedroom ex-manse for $150 a week. The market value of this supply is $225 a week. Since the supply of accommodation is made by the church for less than 75% of its market value, it will be GST-free. Therefore the congregation will not include GST in the price charged.

To supply this housing, the congregation repairs the roof for $11,000, including $1,000 GST. Because the supply is GST-free, the church can claim input tax credits for the $1,000 GST.

Commercial properties

Rental income from commercial property income is taxable unless specifically excluded by the following:

- GST-free under one of the GST-free provisions - mainly non-commercial (See page 204.)
- GST-free under the transitional provisions, ie. a contract entered into before 2 December 1998 or 8 July 1999 and no review opportunity.

Provided it is not GST-free under (a) or (b) above the supply of commercial premises, eg. office space for lease, hire or license, is a taxable supply and therefore congregations will be required to charge GST at 10%. However the congregation will be able to claim credits for any GST paid on associated acquisitions.

Where GST is charged, congregations will be required to provide a tax invoice to a GST-registered recipient, upon request by that recipient, within 28 days of the request. Recipients registered for GST, require a tax invoice to enable them to claim a tax credit for the GST paid.

It will be necessary to consider the transitional provisions for leases spanning 1 July 2000. Some leases may be GST-free until either the first review opportunity, or 1 July 2005, whichever is the earlier. (See the section on GST Transitional Issue page 700.)

Example - Commercial rent

The congregation receives from Mr Smith rent of $220 per week for a shop built on church property. This is the full market value. The supply is not GST-free as it does not fall under the 'less than 75% of the market value or 75% of the cost of supply' rule. It will therefore be a taxed supply and the congregation will need to forward to the ATO 1/11th of the rental.

Hall rental

The specific issues associated with hall rental are outlined on page 323.

Other forms of accommodation

Congregations may provide different types of accommodation such as:

- shelters provided without charge (GST-free as supply is non-commercial)
- short-term emergency accommodation (GST could apply but supply would normally qualify as a non-commercial GST-free supply – See page 204.)

- residential care accommodation. (would normally be GST-free under the health provisions of the *GST Act* – see *ATO Child and Aged Care and The New Tax System* booklet)
- long-term residential Aged Care accommodation in Nursing Homes and / or Hostels. (would normally be GST-free under the health provisions of the *GST Act* – see *ATO Accommodation and The New Tax System* booklet)
- Independent Living Units (ILU).

As with residential accommodation, ILU income is notionally input taxed, however the ATO non-commercial guidelines should enable supply to be GST-free. However entry fees and forfeited bonds may generate additional revenue which could result in an income in excess of non-commercial benchmarks. Each facility should be looked at on a case by case basis.

Long-term commercial residential rental

Where commercial residential accommodation is long term (28 days plus), rent can be either input taxed or the GST rate reduced to 5%. An election to use one of these options by a Congregation should be approved by Synod, as it potentially raises serious issues regarding insurance and associate provisions of the Act.

Expenses

GST credits for repairs, agents' fees, etc. can be claimed except where the GST paid on acquisitions is directly associated with an input taxed supply.

Additional information

More information on residential accommodation is available in the ATO industry booklet, *Accommodation and The New Tax System*, and at the web-site, www.taxreform.ato.gov.au.

10. Religious services

See special provisions relating to religion services page 200.

11. Livestock schemes

Some congregations may operate livestock schemes. Under the scheme, the congregation will acquire livestock via one of the following methods: donation, purchase, funding from an interest-free loan, funding from an interest bearing loan, or borrowed money from a trust fund.

After acquisition, the livestock will be maintained on the properties of volunteers. The livestock will eventually be sold. Where applicable, the consideration (or payment) from a sale will be applied to pay any outstanding debts in relation to the acquisition of the livestock.

In May 2000 the Government announced that in certain circumstances the sale of livestock may be classified as GST-free.

If any consideration (payment) is given to the volunteers for maintenance of livestock, GST may be applicable at the rate of 10%. (See Reimbursement to Staff and Volunteers on page 410.)

12. Dividends

Congregations will not be required to pay GST on dividends received as this is a financial supply and therefore input taxed. (See an explanation of financial supplies page 109.)

13. Interest

Bank interest is a financial supply and is therefore input taxed (ie. no GST will be charged on the interest). (See an explanation of financial supplies page 109.)

14. Trust distributions

The distribution of monies from a trust is usually a gift and is therefore not subject to GST. (See page 105.)

> Note: In some circumstances trust monies will need to be held in accounts that have their own ABN – this issue will be clarified later.

15. Proceeds of bequests and legacies

There is no GST payable on bequests and legacies. Any associated expenditure relating to receipt of a bequest or legacy, including management fees charged, will be subject to GST. Input tax credits (refunds) can therefore be claimed.

16. Sale of assets

Property assets

The sale of commercial property attracts GST and input tax credits can be claimed against any costs associated with the sale.

The sale of residential premises used or intended to be used predominantly for residential accommodation is input taxed except where the premises are new residential premises or premises being sold for the first time, in which case GST is applicable if the vendor is registered for GST. Professional advice should be obtained where intended use of premises is being changed to, or from, residential accommodation.

Where a church manse is separated by sub-division from church property to enable sale of the manse, the manse will be treated in the same manner as other residential property, (GST Free,) unless it has been very substantially renovated prior to sale. It would also not qualify as residential property if it had not been utilised as a residence in the period prior to sale and was not suitable for use as residence without alteration after the sale. For example, if the kitchen and bathrooms had been removed, and the building was being used as offices, and it clearly could not be used as a residence in its current condition, then it would not be a residence for GST purposes. However, even if it had been used as an office but still had a kitchen and bathroom in it, and therefore it could be used as a residence, it would be classed as residential property and be GST Free.

Where there is GST on property sold after 1 July 2000, it is possible to apply a ‘Margin Scheme’. Briefly, this ensures that GST is paid only on any added value to the property post 30 June 2000. It is important to have property valued as at 1 July 2000 or, at the latest, the end of the first tax period after sale. (**Note:** It does need to be valued ON that date, merely a value placed on what it was worth on that date. This can be done several years later.) The Margin scheme would normally only be used where a GST-registered entity sells property to an unregistered party, usually a private individual. Please refer to your Synod office if you require further details.

Example - Sale of church land and buildings

The Uniting Church sells an existing church land and buildings to another denomination for $66,000. UCA will be required to pay 1/11th ie. $6,000 GST to the ATO. Provided the church purchasing the church is registered for GST, it can claim an input tax credit (refund) of $6,000.

Type of Sale	Comment
Sale of newly constructed residential property.	Subject to GST.
Other existing residential premises	Input Taxed, Not subject to GST
Sale of commercial property and commercial residential premises	Subject to GST. Also note the Margin Scheme may apply.
Sale of going concern	GST-free – special agreement, etc.
Sale of farmland	Not subject to GST if business is conducted on the land for at least 5 years before the sale. The purchaser of the farmland must intend to operate a farming business on the land.
Sale of land	GST will generally be payable on the full selling price.

Also note there are some special transitional rules for property partly constructed at 1 July 2000, if you have a query relating to a construction over this period, contact the Synod office in your State.

Sale of other assets

GST applies to the proceeds from the sale of equipment, furniture, computers, etc.; 1/11th of the proceeds will need to be forwarded to the ATO.

Where the asset being sold was received as a donated second-hand good, its sale will be GST-free.

Trade-in

Trade-in transactions represent two transactions: a purchase for full price and a sale of an old asset. Both transactions need to be treated separately.

Bodies corporate

A body corporate with an annual turnover of more than $50,000 must register for GST.

Selling costs

Incidental costs associated with the selling of all types of property will usually include GST. For example, fees by solicitors, surveyors, accountants, inspectors and financial advisers would include GST. GST credits can be claimed for these acquisitions except where the sale is input taxed, ie. acquisition associated with the sale of an existing residential premises.

17. Memberships

Church membership fees

For most churches, membership is established and maintained by attendance at public worship, not by the payment of membership dues. But this is not always the case.

Where membership fees are charged by not-for-profit organisations, they are invariably payments in return for services or rights and will be subject to GST. Membership bestows rights to members even where nothing tangible is supplied.

In most circumstances, congregations will wish to remove the tennis club, etc. from the GST net, by recording the club as an unregistered sub-entity. In this case, GST will not be added to membership but the tennis club will not be able to claim the GST on its acquisitions. This will eliminate the extra administration required by the GST. An exception may be where the tennis club is subsidised by donations, etc. and the value of GST credits on acquisitions is greater than the GST payable on the membership fees.

Example - Membership

A GST-registered church introduces a $100 annual membership fee for members who wish to become social members of the church tennis club and utilise the church tennis courts when competition teams are not using them.

As the church members receive a benefit for paying their tennis club fees, these fees will be subject to GST. Members should pay the church $110 p.a. from 1 July 2000.

18. Training courses

GST can apply to training courses, however, most training courses we supply will be GST-free under one of the following:

- religious education (See Religious Services page 200.)
- defined education courses
- non-commercial. (See Supply page 204.)

Defined education courses are those:

- recognised courses by education institutions
- special education for disabled
- ‘adult and community education course’ which is defined under Section 195-1, as a course likely to add to employment-related skills (requires approval by Education Minister)
- English language for overseas students
- first-aid or life-saving courses
- professional trade courses.

Example - Training courses

Anne runs a Church Day Care Centre. In order to optimise her skills, the congregation has asked her to upgrade her first aid skills. She has applied to do a course run by St. Johns Ambulance. The cost of this course is GST-free.

19. Community outreach

These services are usually provided with little or no expectation of payment from the recipient. (A donation might be asked for or received but not required.) Where there is no scheduled fee/direct link to a payment for a service, any funds gained through ‘gifts’ are not taxable.

The cost of the services may be met by other organisations, eg. government grants, sponsorship, etc. and these receipts will commonly be a taxable supply, eg. government grant provided for provision of a community service.

The non-commercial test where consideration is less than 50% of the cost of providing the service may apply.

20. Cash transaction

GST applies only on supplies, and does not apply on transfer of money. For example, it does not apply to the following:

- investments made
- investments realised
- loans received
- loan repayments.

21. Internal transfers

In most circumstances GST will not apply to transfers of funds between separate parts of the Uniting Church. If both parts are members of the UCA Religious Group (Refer page 250,) the transfer will be GST free. Otherwise each transaction needs to be reviewed depending on its own circumstance.

If one of the members is recognised as an unregistered sub-entity then GST may apply depending on whether a taxable supply is made.

Example – Sale of books

A GST-registered UCA Bookshop sells a book to a UCAF group. The UCAF group is recognised by its congregation as an un-registered sub entity for the purposes of GST. In this situation GST will apply on the sale of the book.

A transfer may qualify as a genuine voluntary gift with no benefit being received by the donor. However, in a number of cases the transaction will be a taxable supply, for example, the supplying congregation paying their share of the cost of a service from which they get a benefit. A common example could be a congregation paying for a share of the cost of a minister servicing an Anglican/UCA cooperating congregation.

Taxable transfers are included in the calculation of turnover and can result in compulsory GST registration. Also if the recipient congregation is not registered for GST, the church as a whole will be out of pocket. This is because the supplying congregation will pay GST and the recipient congregation will not receive the corresponding GST credit.

Transfer from X Congregation to Anglican/UCA co-operating congregation	UCA congregation X is part of the joint Ministry and joint congregation is registered with the Anglican GST Religious Group	GST applies, but as Congregation is registered for GST, it can claim the input tax credit.
Transfer from UCA Congregation Y to Anglican/UCA co-operating congregation	Congregation Y is not part of the joint ministry	No GST applies – regarded as a donation as Congregation Y received no benefit.
Transfer from X Congregation (Registered,) to Y Congregation (Not-Registered,) as share of cost of speaker brought in for shared work.	Congregations are both UCA, but Y is not part of the GST Religious Group	GST does not apply. Would normally be a taxable supply, but as Y is not registered, it cannot charge GST.

Raffles and bingo

Under Charities Gaming, sub-division 38H (where such activities are lawful) raffles and bingo are GST-free only if conducted by a charitable institution (ie. a church). GST is not payable on the raffle or bingo proceeds and GST credits can be claimed on acquisitions purchased for either prizes or for administration.

Example - Raffle (non-cash prize)

The Aged Care Home raffles a non-cash prize purchased for $550 (including $50 GST). A total of $1160 was collected from participants in the raffle. An input tax credit of $50 can be claimed for the non-cash prize. As the raffle is GST-free, no GST is payable to the ATO. The Home makes $660 profit.

Lottery

Whilst raffles (non-cash prizes) are GST-free, lotteries (cash prizes) are taxable.

Example - Cash prize

An Aged Care Home, registered for GST, runs a fundraising raffle to purchase new medical equipment. The cash prize is $500. A total of $1160 was collected from participants in the lottery resulting in a margin of $660 (that is, the total collected minus the total cash prize).

The amount of GST payable is $60 (1/11th of $660). As there are no input tax credits on the cash prize, the Home must pay $60 GST to the ATO. The Aged Care Home makes $600 profit.

GST revenue on food

Food

If you are involved in the production, preparation or supply of food for human consumption, it is important to understand what is defined as 'food', what food is GST-free and what food is not GST-free.

What is defined as 'food'?

For GST purposes 'food' means:

- food for human consumption (whether or not requiring processing or treatment)
- ingredients for food for human consumption
- beverages for human consumption (including water)
- ingredients for beverages
- goods to be mixed with, or added to, food for human consumption (including condiments, spices, seasonings, sweetening agents or flavourings)
- fats and oils marketed for culinary purposes, or

any combination of any of the above.

What is not defined as 'food'?

There are three exclusions from the meaning of food to make it clear that certain animals and plants are not food for GST purposes until they have been subject to further processing or treatment.

The exclusions are:

- live animals – however, live crustaceans and molluscs (for example, lobsters, oysters and crabs) will be GST-free where they are sold for human consumption
- unprocessed grains, cereals or sugar cane – however, if they have been processed or treated, resulting in an alteration of their form, nature or condition, they will be GST-free
- unprocessed cows' milk, and
- plants under cultivation – this ensures that plants are not sold GST-free where they are still in a growing medium.

Food marketed for animals is not GST-free as it is not for human consumption.

What food is GST-free?

Most food for human consumption is GST-free. This includes food such as fruit and vegetables, meat, eggs, bread, cheese, soup, milk, tea, coffee, some fruit and vegetable juices, breakfast cereals, flour, infant formula and sugar. Ingredients for food for human consumption, some beverages, and fats and oils for culinary purposes are also GST-free.

What food is not GST-free?

Food that falls into any of the following categories is not GST-free:

- restaurant, takeaway and prepared food,
- bakery products,
- confectionery,
- savoury snacks,
- ice-cream,
- biscuit goods, or
- taxable beverages.

Food that is a combination of food that is GST-free and one or more foods from the above categories will not be GST-free. For example, a snack pack containing both cheese (which is GST-free) and biscuits will not be GST-free. However, the separate items of food in a hamper are taxed individually.

Restaurant, takeaway and prepared food will be subject to GST, including:

- all food and drink supplied for consumption on the premises where it is supplied
- all hot food supplied for consumption away from premises, and
- food that is included in the category of prepared food listed in Schedule 1 of *A New Tax System (Goods and Services Tax) Act 1999*. This includes food similar to food sold by takeaway outlets (such as sandwiches, pizza and pies) that is sold at a supermarket or similar outlet. It also includes frozen meals sold in a form that only requires heating for consumption (such as a TV dinner).

> Note: If consideration for the supply of food is less than 75% of the price of supplying the food, or less than 50% of the GST-inclusive market value of the food, the supply is GST-free when it is supplied by a charity.

For more information on food please refer to the ATO industry booklets, *Retailing and Wholesaling and The New Tax System* and *Restaurants, Cafes and Caterers and The New Tax System*.

GST revenue on hall hire

Hire of a hall will be a taxable supply, unless it is GST-free through the non-commercial provisions of *The New Tax System Act*.

The hire of a hall will be GST-free if it is:

- less than 50% of GST-inclusive market value, or
- less than 75% of cost.

The GST-inclusive market value is based documented investigation.

Example - Commercial rent

The congregation receives rent of $50 per week for the congregation hall from the local Judo Association. The congregation will have to identify if this rent is below or above the market value. If it is below the 50% market value, then the congregation would **not** remit 1/11th to the ATO, and would issue an invoice for rent exclusive of GST. If it were equal to or greater than 50% of market value, then the congregation would issue a GST inclusive tax invoice and remit 1/11th to the ATO.

Donations that are linked to a benefit received by the donor are not really donations at all. They fall into the category of supplies and would normally be subject to GST. A church treasurer should always seek professional advice if a particular donation appears not to be genuine.

Example - Donation for hall hire

A GST-registered church receives an annual 'donation' of $500 from a nearby school in recognition for the use of the church hall for their speech night. Because a benefit passes in this transaction (from the church to the school), it is subject to GST.

Refundable deposits

Refundable deposits are tax free until such time as it ceases to be refundable, either in part or in total. The amount that ceases to be refundable, ie. it has been forfeited, is deemed to be a payment for a supply, and at that point it becomes subject to GST. Therefore, 1/11 of the deposit that has been forfeited has to be remitted to the ATO.

GST revenue on child care centres and pre-schools

Child care centres and pre-schools are GST-free if:

- registered under the *Child Care Rebate Act 1993* (S38-140)
- eligible for fee relief under the *Child Care Rebate Act 1972* (S39-145)
- eligible for Commonwealth funding (S38-150).

Family day care, occasional care, outside schools hours care, vacation care or any other type of care are to be determined by the Minister.

Pre-schools are GST-free if the pre-school recognised or curriculum recognised by State or Territory (S195-1).

The non-commercial rules should also be considered (see Charitable Provisions page 200).

IMPORTANT NOTE

Child Care centres are currently the subject of discussions between the Ecumenical Tax Group, of which the Uniting Church in Australia is a member, and the Australian Taxation Office, in relation to their entitlement to Income Tax Exempt Charity status. Virtually all Uniting Church pre schools and Child Cares have received in the past ITEC status, either in their own right, or as a sub-entity of a Mission, Congregation, or some other entity. The ATO have now ruled they are ineligible for the status of ITEC, and therefore they are ineligible to remain members of the GST Religious group. The Federal Government has indicated the definition of a Charity will be amended to include not-for-profit Child Care Activities from July 1st, 2004.

This dispute or disagreement does not in any way influence whether a Child Care or Pre-school centre can claim all its input tax credits, nor influence whether it should charge GST on fees. The only implication is whether transactions between the centre and another Uniting Church entity should have GST included in the charge. (Ie. Insurance, fees for provision of a centralised payroll.)

GST implications for Bus Tours

There are a number of options to be considered for accommodating the GST and Bus Tours. Most congregations or presbyteries are registered for GST. This means you may need to charge GST on the tour, if you conduct the tour under the name of your congregation or presbytery.

You do not have to charge GST if:

- you go through an unregistered sub-entity; or
- you are classified as running a non-commercial event.

If you want to charge GST and claim Tax credits

If you are a registered congregation or presbytery and want to charge GST you will need to add 10% on your final charge to participants. When you collect the money, the amount that you have added on is sent on to the tax office (ie 10%). You will also need to obtain tax invoices for all acquisitions (ie tickets to attractions, bus hire etc) to claim the GST paid.

If you don't want to charge GST, but want to claim Tax credit (non-commercial)

To do this you will have to prove that you are conducting a non-commercial event. This means that you charge participants less than 50% of an equivalent tour run by another body, or less than 75% of the cost of running the tour. Your congregation might be willing to subsidise the tour (through fundraising) to the extent that this is a possibility. In order to claim tax input credits you will need to obtain tax invoices for all acquisition.

If you want to forget about the GST entirely

If you don't want to charge GST or claim back the GST you've paid out when buying food, accommodation, passes to tourist attractions etc. you can process the money through an unregistered sub-entity. In this instance you do not charge GST, but cannot claim input credits for any GST you may pay. Your congregation must have an unregistered sub-entity created to do this, (the creation of which must be recorded in the Church Council minutes,) and all funds must be accounted for separately from the normal (GST inclusive,) Congregational records.

Another option or UCA congregations

If you charge a member of the UCA GST Religious group you should not charge GST. Most congregations and agencies will be members of the UCA GST Religious Group. This means if a congregation pays for the tour to another congregation or a presbytery rather than the individual there should be no GST charged.

Note :

Congregations and other Uniting Church entities should also ensure they are aware of the insurance requirements and implications for bus tours before they arrange them.

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GST on expenditure

Like all other organisations in Australia, churches have found themselves paying GST on most of their acquisitions since 1 July 2000.

Examples of expenditures which are subject to GST include:

- supplies for religious services
- repairs to church buildings
- telephone
- postage
- stationery
- hire of equipment
- insurances
- magazine subscriptions
- audit fees.

Only suppliers registered for GST can charge GST.

Salaries, stipends and staff wages are not subject to GST.

Impact on congregations

Congregations will pay GST on a significant proportion of their purchases. However, congregations registered for GST will be able to claim input credits for most, if not all, the GST paid. The supplier is responsible for charging GST, however, the congregation is responsible for:

- claiming GST credits
- record-keeping, ie. ensuring it can support claims with suppliers' tax invoices.

Note: **It is very important that congregations do not claim GST credits for acquisition by unregistered sub-entities.** For example, a congregation could not claim GST credit for hiring tables for a fete conducted by an unregistered church fete. In this case, the fete committee should use their funds to hire the tables.

Costs will have increased since July 1st, 2000, for congregations which have not registered for GST. However, costs for GST-registered congregations should have decreased marginally. The Government anticipated that net costs excluding GST would decrease, however, due to existing sales tax exemptions and the high labour component of costs, the cost reduction for most congregations will be minimal.

Example - Churches pay GST

The annual budget of a GST-registered church includes wages of $40,000 and church operating costs of $11,000 including GST. No GST is payable on wages, but most of the operating costs will be subject to GST. One of the few exceptions is bank charges that are input taxed. Provided the treasurer has retained tax invoices from suppliers, input tax credits of up to $1,000 should be recoverable from the Taxation Office.

Even goods acquired for churches for use in their religious services are subject to GST.

> **Example** - Purchases
>
> A church purchases candles for use in its religious services for $220 (including $20 GST). The church is entitled to an input tax credit of $20 for that transaction.

The following table provides a summary listing of transaction types. Further details are found in the corresponding notes. This is not an exhaustive list, but rather an attempt to describe the GST effect on common transactions occurring within congregations.

Expenditure transaction types

No.	Supply	Nature of Supply	GST Treatment
100	Stipend/Wages	Payment of stipends and salary	Excluded from GST
101	Allowances and Fringe Benefits MBAs	Payment of allowances in payroll system Minister's expenses and Fringe Benefits	Not subject to GST Can claim input tax credits
102	Workers' compensation	Payment of workers' compensation premiums	Taxable. **However if between members of the same UCA Religious Group not taxable.**
103	Superannuation Long-service leave	Payment of superannuation to UC–Super, and payment of Long-service leave levy to Synod.	Superannuation is not subject to GST. Long service levy is taxable. <u>**However if between members of the same UCA Religious Group not taxable.**</u>
104	Mission and Service contributions	Payment of contribution to Synod for Mission and Service	GST-Free, is a Gift
105	Printing/stationery/ administration	Purchase of goods for administration purposes	Taxable
106	Advertising	Payment for congregation advertising	Taxable
107	Administration or management fees	Payment for congregation services	Taxable
108	Bank charges	Bank charges such as account-keeping fees	Input taxed
109	Conferences and seminars	Costs associated with professional development courses Non-approved courses	GST-free Taxable
110	Contractors	Payment of contracted services	Taxable
111	Council charges	Payment of rates	Mostly GST-free
112	Donations	Donations to charities and	GST-free

No.	Supply	Nature of Supply	GST Treatment
		not-for-profit organisations	
113	Entertainment	Dinner Dance? Luncheon provided to employees	Taxable – credit not claimable
114	Food	Listed exempt food Other food	GST-free Taxable
115	Fundraising expenses	Supplies	Taxable
116	Hire charges	Hiring of equipment	Taxable
117	Insurance	Payment vehicle, property, hall, etc. Payment life insurance	Taxable Input-taxed
118	Postage and freight	Payment for postage and freight	Taxable
119	Professional fees	Accounting fees, lawyers, auditors	Taxable
120	Reimbursement to staff and volunteers	Reimbursing costs incurred on behalf of congregation	Taxable (invoices required)
121	Repairs and maintenance	Payment to contractors such as plumbers and electricians	Taxable
122	Subscriptions	Payment of subscriptions	Taxable
123	Utility expenses	Payment for telephone, electricity, gas	Taxable
124	Internal transfers	Transfer of funds from other recognised sections	Not subject to GST provided part of GST Religious Group.
125	Capital acquisition	Purchase of new goods such as furniture, equipment, computers Motor vehicles	Taxable
126	Construction	Construction of buildings	Taxable
127	Premises Expenses	Payment for existing residential premises Payment of commercial and new residential	Input taxed Taxable
128	Loans	Repayments	Not a taxable supply
129	Journals, newsletters and subscriptions	Purchase of congregation materials	Taxable
130	Honoraria, and volunteer reimbursements	Presentation of nominal amount, or payment to cover out of pocket expenses.	Where person not registered for GST. GST not applicable.
131	Visiting preachers	Payment of travel reimbursement	GST not applicable.
132	Non resident services	Overseas guest speakers engaged for seminar	Dependant on status of speaker.

100. Stipends / wages

Payment of wages is not subject to GST. Wages are specifically excluded from the GST provisions.

Example - John Smith is paid wages for the fortnight	
1/1 to 15/1	$1850.00
PAYG tax (was PAYE)	$230.00
Net wages (not subject to GST)	$1620.00

Ministers' stipends

Whilst UCA ministers are not employees, historically it has been possible to treat them as employees for payment of stipends and entitlement to ministers' benefits.

Advice from the ATO is that religious practitioners do not need to apply for an ABN, and in fact **cannot** apply for an ABN for the provision of pastoral and religious duties. Ministers will be deemed to be a "withholding event" which will enable them to have income tax deducted from their stipend at the new marginal income tax rates available to the rest of the community.

Centralised Synod payroll

GST does not apply on the amount of funds transferred for a stipend or salary where congregations use the centralised Synod payroll system as an agent to pay stipends and salaries. If both congregation and Synod are part of the same religious group there is also no GST applied to any Synod administration fee, however if the Church is not part of the religious group GST will apply to the fee.

> Note: If less than $50, a 'Tax Invoice' is not required but other documentation is required.

Shared ministries

Contributions towards the provision of a minister from other congregations/clusters that are not part of the GST Religious Group need to include GST. This contribution is a separate supply to the payment of stipends and the contributions have a material benefit to the contributor and are therefore not considered as gifts. (See Gifts page 105.) Where contributions are voluntary, with no material benefit to donor and no condition or contractual obligations, they may be considered as gifts and GST-free.

Ministers' Benefit Accounts (MBAs):

Legislation enables employers to claim GST credits for GST paid on employee fringe benefits. The ATO has advised that there are two grossing up rates for FBT depending on whether GST is included in the cost of the benefit. The higher rate, introduced post GST, is to ensure the benefit to the employee is equalized for reporting purposes after the GST claimable by the employer has been taken in into account. As Ministers Benefit Accounts are considered under the same legislation as employee fringe benefits, congregations are able to claim GST credits for MBA expenses.

From 23rd May 2001 the Federal Government legislated to allow full input tax credits on the purchase of Motor Vehicles. In this situation if a minister wishes to purchase a vehicle from the MBA the Congregation can claim any GST in the purchase. If there is a trade-in or contribution from other sources, this contribution could attract GST and the entity would have to forward 1/11th to the ATO.

If the congregation trades-in a vehicle (it owns) and the proceeds of that sale are less than 75% of the original purchase cost, then the sale can be treated as a GST-Free transaction. In this case the church should advise the purchaser that no GST is being charged on the transaction so that they are aware they can not claim input tax credits.

Visiting preachers : PAYG withholding tax

From July 1st, 2002, the Australian Taxation Office issued revised guidelines for Religious Practitioners in respect of PAYG withholding tax deductions from stipends, including those made to relief Ministers providing locum or supply services. These changes are detailed in the Taxation Law Amendment Bill No 5.

Where the payments are merely expected to cover reasonable out-of-pocket expenses incurred, the amount will generally be considered a reimbursement. These amounts are not subject to PAYG withholding tax, nor would the 48.5% GST withholding tax apply. However for payments other than reimbursements new rules apply, these are as follows.

- If a visiting preacher is already paid through a payroll system on a full time basis, then the only payment applicable to the minister would be travel reimbursement. No PAYG withholding tax is needed from this payment. The congregation may choose to reimburse the visiting preacher's normal congregation for the secondment.
- If a visiting preacher is paid through a payroll system on a part time basis, then a decision would be required as to whether the visit was part of the existing role of the preacher, or in addition to the existing role. If an additional payment is required, it should be made through a payroll system, and PAYG withholding rules apply. Payment for travel, if appropriate, would also be required.
- If the visiting preacher is not in either of the above categories (ie. a minister awaiting placement or a retired minister), then they should complete a Tax File Number Declaration, PAYG withholding tax will apply, and the following guidelines will need to be followed.
    1. preacher is engaged for two days or less in a quarter, then there is no requirement to withhold any amount in taxation.
    2. If subsequently, the same preacher is engaged for additional days in the same quarter beyond the initial two, then the normal PAYG withholding rates will apply from the first <u>additional</u> day. No retrospective variation needs to be made to the initial two days paid previously.

If the appointment is for in excess of two days, then the entire arrangement will be subject to normal PAYG withholding arrangements from the first day. Please note that the days do not relate solely to "preaching days", as an engagement to carry out pastoral care or similar duties would also be covered by this taxation ruling. For the purposes of defining the two or more days, it is the days of engagement, not the days when the payment may be made, that are critical. A quarter is defined as the three months ending on March 31st, June 30th, September 30th, or December 31st in any year.

Note that even if no requirement exists to deduct PAYG withholding tax (ie. the supply or locum is for less than two days), there is still a requirement to issue a payment summary to the visiting relief Minister at the end of the Financial Year, and the income must be included in his or her taxation return.

Also please note, even if the visiting preacher has an ABN because they have registered another enterprise they operate, ie. home maintenance, and offers to issue the congregation with a tax invoice, this is not acceptable to the ATO. Only a Church can register for the business of providing religious services, a Minister as an individual can not. The above guidelines must therefore be followed.

Organists

If paid through a payroll system, no GST will apply. If not and the organist does not supply an ABN, 48.5% of the payment must be withheld. If the organist is registered for GST, GST must be included in the payment.

It may be possible in a very limited range of circumstances for the organist to complete the ATO prescribed form NAT 3345-6.2000 “Statement by a Supplier – reason for not quoting an ABN to an enterprise”. An organist may be able complete this form declaring that either:

- option 1 : the supply is made in pursuit of a hobby,
- option 2 : it is of a private or domestic nature, or
- option 3 : there is no reasonable expectation of profit or gain.

Please note that Option 1 and Option 3 are ruled out where the Organist is playing on a regular basis and being paid. For it to be a hobby, the activity that generates the payment must be isolated and not part of a regular pattern of events, the activity must generally be carried on at a loss, and in both cases, there cannot be any reasonable prospect the person will ever be financially advantaged by the activity. (Recovery of costs incurred is acceptable.) Also refer to page 810 re Declaration re Hobby/Private or Domestic Supplies.

101. Allowances / Fringe Benefits

Allowances paid by a congregation via payroll systems are part of employee remuneration and not subject to GST. If the recipient of an allowance is not paid via a payroll system, 48.5% PAYG would apply if a recipient does not have an ABN and GST would apply if the recipient is registered for GST.

See Ministers’ Benefits Account in section 100 above for the implications of fringe benefits.

102. Workers’ compensation

Payment of Workcover premiums by the congregation under the Accident Compensation Act 1993 is a compulsory payment of insurance. These premiums are a taxable supply, however, if the congregation or agency is part of the UCA GST Religious Group no GST will apply.

103. Superannuation / long-service leave

Superannuation payments and Beneficiary Fund Payments are related to employee activities and are therefore not subject to GST. However, contributions to the Synod’s LSL and Special Insurance Fund will include GST, except where the congregation is part of the UCA GST Religious Group.

104. Mission and Service contributions

Where the congregation is part of the UCA GST Religious Group, Mission and Service contributions will be GST Free. Otherwise these contributions are considered as gifts provided there is no material benefit to the congregation, therefore they will be GST free.

105. Printing, stationery, administration expenses

General administration expenses, such as printing and stationery, etc. will be subjected to GST. An input tax credit will be claimable.

Example - Stationery

The congregation purchases various stationery items at a cost of $550 which is inclusive of $50 GST. As the congregation is registered for GST, it can claim $50 in input tax credits.

106. Advertising

Advertising is subject to GST.

Example - Advertisement

The congregation places an advertisement each week in the local paper, detailing the times of church services. The newspaper will charge GST on the invoice and input tax credits can therefore be claimed.

107. Administration or management fee

The Synod office or other institutions may charge an administration or management fee for accounting and other services. This service will attract GST, unless the congregation is part of the GST UCA Religious Group.

Example - Synod accounting fees

A congregation receives an invoice from Charles Brown Accounting for accounting services

Payroll administration fee	$90	
GST		$9
Total amount payable		$99

Input tax credits of $9 can be claimed.

108. Bank charges

Bank charges, such as account-keeping fees, are financial supplies and are input taxed.

109. Conferences and seminars

Professional development courses that fall within the definition of an approved education course will be GST-free.

In general, spiritual retreats and adult education in the faith, when supplied by a religious institution and when considered to be an integral part of the practice of religion, are GST-free.

Example – Lay Preachers Conference

Mr. Max Smith attended a weekend Lay Preachers Conference at Dandenong Conference Centre, costing $750. He also attended a weekend spiritual retreat at Retreat House, costing $300. Both these amounts are GST-free.

110. Contractors

Congregations use contractors for a number of purposes, such as security, cleaning, waste removal and a range of other services.

The provision of services to congregations from third party contractors and service providers will generally be subject to GST, unless the contractor is a small business not required to register. Only commercial businesses with an **annual turnover of less than $50,000** are not obliged to register, although they may choose to register voluntarily.

If a contractor is not registered for GST, then the contractor would still be required to have an ABN as they are carrying on a business. In this instance, they would issue the congregation with a tax invoice, quoting their ABN, but stating the price charged was exclusive of GST.

If the contractors total turnover is greater than $50,000 they must register for both an ABN and for GST, and should issue the congregation with a tax invoice including 10% GST.

If a contractor does not state their ABN, withholding tax must be deducted. (See PAYG page 800.)

111. Council charges

Rates and water charges are GST-free, but other charges, such as garbage collection, are subject to GST.

112. Donations

Any donation is GST-free provided it does not result in a benefit to, or an obligation to benefit, the donor. Nominal benefit given to a donor (eg lapel pin) does not affect this GST Free status.

Example - The congregation has a policy that all the cash in the offering plate goes to the work of overseas missions. There is no GST payable.

113. Entertainment

All congregations will face a GST cost with respect to entertainment and other non-deductible expenses. The supply of entertainment is a taxable supply and hence GST will be payable. However, the legislation specifically provides that no input tax credits will be available in relation to non-deductible expenses for income tax purposes. This includes:

- entertainment expenses
- non-compulsory uniforms
- penalties
- relatives' travel
- maintaining an employee's family
- recreational club expenses

- expenses for a leisure facility or boat
- agreements for the provision of non-deductible non-cash benefits.

114. Food

In general, the supply of food for human consumption will be GST-free. Some typical examples of what will constitute GST-free status are as follows: fruit, vegetables, meat products, fish, bread, cheese, eggs, milk, sugar, tea or coffee.

However, there are some important exceptions. Food will be taxable where it falls into one of the following categories:

- restaurant, catered or eat-in food
- hot takeaway food
- prepared meals and other prepared food
- bakery products (excluding bread)
- confectionery, snacks, ice-cream and biscuits
- alcohol, most soft drinks and certain drinks.

> **Example** - Food
>
> The congregation drop-in centre serves free, every lunch hour, soup, sandwiches, coffee and tea to homeless youth. If GST has been paid on any of these items, the congregation will be able to claim input tax credits. (Also see section on Food page 321.)

115. Fundraising expenses

Any purchase, such as items for a raffle, or chocolate for a chocolate drive, are taxable supplies. Accordingly, an input tax credit is claimable provided you are registered. (Also see section Revenue Fundraising page 306.)

> **Example** - Raffle
>
> The Church Ladies Guild decides to hold a raffle. The raffle prize is a dozen bottles of Barossa Valley red wine and some fine chocolates. The wine and chocolates are subject to GST and an input tax credit can be claimed.

Purchase costs for stewardship envelopes would include GST.

116. Hire charges

Congregations may hire equipment for services and other functions. Payments made for hire charges will be subject to GST and an input tax credit can be claimed provided you are registered. (Also see section on Fetes page 306 as GST input tax credits can't be claimed where the expenses relate to the operation of an Input Taxed fund raising event.)

117. Insurance

Most insurance premiums are taxable and subject to GST. Exceptions include life insurance which is input taxed, and health insurance which is GST-free.

Example - Insurance

A congregation has taken out third-party insurance on its property. This is a taxable supply and the congregation will pay 10% GST. The congregation will be able to claim input tax credits for the GST paid. A congregation would not be charged GST on life insurance as it is an input-taxed supply.

Where a congregation pays an insurance premium as an apportioned charge from the Synod office, and the congregation is part of the UCA GST Religious Group, GST generally will not be included. If the congregation is not part of the UCA GST Religious Group, GST will be charged. If a property is an input taxed property a different insurance rate will apply as the Synod can not claim the GST refund from the insurance underwriters. (See page 109.)

For further details in regard to insurance claims and GST, contact your Synod (see section on Insurance page 416).

118. Postage and freight

Postage and freight are subject to GST. An input tax credit can be claimed.

Example

Cost of 1 box of 100 postage stamps	$45.00
(GST included on stamps	$4.09)
Books sent to Sydney with Qantas	$16.50
(GST include on freight	$1.50)
Total	$61.50

An input tax credit of $4.09 plus $1.50 ($5.59) can be claimed.

119. Professional services

Professional services are subject to GST. An input tax credit can be claimed.

Example - Audit fees

The auditor issues a ‘Tax Invoice’ for auditing congregation accounts :	$770.00
GST	$77.00
Total amount payable to auditor	$847.00

The GST charge of $77 can be claimed as an input tax credit.

120. Reimbursements to staff and volunteers

Where the congregation reimburses employees, agents, (including parishioners,) or officers for expenses incurred, the congregation will be able to claim the GST included provided appropriate documentation is provided. For amounts of $50.00 or less, the receipt does not need to indicate whether GST is included, however, in all cases it is preferable that it does. For larger amounts, a tax invoice must be produced. Please note that an input tax credit cannot be claimed for any acquisition if it is non-deductible for income tax purposes. (Refer the section on Entertainment on page 407).

GST will not be claimable on a petty cash float, only on the expenditure.

Example - Taxi travel

The congregation secretary takes a taxi to the airport to meet the visiting Moderator. The cost of the taxi fare is $60.00 (including GST). Provided a tax invoice is obtained from the taxi driver, the congregation treasurer can reimburse the total cost of $60 and claim an input tax credit of $5.45 ($60 x 1/11).

Note: Kilometre reimbursement for volunteers: As no invoices are available and such reimbursement is considered a travel allowance, there is no GST paid and therefore no GST credit. Where a recipient does not have an ABN and is paid $50.00 or more, PAYG withholding could apply.

There is no provision for volunteers to claim GST credits for donated out-of-pocket expenses that are not reimbursed. Volunteers are not registered for GST. It may be appropriate for volunteers to donate cash and the church pay the expense and claim the GST.

Payments made to a guest speaker who is registered for GST will be subject to GST where the activities are made in respect of the speaker's enterprise. A non-registered speaker will not charge GST, but may need to provide an ABN if the payment is more than $50.00 to avoid PAYG withholding being deducted, or provide a statement to the fact that the speaking engagement is private or domestic in nature, or relates to a hobby. (Refer page 810.)

121. Repairs and maintenance

Payments for repairs and maintenance will be subject to GST. An input tax credit can normally be claimed. However, if the property is commercially rented out, an input tax credit could not be claimed.

Example - Repairs

The front door to the church has dropped due to the weather and is hard to open. A carpenter who is registered for GST is called. GST would be included in the carpenter's invoice and paid by the congregation. An input tax credit would subsequently be claimed.

122. Subscriptions

Subscriptions are a form of pre-payment for goods or services that usually extend for a period of six to twelve months and as such are usually taxable.

123. Utility expenses

Utilities are taxable supplies and the congregation can therefore claim all input tax credits. Note however that water and sewage are specifically GST free. However this only applies where it is the provider of the specific service who is making the charge. In circumstances where the water or sewerage service is being "on-charged," say by a landlord to a tenant under the terms of a commercial lease, then GST would be payable. This is because it is in fact part of the rental or lease costs of the property under the terms of the lease that is being paid, not the provision of the utility services. This applies even where the utility account is paid directly by the tenant.

124. Internal transfers

In some circumstances GST will not apply. (See income item page 318.)

125. Capital acquisitions

Capital expenditure is subject to GST on the same basis as any operational expenditure. Accordingly, input tax credits will apply. The timing of capital expenditure needs to be aligned with GST reporting to protect cash flows.

(a) Motor vehicles

A GST of 10% will be payable on vehicle purchases. Vehicle leases will also be subject to GST. Input tax credits can be claimed for GST paid

The transitional provisions limited the claiming of input tax credits for the purchase of motor cars except where exemption from wholesale sales tax applied prior to July 1st, 2000. However, the transitional arrangements were subsequently amended, and input tax credits have been available for all vehicles purchased after 23 May 2001.

Full input tax credits were available from 1 July 2000 if:

the purchase was for a second-hand motor vehicle, body or trailer, or

you would have been entitled to exemption from wholesale sales tax (WST) on the purchase of the vehicle, had exemption still applied.

(b) Purchase of premises

The acquisition of an existing residential premise used predominantly for residential accommodation is an input-taxed supply and therefore it is not subject to GST.

This is, however, only to the extent that the residential premises are not new residential premises or commercial residential premises. The definition of residential premises is ‘land or a building occupied or intended to be occupied as a residence’. The definition of new residential premises means, ‘residential premises that have not previously been sold as residential premises and have not previously been the subject of a long-term lease’.

Buildings acquired that are not residential premises will be taxable and subject to GST.

Examples

The congregation buys an older style residence. The acquisition is not subject to GST.

The congregation buys commercial property. GST will be applicable.

The congregation buys a new residence (one that has not previously been sold as a residence or is the subject of a long-term lease). The acquisition is subject to GST, however, as the Manse is being purchased as part of the enterprise of the Church, the congregation is entitled to claim back the GST in full. **(Refer to the note below the following section on Construction with respect to the GST treatment of Manses, which is currently (September 2003,) subject to negotiations with the ATO.)**

126. Construction

Congregations may be engaging in the construction of buildings in the future.

(a) Acquiring land for construction

Land acquired prior to 1 July 2000 was not subject to GST. However, GST applies to land acquired after 1 July 2000, if sold by registered persons or entities. Land acquired from non-registered persons (eg. individuals, a private seller of a suburban block, or someone owning a ‘hobby’ farm) will not be subject to GST.

Where the congregation enters into an option to purchase land from a registered vendor, GST will be charged on the consideration paid for that option. The later exercise of that option will be taxable only where there is further consideration made.

A deposit paid on land by the congregation, as security, would not give rise to a GST liability unless:

- the amount held is forfeited
- part or all of the deposit is applied as consideration for the supply.

Accordingly, the congregation will normally be liable for GST on land purchases once the contract is completed. Congregations will also be entitled to an input tax credit to the extent that the acquisition is for a creditable purpose.

Provided the land costs have been incurred in performing a taxable activity (eg. church construction), an input tax credit for the GST incurred to construct the property can be claimed, subject to a tax invoice being obtained and held. If the costs were incurred in performing an input-taxed activity (ie. a commercially rented residence) no input tax credit would be available to the congregation.

(b) Construction

All construction costs incurred by congregations from registered persons will be subject to GST.

The liability for GST will normally arise at the earlier of the invoice date or the date of payment. Where long-term construction contracts require congregations to make progressive payments as and when particular stages have been completed, the GST will be payable progressively, normally when each invoice is rendered.

Provided that the costs associated with construction have been incurred in performing a taxable activity, congregations will be entitled to an input tax credit for the GST. If the costs were incurred in performing an input-taxed activity (ie. commercial residential property), congregations will not be entitled to claim an input tax credit.

Costs associated with construction would include:

- legal conveyancing costs to acquire the land
- council plans

- all costs pursuant to the building contract
- valuations.

Construction of new residence for ministers

GST credits can be claimed for any GST paid to acquire new Manses.

GST will be charged when constructing new residential premises. New residential premises are premises that have not previously been sold as residential premises. Because the minister is not charged for rental, the premises are used for a creditable purpose and the residence is supplied to the minister GST-free. (See below.) As a result an input tax credit can be claimed for any GST charged on purchase of new residential premises.

Note: At the end of July 2003, the ATO withdrew a "Factsheet" issued in February 2003 which would have denied Congregations the right to input tax credits on Manses. The ATO interpretation was that Manses were normal residential accommodation, and hence are input taxed. At the time of writing this edition of the Treasurers Manual, a revised, but not final, proposal has been put forward by the ATO. The Ecumenical Tax Group is continuing to negotiate with the ATO to try and ensure the final position taken is one where the purchase, running costs, and maintenance of the Manse, where it is occupied by a Minister, will be part of the enterprise of the Church. Please consult with your Synod office for the most current situation.

127. Premises

(a) Residential premises

Notionally the supply of residential accommodation is an input-taxed supply. No GST is chargeable and no input tax credits may be claimed on expenses that the congregation incurs in relation to these houses, subject to the extent that they are used for residential purposes.

UCA supply of residential premises

Where the Uniting Church owns residential accommodation and charges a non-commercial rental (see page 204), the supply is GST-free and GST credits can be claimed for costs related to the supply.

UCA supply of ministers' accommodation

As part of the minister's stipend and allowances, ministers are provided with housing. (A manse.) Where ministers are provided with housing free of charge, the congregation will pay for certain expenses in relation to the house, eg, repairs and maintenance, electricity, gas and telephone, etc. As this accommodation is both part of the Enterprise of the Church, and is a GST-free non-commercial supply, the congregation can claim GST credits for associated acquisitions such as repairs. GST credits for electricity, gas, telephone can be claimed either because the cost is a creditable acquisition, ie. associated with the minister performing his duties or because they are a fringe benefit.

(Refer note above re ATO interpretation on Manses however.)

Residential residence leased from third parties

Residential premises leased from a third party will normally be an input-taxed supply, with the supplier not charging GST to congregations, but incurring higher costs as they cannot claim credits on associated acquisitions.

(b) Commercial premises

Where a congregation incurs maintenance costs for its commercial premises, GST will apply and input tax credits can be claimed. Commercial premises not only include premises such as shops, offices, but also include churches and church halls.

> **Example** - Commercial premises
>
> The floor of the church needs to be resealed and the contractor charges $2,200 inclusive of GST. The congregation can claim $200 as an input tax credit.

128. Loans

Interest charged on loans is an input taxed financial supply, so no GST is charged on the interest. The receipt and repayment of money is generally not a supply so GST does not apply to the capital portion of loans.

> **Example**
>
> A congregation receives a loan and repays $1,000 per month including principle and interest. As the interest is input taxed and the transfer on money is not a taxable supply, GST will not be charged.

129. Journals and newsletters

GST credits can be claimed on acquisitions for producing a church journal, newsletters, etc.

Note: The supply of these publications within a congregation will usually be GST-free. (See page 208.)

130. Honoraria/payments to office-holders or Volunteers

GST is generally not included in honorarium as the recipient is usually not registered for GST. The issue that needs to be considers is whether PAYG withholding tax applies. Advice from the ATO indicate that where the payments are merely expected to cover reasonable out-of-pocket expenses incurred, the amount will generally be considered a reimbursement and not subject to PAYG. Where the payment is a reward for employment or services, the amount will be subject to PAYG withholding irrespective of what it is called.

To be an honorarium, the payment must be ex gratia, not linked to the provision of a service, and generally only of a notional value. As an example, a small honorarium offered to a Church officer, who could reasonably be expected to have incurred personal expenditure in carrying out his or her duties, presented at the Annual General Meeting would generally not require PAYG to be deducted.

Note : Despite being classified as an honoraria, payments similar to the above payments may have income tax implications for the recipient, and / or PAYG and Superannuation Gaurantee Contribution implications for the entity. If in any doubt on the bona fides of paying an honoraria, it is recommended that Treasurers contact their Synod office for advice.

131. Visiting preachers

Payments made to a guest speaker who is registered will be subject to GST as a taxable supply when the payment is made in respect of the speaker's enterprise. Where the payment is in the form of wages, it will not be subject to GST. (Also refer to page 402 onwards)

132. Non Resident Services

Where an overseas speaker is engaged to conduct a seminar or provide other services application of GST will depend on the presenter situation. The presenter does not need to register for GST if their turnover is less than $50,000. However, the presenter may choose to register, claim credits and charge you GST. If the speaker does not register, you may claim the GST incurred on expenses you incur related to the presentation, such as accommodation assuming this is purchased from a registered entity. (Above applies only where you do not conduct the seminar through an unregistered sub-entity).

If you conduct the seminar you do not need to charge GST if:

- you are conducting a religious service
- your attendees are paid for by congregations who are members of the UCA GST religious Group
- you charge a non- commercial fee (ie less than 50% of the GST inclusive market value)
- you conduct the seminar as an unregistered sub-entity (ie no GST charged but you cannot claim GST paid in expenditure)

There are no PAYG requirements if the speaker:

- does not have a permanent establishment in Australia, or
- is Income Exempt from Australian Income Tax, or
- quotes an ABN, or
- the speaker is not conducting an enterprise.

If the first or second points apply, the speaker will need to provide a statement to the payer to the effect that they should not withhold tax. Forms can be obtained from the ATO.

Additional expenditure - insurance

The supply of most types of general insurance is a taxable supply and is subject to GST. General insurance includes policies for motor vehicles, third party property, fire, theft and loss of income insurance.

The following are not subject to GST:

- life insurance
- marine cargo (in/out of Australia)
- international travel
- superannuation
- transitional contracts.

Transitional provisions may still apply to other insurance contracts:

- entered into before 9 July 1999 (2 December 1998 where the property is input taxed)
- with a fixed premium
- until 1 July 2005, or an opportunity to review premium arises (see chapter on Transitions page 700).

Note: As most UCA insurance policies are renegotiated on an annual basis, the transitional provisions do not apply to most UCA insurance contracts.

Credits can be claimed where GST is charged on insurance premiums except for:

- input-taxed property
- third party compulsory motor vehicle insurance up to 1 July 2003.

GST does not apply to insurance premiums charged by Synods to congregations where the congregation is a member of the UCA GST Religious Group.

Insurance settlements

Insurance claims are not generally taxable supplies, unless it relates to an input taxed property.. Therefore, in the vast bulk of situations, where a UCA congregation receives a cash payout from the insurance company, there will be no need to forward any GST to the ATO.

The normal procedure is that the value received from the insurance company, should equal the cost of the repair, less any entitlement to GST credits. Thus it will be necessary for the claimant to advise the insurer, at the time of first making notice of intention to lodge a claim, whether the insured is entitled to a GST input tax credit on the cost of restoring or replacing the items insured. For example, in the case of a commercially rented out residential property, which would be an input taxed supply, the insured would have no entitlement to claim a GST input tax credit on costs incurred in repairs. Accordingly, the insurer, should pay to the insured the GST inclusive cost of the repairs. However, if the insured could claim an input tax credit, ie., the damage was to the Church building, then the insurer would only pay to the insured the GST exclusive cost of the repairs, and the Congregation would claim the GST input tax credit amount on its BAS.

Alternatively, the insurance company can pay the repairer direct, then claim GST the paid, and the congregation does not need to account for any transactions.

Example

Damage to a church: repair cost $11,000 including $1,000 GST.

Insurance company will pay church $10,000.

Church pays an $11,000 repair bill, but can claim a $1,000 credit for GST.

Issue: timing the payment and receipt of the $1,000.

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Specific issues

Opportunity shops

The GST legislation contains a number of specific rules that significantly reduce the impact of GST for opportunity shops run by 'charitable institutions' (including churches).

GST summary

1. Refunds (input tax credits) can be claimed for GST included in operating costs, eg. power costs.

2. Input tax credits can be claimed where GST is paid to GST-registered entities for the purchase of new or used trading stock.

   Note that if an Opportunity Shop was purchasing goods from another GST registered Charity and the goods were being sold by that entity as GST free for some reason, ie. non-commercial, then the purchasing entity would not be entitled to claim either a credit or a deemed credit. Refer 3 below on what is a deemed credit.

3. A notional or deemed GST credit ($1/11^{th}$) can be claimed for new or used trading stock purchased from entities not registered for GST (including individuals).

   However, where the purchase cost is more than $300, the notional credit can be claimed only when the goods are sold. The maximum claim is the lesser of $1/11^{th}$ of cost or $1/11^{th}$ of sale price.

4. Opportunity shops **'do not' charge GST** when they sell **donated second-hand goods** that retain their original character. These sales are classed as a 'GST-free' supply.

> Notes:
>
> Repair of goods including cleaning, sewing buttons etc. does not change the character of the donated goods.
>
> The ATO has accepted that the sale of zips and buttons removed from donated goods are GST-free.

   Converting old clothes to rags is a change of character, therefore GST must be added to sale price of rags. However, the net proceeds received from the sale of rags should not change, as the price charged will be GST inclusive calculated after allowing for GST, and in circumstances where the purchaser is an entity registered for GST they can claim a GST credit.

   The ATO has accepted that small quantities of donated new goods can be treated as donated second-hand goods. For example, five new shirts dropped in a collection bin.

5. 10% GST should be added to the selling price of new goods or purchased second-hand goods.

> Note: Where the sale price is less than 50% of the 'GST-inclusive market value', the 10% GST does not apply.

> Note: Where the mix of inclusive and exclusive of GST sales creates an administrative problem, special rules may enable procedures to be streamlined.

Opportunity shops will be required to:

- record the GST paid on acquisitions
- record the GST included in sales
- prepare either a quarterly or monthly Business Activity Statement (BAS) and, if applicable,
- pay the net value of federal taxes owed. Refunds should be received within 14 days.

Exclusion from GST

Use of an unregistered sub-entity as a means of operating an Opportunity Shop is only justified where the GST that would have to be charged on sales (remembering that sales of donated goods is GST free,) would exceed the amount of GST that would be claimable on expenses, and where the turnover is less than $100,000 per annum.

Refer also Donated Second-hand Goods on page 203.

Vouchers and direct payments

Vouchers

These can be either:

- cash voucher = cash equivalent, no GST claimable
- specific purpose = GST credit claimable.

For the supply of a voucher not to be a taxable supply, the voucher must satisfy certain requirements in Division 100 of the GST Act. These requirements include that the voucher have a face value for which goods, which generally will not be specified, can be exchanged. If the voucher does not have a face value, then it is unlikely to constitute a voucher for GST purposes.

Cash vouchers, for example a $20 voucher at Safeway, or a gift voucher received as a present, is the equivalent of cash and can be used to buy a number of products that may or may not have GST included in the price. It is not expected that GST credit can be claimed by the donor of the voucher, either at the time the voucher is purchased, nor at the point where it is redeemed by the person to whom it was given. These vouchers will obviously have a specific face value.

A specific purpose voucher is one where the item represented has already been acquired, or it is one where it is the equivalent of purchasing a specific product. For example, purchase of rail travel vouchers or an arrangement with an electrical store to purchase refrigerators or similar of a specific make, model and price, and then donate individuals vouchers which will entitle the recipient to redeem them for the goods specified. The supply of the voucher in this instance would be deemed to be a supply for GST purposes.

Direct Payments

Where a Uniting Church organisation gives a family money to purchase a specific item from a provider of their choice, the charity is not providing the item directly and is therefore not making a supply to the recipient. When providing the money directly to the family they are in effect providing a grant of assistance to the family. The family would generally not be registered for GST and therefore the supply would not be subject to GST. When the family uses the funds to acquire the goods or services, those services will be subject to GST as applicable.

Payment of bills for the needy

UCA organisations cannot claim GST included in bills paid for clients.

Example - Electricity bill

Where a congregation pays for an electricity bill for a needy person, they are paying on behalf of the recipient of the supply. The supply of the electricity is not made directly to the congregation. In addition it could not be said that there is an acquisition of these things that is related to the business activities of the congregation. On this basis, there would be no input tax credit available to the congregation.

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Accounting for GST

In order to claim GST credits or pay any GST owing, congregations registered for GST will need to complete a Business Activity Statement (BAS). In order to complete the BAS, the church accounting system requires that congregations have the information necessary to:

- know how much GST it should charge on taxable supplies that it makes,
- claim GST credits for GST paid on creditable acquisitions, and
- complete BAS statistical information.

For many congregations this process is as simple as following standard entries as listed on page 603.

> Note: It is expected that most congregations are using simplified BAS instructions.

Computerised accounting packages

The accounting system for congregations using a computerised accounting package will vary depending on which specific package is used. Most of these packages have been updated to a GST-compliant version since GST was introduced in July 2000, though it maybe possible to account for GST using a pre-GST version of the software.

GST-compliant computerised accounting packages differ from manual accounting using a cash book system in the following ways:

- calculation of the 1/11th GST component
- automatic posting of GST to the correct accounts
- generation of BAS or creation of reports that can be used to fill in the BAS.

Use of a computerised system will enable a congregation to:

- utilise additional columns which could make it easier to fill in the BAS statistical values
- make informed decisions on the use of a simplified version of BAS or fully utilise the page 2 BAS calculations.

UCA has not tested the GST-compliant computerised accounting packages on the market and therefore cannot recommend a package. There are a number of low priced GST-compliant accounting packages such as MYOB and Quickbooks.

Tax periods

Tax periods are the reporting periods for GST and can be quarterly or monthly. Quarterly tax periods are periods of three months ending on 30 September, 31 December, 31 March and 30 June. Monthly tax periods end on the last day of each calendar month.

In order to reduce the additional workload GST creates for treasurers, it is anticipated that when registering, most congregations will chose quarterly tax periods. However, if the congregation's input credits are significant, it may choose to use monthly tax periods.

You can change to or from quarterly/monthly tax periods by notifying the ATO, refer to page 902.

Monthly tax periods are compulsory if:

- your annual turnover is $20 million or more

- you will be carrying on an enterprise for less than three months
- you have a history of failing to comply with your tax obligations, or
- your income tax year does not end on 30 June. This is not applicable to the Uniting Church (including congregations) as it is exempt from income tax.

You can end your tax periods up to seven days earlier or seven days later than the standard tax periods if you want to line up your tax periods with your particular accounting periods. If you do this, it will not change the date for lodging your Business Activity Statement or making payments.

Example - Ending your tax period

A church's normal accounting practice is to balance its books every Friday. The church adopts quarterly tax periods. As 31 March falls on Tuesday, the church ends its tax period on Friday 3 April so that it does not have to make a special balance on the Tuesday. The next tax period starts on Saturday 4 April rather than on 1 April. The church's Business Activity Statement for the tax period ending on 3 April, and any payment, is still due on 21 April.

Payments and refunds of GST

The amount you have to pay to the ATO is the difference between:

the GST you include in the income you receive, and

the input tax credits you are entitled to for GST included in the price paid for things used in your organisation. This amount has to be paid on or before the 21st day of the month following the end of your tax period.

Attribution

Attributing GST and input tax credits to tax periods

There are some rules about how to work out which tax period your GST amounts belong to, that is, which tax period they are attributed to. The rules for attributing GST payable and input tax credits to tax periods are different, depending on whether you account for GST on a cash basis or on a non-cash basis.

Cash accounting

In broad terms, congregations using a cash basis to account for GST will use the date cash is either paid or received to decide which period the transaction should be entered into the BAS. However BAS credits can be claimed only when congregations hold the 'Tax Invoice' (except for payments in less than $50). (See chapter Cash vs Accrual page 902.)

Cash-book and entries

A congregation does not need a computerised accounting package to account for GST. Cashbook sheets need to include an addition column for GST in both the cash receipts and cash payment sheets. These columns record any GST collected from sales and any GST incurred on purchases made. The information collected from the cashbook will enable a congregation to calculate its monthly or quarterly GST return via the BAS. The following is a practical example of a congregation cashbook used to operate the GST system.

> Note: If GST cannot be claimed, then nothing should be recorded in the GST column for that item, the full amount should be shown in the expense or income column. For example, where rent is received for residential premises that is an input-taxed activity, the GST paid on associated acquisitions (repairs, rates, etc.) cannot be claimed. The GST on these expenses should be recorded in the appropriate cost column, eg. property costs.

Cash-book entry for GST refund/payment

If at all possible, a separate column should also be used to record refunds/payments of GST received from, or paid to, the ATO. However, where a manual cashbook has insufficient columns, the receipts/ payments can be entered into the GST columns of the cashbook, ie.

- refunds entered into cash receipts book, and
- payments entered into cash payments book.

> Note: Where these values are entered into the cash-book in the same column as other GST items, ensure they are not included in the totals reported to the ATO for the month or quarter in the BAS.

GST adjustments

The treatment of cash received by way of adjustments is recorded as income rather than a reduction in the payments. For example cancellation of a sale because the product was faulty and a refund was received.

Standard accounting cash receipt entries

Taxable supply

- Enter total receipt in Bank column
- Record the GST charged, ie. 1/11th of receipt in GST column
- Record the GST-exclusive amount (10/11th) in the appropriate Income column.

Example *- Cash receipt*

DATE	PARTICULARS	BANK	GST	RENTS PROPERTY INCOME
11-Jul	Hall Rental	330.00	30.00	300.00

GST refund from ATO

As discussed above, value can be optionally recorded in the GST column or in a separate column.

Example *– Cash receipt*

DATE	PARTICULARS	BANK	GST	RENTS PROPERTY INCOME
30-Oct	GST Refund	120.00	120.00	

Adjustments

The treatment of cash received by way of adjustments will depend on the specific circumstances. However, by way of a guide the following are some examples.

Example *– Additional revenue*

DATE	PARTICULARS	BANK	GST	RENTS PROPERTY INCOME
30-Sep	Adjust hall rental receipts	22.00	2.00	20.00

Example *– Refundable deposit*

DATE	PARTICULARS	BANK	GST	RENTS PROPERTY INCOME
30-Sep	Refundable deposit – Hall	50.00		50.00

Example - Rental less refundable deposit, ie. payment of $106.00, of which $66 is the rental charge which is GST inclusive, and $40 deposit which is GST free. Also the refund of the $40 deposit which remains GST free unless it is forfeited.

DATE	PARTICULARS	BANK	GST	RENTS PROPERTY INCOME
15-Oct	Hall rental receipts	106.00	6.00	100.00
15-Oct	Refund Deposit	(40.00)		(40.00)

Other receipts (GST not applicable)

An entry in the GST column is not required where the supply is excluded from the *GST Act* (eg. donations), is a GST-free supply (eg. rental of manse at non-commercial rates) or input taxed (eg. interest UCA funds management).

Example – GST-free

DATE	PARTICULARS	BANK	GST	RENTS PROPERTY INCOME
15-Oct	Rental of manse (GST-free)	185.00		185.00

DATE	PARTICULARS	BANK	GST	RENTS PROPERTY INCOME
27-Oct	Home Mission Grant to	1,000.00		1,000.00
	UCA Proserpine			

Standard accounting cash payment entries

Creditable acquisition (purchase)

- Enter total payment in Bank column
- Record GST charged, ie. specified GST value or 1/11th of total payment in GST column
- Record the GST-exclusive amount (10/11ths) in the appropriate expense column.

Example – Cash payment

DATE	PARTICULARS	Chq	BANK	GST	SUNDAY SCHOOL EXPENSES
11-Jul	Art supplies	17	110.00	10.00	100.00

Tax payment to ATO

As discussed above, value can optionally be recorded in the GST column or optionally be recorded in a separate column.

Example – Cash payment of $450 to ATO being $500 tax instalments deducted from salaries less a $50 GST refund.

DATE	PARTICULARS	Chq	BANK	GST	SALARIES
11-Jul	ATO	18	450.00	(50.00)	500.00

Adjustments

The treatment of cash received by way of adjustments will depend on the specific circumstances. However, by way of a guide the following are some examples.

Example – Additional expense

DATE	PARTICULARS	Chq	BANK	GST	SUNDAY SCHOOL EXPENSES
19-Jul	Art supplies adjustment	19	22.00	2.00	20.00

No GST on creditable acquisition

GST paid cannot be claimed where the purchase was not a creditable acquisition. Most congregations can claim GST credits for all their acquisitions. Instances where they cannot claim the GST credits include:

- acquisitions associated with input-taxed supplies, eg. a house let for full market rate. (See page 109.)
- entertainment expenses, not normally applicable to congregations. (See page 407.)

Example – Plumbers' charge for repair of an input-taxed residential property

DATE	PARTICULARS	Chq	BANK	GST	PROPERTY EXPENSES
19-Jul	Repair house - input taxed	20	220.00		220.00

Other payments (GST not applicable)

An entry in the GST column is not required where the payment is excluded from the *GST Act* (eg. salaries), is a GST-free supply (eg. basic food) or input taxed (bank fees).

Example

DATE	PARTICULARS	Chq	BANK	GST	BANK FEES
19-Jul	Bank fees	21	15.00		15.00

Cash Payments / Expenditure

Date July 2003	Details	Cheque Number	Note	Bank	GST Paid	Stipend and Oncosts	Motor Vehicle Expenses	Books and Publications	Mission Service	Postage and Telephone	Property Expenses	Commercially Rented Manse Expenses	Other
3	Stipend	Direct Dr	a	1,538.00		1,538.00							
3	Fuel	564	c	44.00	4.00		40.00						
5	Mission and Service	565	e	1,000.00					1,000.00				
8	Hymm Books	565	c	259.60	23.60			236.00					
10	ALT Plumbing	566	c	275.00	25.00						250.00		
10	ORT Electrician	567	d	305.00								305.00	
11	Contribution to St.Johns Anglican for shared Youth Worker	568	c	1,100.00	100.00								1,000.00
17	Bulk Postage	568	c	220.00	20.00					200.00			
17	Fuel	570	c	44.00	4.00		40.00						
17	Telstra	571	c	280.50	25.50						255.00		
24	Stipend	Direct Dr	a	1,538.00		1,538.00							
24	Donation to Welfare Client	572	a	100.00									100.00
25	Fuel	572	c	42.90	3.90		39.00						
	Groceries	572	c	37.40	3.40								34.00
	Misc Petty Cash	572	c	7.70	0.70								7.00
	Electricity	573	c	308.00	28.00						280.00		
	Assembly Beneficial Fund	574	e	215.32		215.32							
29	LSL Fund	575	b	78.98	7.18	71.80							
	Mission and Service	576	c	825.00					825.00				
	CSPS Payroll Admin. Fee	Direct Dr	e	10.00									10.00
29	WPC Bank Fees	Bank	d	5.00									5.00
31	Car Loan	Bank	d	350.00			350.00						
				8,584.40	245.28	3,363.12	469.00	236.00	1,825.00	200.00	785.00	305.00	1,156.00

NOTES a - Gift / Excluded b - GST Free including non commercial c - Taxable d - Input Taxed e - GST Religious Group

Cash Receipts / Income													
Date July 2003	Details	Receipt Number	Note	Bank Deposit	GST Charged	Offerings	Donations	Book Sales	Rent Hall	Rent Manse	Wedding	Interest Received	Synod Grant
3	Offering	201	a	1,025.00		1,025.00							
3	Rent - Manse	202	b	125.00						125.00			
5	Donation	203	a	250.00			250.00						
8	Sale of Books	204	c	44.00	4.00			40.00					
10	Synod Grant	205	e	1,100.00									1,100.00
10	Rent - Manse	206	b	125.00						125.00			
11	Rent - Hall	207	c	275.00	25.00				250.00				
17	Offering	208	a	980.00		980.00							
17	Donation from Fundraising Committee	209	a	1,000.00			1,000.00						
17	Rent - Manse	210	b	125.00						125.00			
24	Offering	211	a	1,174.00		1,174.00							
24	Rent - Manse	212	b	125.00						125.00			
25	Sale of Books	213	c	660.00	60.00			600.00					
29	Wedding Service	214	b	450.00							450.00		
29	Wedding Flowers	214	c	132.00	12.00						120.00		
31	Interest WBC	215	d	30.00								30.00	
				7,620.00	101.00	3,179.00	1,250.00	640.00	250.00	500.00	570.00	30.00	1,100.00

NOTES a - Gift b - GST Free including non commercial c - Taxable d - Input Taxed e - GST Religious Group

GST payable and refunds

The amount of GST you have to pay to the ATO is the difference between:

- the GST you include in the price of services or supplies you make to others for which you issue an invoice to them, and
- the input tax credits you are entitled to for the GST included in the price paid for things used in your organisation.

This amount must be paid on or before the 21st day of the month following the end of your tax period.

Example – Amount to pay

A GST-registered church bookshop makes sales totalling $220 (including $20 GST). The GST payable is attributable to the quarterly tax period ending on 30 September. In the same period, the church bookshop is entitled to input tax credits of $15 for GST included in the price paid for goods and services used in the bookshop.

The church bookshop has to pay $5 (that is, $20 - $15) to the ATO by 21 October.

If the amount of input tax credit owed to you is greater than the GST on your supplies, you will receive a refund. The ATO must pay this amount within 14 days of you lodging your BAS (Business Activity Statement). If payment is made after this time, interest is payable by the ATO.

Example - Amount of refund

If, in the example above, the church bookshop has input tax credits of $25 (because it purchased a large amount of supplies); it would be owed $5 by the ATO. If the church lodges its Business Activity Statement on 21 October, it should receive the $5 refund from the ATO by 4 November. This is assuming that the bookshop does not have any other tax debts that would be offset against this amount.

The BAS is the method of reporting to the ATO for virtually all Federal taxes that a Uniting Church in Australia entity would be involved in paying or collecting. It includes not only GST, but also other taxes relating to congregations' operations such as PAYG and Fringe Benefits Tax. (See the Chapter on the BAS page 900.)

Tax invoices

You must have a tax invoice to claim an input tax credit for a creditable acquisition.

A tax invoice is not just any invoice

For an invoice to constitute a tax invoice, it must contain certain legally required information. If it does not meet these requirements, then it is not a tax invoice and the business cannot claim back the GST content as input tax credits.

When you need to supply your own tax invoice

If you make taxable supplies (such as commercially renting out your church hall), your registered customers will need tax invoices to claim input tax credits for any acquisition they make from you which has a GST-exclusive value of more than $50. If you are asked to provide a tax invoice, you must do so within 28 days of the request from the purchaser. For this reason you might choose to issue all your invoices in a form that satisfies the requirements for a GST tax invoice.

When you need someone else’s tax invoice

Registered suppliers such as contractors must issue a tax invoice to you to enable you to claim an input tax credit. A supplier could be someone you engage to fix the church roof, purchase music from, etc. etc.. If a supplier to a congregation is not registered for GST, the supplier is not able to issue tax invoices, and the congregation will not be entitled to an input tax credit for purchases (acquisitions) from that unregistered supplier.

You should have a tax invoice for each creditable acquisition before you lodge a Business Activity Statement claiming the input tax credit. If you don’t have a tax invoice, you cannot claim the input tax credit until you receive it. If you obtain a tax invoice in a later tax period, you can claim an input tax credit in that period.

Note that a supplier who has a turnover of less than $50,000 per annum is not required to register for GST, and therefore cannot charge it, however, they should still have an ABN, and should still issue a tax invoice, however it must state that there is no GST charged on the supply.

Example - Where no tax invoice is provided

Three large palm tree branches are bought from a private nursery by a church for use in its Easter services. Although GST was paid, no tax invoice was issued by the supplier.

The church cannot claim an input credit where there is no tax invoice to provide evidence of the purchase, or tax receipt providing proof of payment, and the cost was greater than $50.00.

Where no tax invoice is needed

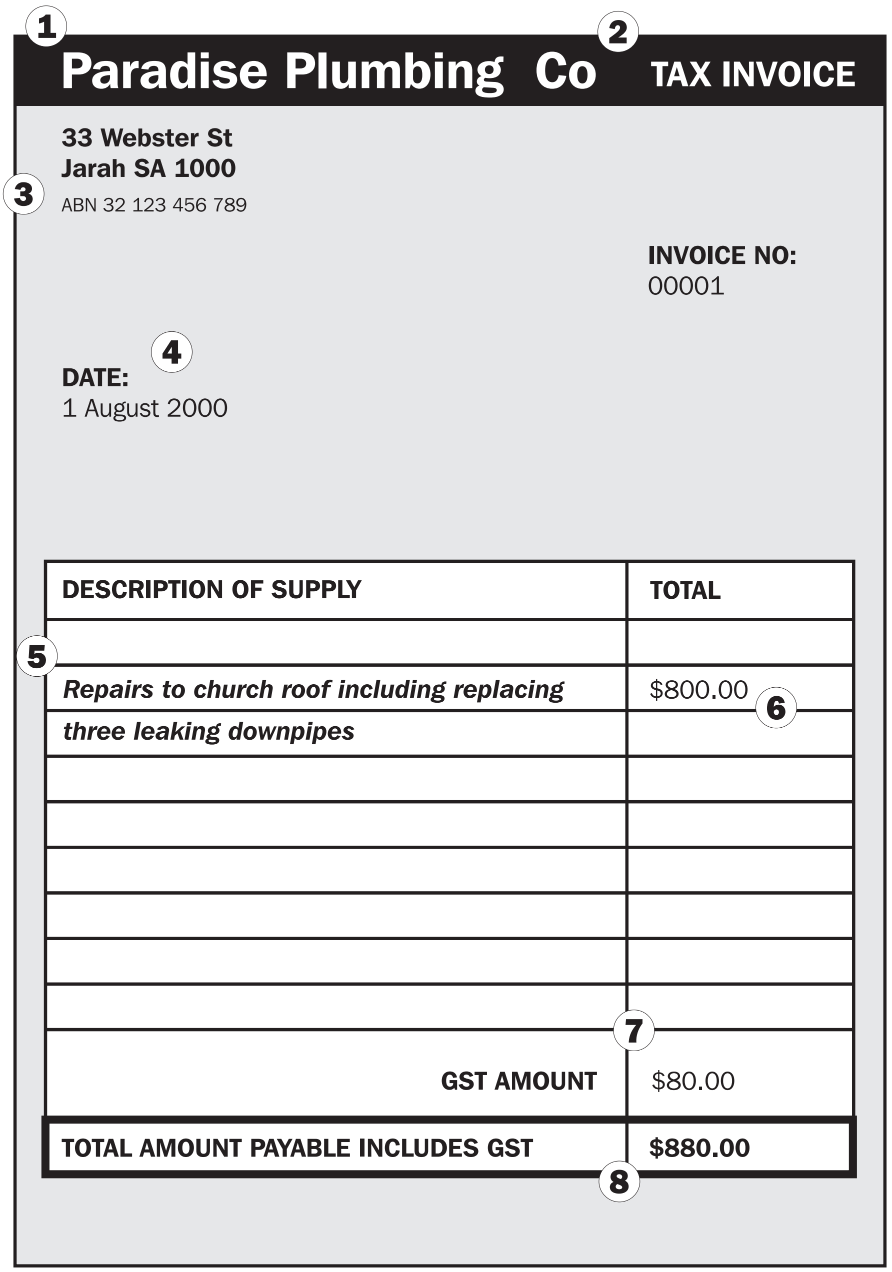
Tax invoices are not required if the GST-exclusive value of the supply is $50 or less. However, you should have some documentary evidence to support all input tax credit claims.

Example of a tax invoice where GST is shown separately

Supplies of less than $1000

Tax invoices for taxable supplies of less than $1000 must include:

1. the name of the supplier
2. the words ‘tax invoice’ stated prominently
3. the Australian Business Number of the supplier
4. the date of issue of the tax invoice
5. a brief description of each item supplied
6. the GST-exclusive price of the taxable supply
7. when GST payable is exactly 1/11th of the total price, either the GST amount, or
8. a statement along the lines of ‘*the total price includes GST’*.


Paradise Plumbing Co **TAX INVOICE**

33 Webster St
Jarah SA 1000
ABN 32 123 456 789

INVOICE NO:
00001

DATE:
1 August 2000

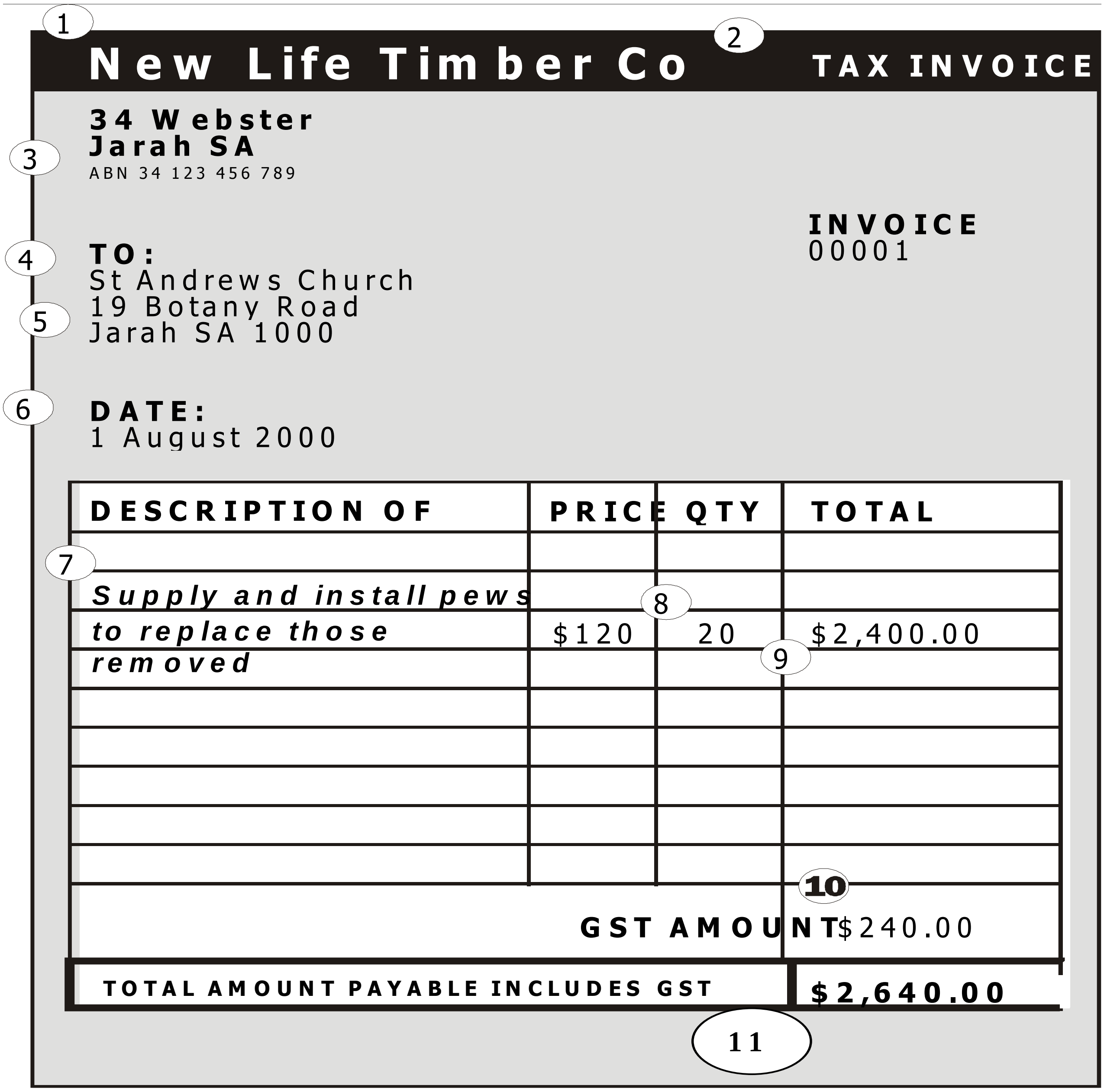
DESCRIPTION OF SUPPLY	TOTAL
Repairs to church roof including replacing	$800.00
three leaking downpipes	
GST AMOUNT	$80.00
TOTAL AMOUNT PAYABLE INCLUDES GST	**$880.00**

Example of a tax invoice where GST is shown separately

Supplies of $1000 or more

Tax invoices for taxable supplies in excess of $1000 must include:

1. the name of the supplier
2. the words 'tax invoice' stated prominently
3. the Australian Business Number of the supplier
4. the name of the recipient
5. the address or the ABN of the recipient
6. the date of issue of the tax invoice
7. a brief description of each thing supplied
8. the quantity of the goods or extent of services supplied
9. the GST-exclusive price of the taxable supply
10. when GST payable is exactly 1/11th of the total price, either
    - the GST amount, or
11. a statement along the lines of 'the total price includes GST'.



1

New Life Timber Co

2

TAX INVOICE

34 Webster
Jarah SA
ABN 34 123 456 789

3

INVOICE
00001

4

TO:
St Andrews Church
19 Botany Road
Jarah SA 1000

5

6

DATE:
1 August 2000

DESCRIPTION OF	PRICE	QTY	TOTAL
7			
Supply and install pews		8	
to replace those	$120	20	$2,400.00
removed			9
			10
		GST AMOUNT	$240.00
TOTAL AMOUNT PAYABLE INCLUDES GST			$2,640.00

11

Example of a tax invoice that is GST-inclusive

New Life Timber Co **TAX INVOICE**

34 Webster St
Jarah SA 1000
ABN 34 123 456 789

INVOICE NO:
00001

TO:
St Andrews Church
19 Botany Road
Jarah SA 1000

DATE:
1 August 2000

DESCRIPTION OF SUPPLY	PRICE	QTY	TOTAL
Supply and install pews			
to replace those removed	$132	20	$2,640.00
TOTAL AMOUNT PAYABLE INCLUDING GST			**$2,640.00**

Mix of taxable and non-taxable supplies

If the tax invoice is for a taxable supply and either a GST-free or input-taxed supply, the tax invoice must also show:

- each taxable supply
- the amount of GST payable (in relation to the taxable supplies); and
- the total amount payable for the supply.

Tax rate not 10%

For supplies of long-term commercial residential accommodation, the GST rate can be optionally 5%. In this case the 'Tax Invoice' must show the GST-exclusive value and the amount of GST charged.

Sample UCA Tax Invoice: GST shown separately

St Andrews Church **TAX INVOICE**

33 Webster St
Jarah SA 1000
ABN 33 123 456 789

INVOICE NO:
00001

TO:
Tip Toes Dancing School
19 Botany Road
Jarah SA 1000

DATE:
1 August 2000

DESCRIPTION OF SUPPLY	PRICE	QTY	TOTAL
Hall hire	$200	1	$200.00
GST AMOUNT			$20.00
TOTAL AMOUNT PAYABLE			**$220.00**

Adjustments

From time to time you may need to make an adjustment (similar to credit notes) to the amount of GST owed or refunded. This may occur if:

- all or part of a supply or purchase is cancelled
- the price for a purchase or supply is altered
- a supply becomes creditable
- a deposit is forfeited or partially forfeited
- a purchase stops being creditable or a supply stops being taxable
- the purpose of your purchase changes.

If you have accounted for GST payable or input tax credits on an earlier Business Activity Statement and one of the above events occurs, you may have paid either too much or too little GST, or claimed too much or too little input tax credit.

For congregations using the cash basis for accounting for GST, the congregation will need to make an adjustment to the BAS as follows:

- an adjustment to the price of a taxable supply made by a congregation should be included in a congregation's BAS in the tax period the cash is received or paid
- an adjustment to taxable acquisitions purchased from suppliers should be included in the first tax period after the cash for the adjustment has been paid / received and the congregation has received the adjustment note.

However, if the congregation is using the accrual basis to account for GST, the adjustment on the Business Activity Statement should be included in the tax period in which the change happens. Depending on the circumstances, this will either decrease or increase the amount of GST payable by you or the amount the ATO has to refund.

If an adjustment note is required, it must be issued within 28 days of the request or date that you are aware of adjustment event (where you issued or were requested to issue a tax invoice). You do not have to issue an adjustment note if

- the supply price including GST was $50 or less.
- the recipient of the taxable supply issued the invoice. In this case the recipient must issue the adjustment note.

Adjustment notes have similar requirements to invoices:

- ABN of issuer
- the words 'Adjustment Note' (you may also include the word 'credit' or 'debit') or 'Tax Invoice'
- date of issue
- name and address of supplier of adjustment note / tax invoice
- name and address (or ABN) of recipient of adjustment note / tax invoice
- brief explanation (for example discount, refund, rebate, return)
- value of adjustment (difference between price of supply before the adjustment event and the new price of the supply)
- the amount of the adjustment to the GST, or a statement to the effect the difference in price of the taxable supply includes GST.

There are additional or fewer requirements for certain adjustment notes.

Adjustment notes relating to a tax invoice less than $1000

The following information is not required to be shown on the adjustment note:

- the name and address (or ABN) of the recipient

Adjustment events that relate to a supply that is partly taxable

The adjustment note must also include:

- the difference between the price of the taxable supply before the adjustment and the new price of the taxable supply
- the amount of the adjustment to the GST payable.

Taxable supply for which the GST is less than $1/11^{th}$ of the price

The adjustment note must show:

- the amount of the adjustment to the GST payable, and
- the difference between the GST-exclusive price of the supply before the adjustment event and the new GST-exclusive price of the supply.

To claim an adjustment you must hold an adjustment note, unless

- adjustment was a decreasing adjustment where value of supply was less than $50.00, or
- adjustment was an increasing adjustment.

Example - Adjusting where consideration is reduced

Midcity Christian Church hires its Sunday school hall to a ballet school five nights per week. For the September 2000 quarter tax period, the church claimed input tax credits of $40 for contract cleaning services of $440 (including GST of $40). In November the cleaner gives the church a credit of $60 for two weeks inadvertently overcharged for school holidays during the September quarter tax period.

The church has claimed too much input tax credit. The correct amount of input tax credit for the cleaning services is $38 (the GST included in the reduced consideration of $380).

To correct this, the church should make an adjustment that reduces its input tax credits by $2 in the December quarter tax period.

If the supply to you has a value greater than $50, you must have an adjustment note before you can claim the additional input tax credit.

Bad debts

Special rules apply for bad debts. However, if you are accounting on a cash basis these rules do not apply.

The adjustment note provisions do not apply to bad debts.

Bad debts are recognised:

- when the debt is over-due 12 months or more
- sound commercial judgement indicates that the debt is bad.

Sound commercial judgement includes:

- the debtor is in liquidation and has insufficient funds to pay the debt
- the supplier is unable to trace the debtor, and
- an objective examination of all the facts indicates that there is little or no likelihood of recovering the debt.

To establish there is little or no likelihood of recovering the debt the following steps should be taken as appropriate, depending on the size of the debt and resources available:

- issue reminder notices and attempt telephone mail or e-mail contact
- issue formal demand notice
- issues summons
- ceasing calculation, charging interest and closing the account
- allow a reasonable period to elapse since the original due date for payment of the debt.

A debt is not bad if there is still a real and continuing dispute in relation to the sum.

You are not entitled to a decreasing adjustment unless the debt has been written off and you have attributed GST to a previous tax period.

You attribute an adjustment for a bad debt in the period in which you became aware of it, ie. the period in which you write off the debt.

Adjustment notes are not required for bad debts and there is no requirement for suppliers to notify the recipient that the debt has been written off.

The amount of the decreasing adjustment is $1/11^{th}$ of the amount that has been written off as bad (provided supply was taxable).

Recovery of bad debts

If, subsequently, you recover the whole or part of the bad debt you will need to make an increasing adjustment of $1/11^{th}$ of the amount recovered (provided supply was taxable).

Further details on bad debts are available from ATO tax ruling GSTR 2000/2.

Next page is 700

GST transitional issues

2003 GST Manual

As three years have now elapsed since the introduction of GST, this section of the manual has largely been withdrawn. Much of the content no longer applies, and some of the initial transitional arrangements which had been announced pre GST by the Government and which appeared in earlier editions of the Manual, were incorrect as there had been policy variations after July 1st 2000, when GST had commenced.

In the event you have a query concerning a transaction that covered the transitional period, please contact your local Synod office or the GST Advisor at the Synod of Victoria and Tasmania office, Mr. Ian Johnston.

Summary

Key transitional provisions were included in the original tax reform legislation. These were:

- transitional invoicing requirements.
- identification of time of supply
- special provisions for contracts in progress.
- margin valuation scheme to optionally exclude GST from pre 1 July 2000 values (See page 315.)
- Australian Competition and Consumer Commission (ACCC) restrictions on price increases.
- GST on compulsory third party insurance can only be claimed for premiums paid after July 1st, 2003.

Suppliers' prices

For further information on pricing see the ACCC website, http://gst.accc.gov.au, or telephone the information line on 1300 302 502.

Review of contracts

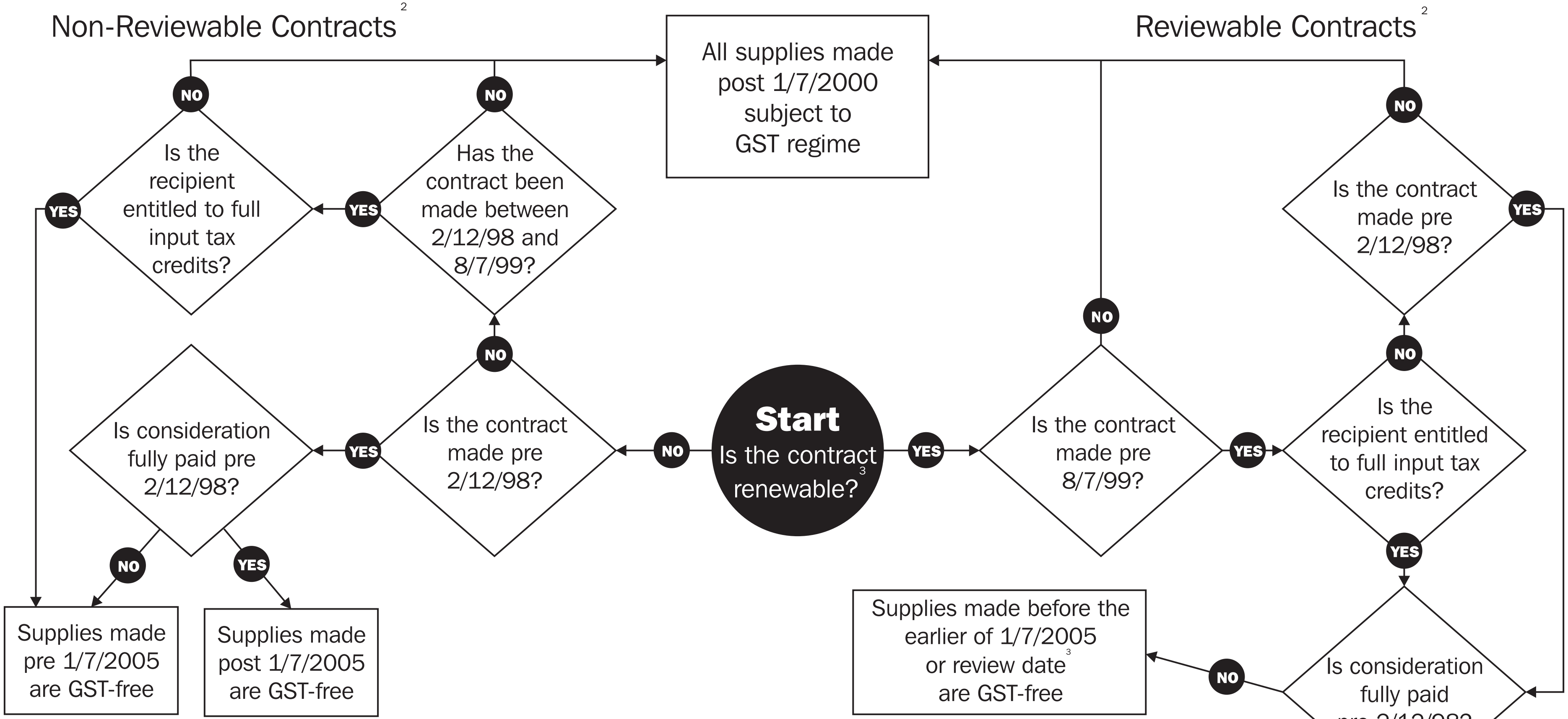
The following provides a flowchart of the process to be undertaken in reviewing any contracts.

In brief, if the contract is pre 8 July 1999, there is no opportunity to review price (this does not include CPI increases) and the buyer is entitled to a GST credit. The contract will be GST-free until 1 July 2005.

If the contract is pre 2 December 1998, there is no opportunity to review price and the buyer is not entitled to a GST credit. The contract will be GST-free until 1 July 2005.

> Note: For long-term contracts extending past 1 July 2005, additional measures were announced by the Federal Treasurer in Press Release number 36 to ensure that suppliers are not disadvantaged. After 1 July 2005, suppliers will be allowed to adjust prices to include GST.

Transitional Contracts - a diagrammatic explanation[1]



1. Special rules apply for contracts involving funerals, life memberships, construction contracts, and periodic or progressive supplies of services.
2. What constitutes a non-reviewable as opposed to a reviewable contract is a complex issue. Review of the specific terms of a contract is therefore a critical step in determining the GST outcome.
3. The 'review' date in this case is the date of the first review opportunity after:
   - date of Royal Assent, or
   - 2/12/1998, if the recipient is not entitled to a full input tax credit.

PAYG

PAYG (Pay As You Go) is a new withholding tax system replacing eleven existing federal withholding taxes including:

- PAYE – Pay As You Earn or Group Tax
- PPS – Prescribed Payments System
- Provisional Tax.

PAYG affects churches, not-for-profit organisations, businesses, individuals with investments or business income (such as self-funded retirees, rental property owners, partnerships, beneficiaries of trusts) and some trusts.

Payments are made using the BAS (see chapter on BAS page 900) if registered for GST or an Instalment Activity Statement.

There are two components to PAYG: PAYG instalments and PAYG withholding tax.

1. PAYG instalments

PAYG instalments replace company and superannuation fund instalment systems and provisional tax systems. The Uniting Church in Australia will maintain its exemption from these taxes through the endorsement as an Income Tax Exempt Charity (ITEC). (See page 1016.)

2. PAYG withholding tax

PAYG withholding tax replaced all existing withholding tax systems after 1 July 2000.

The types of withholding tax are:

- PAYG
- tax withheld from payments where ABN not quoted
- tax withheld from contractors and other workers (replacement system for PPS and RPS).

Withholding tax - payroll deductions

PAYG generally covers payments covered by PAYE. You must deduct tax according to the published tax tables from the following:

- salaries, wages, allowances, bonuses or commissions paid to an employee
- payments to company directors
- payments to office holders (such as Members of Parliament)
- return to work payments
- eligible termination payments
- payments for unused leave
- compensation, sickness or accident payments.

These are the same rules as have applied under PAYE.

Even though UCA ministers are not employees, it is anticipated that when they are paid via a payroll system, they can continue to be treated as employees for PAYG purposes.

Payment Summaries

Payment summaries have replaced Group certificates. The payment summary records total payments, tax withheld, reportable fringe benefits, and other information.

The payment summary is provided to all payees from whom tax has been deducted:

- employees
- contractors and other workers who have provided voluntary agreements
- businesses that have not provided an ABN.

Employment declaration forms

Employment declaration forms will be replaced by Tax File Number declarations.

Voluntary agreements

A business and a contract worker who has an ABN can make a voluntary agreement to deduct PAYG withholding tax provided the work payments are not subject to any other PAYG withholding tax

In this case the church (business) will deduct tax and send it to the ATO. The contract workers will not be required to pay PAYG instalments on that income.

Non-cash payments

Under PAYG anyone providing non-cash payments (or receiving such payments, in the case of taxpayers acting as non-residents) must meet their withholding obligations. This ensures that a similar outcome is achieved whether payments are made in cash or in the form of non-cash benefits.

A non-cash benefit includes property or services in any form except money.

Withholding tax - PPS and RPS

The Prescribed Payments System and Reportable Payments System ceased on 1 July 2000.

Under PAYG, payees are either:

- subject to withholding tax and have some tax deducted from payments they receive, or
- they provide for their own income tax liability by paying instalments.

PPS payees who wish to continue to have tax deducted may do so under a voluntary agreement. Otherwise the liability to pay tax rests with the contractor.

Withholding tax - payments when an ABN is not quoted

A 48.5% withholding tax applies unless:

- payment is for salary and wages
- an ABN is known
- payment is <u>$50 or less</u>
- payment is to an individual for a hobby and a declaration stating same has been lodged
- payment is to local government for rates or licenses which are specifically GST exempt
- investment payment (tax file numbers apply).

- the whole payment is exempt income of the supplier (eg. an Income Tax Exempt Charity)

You must withhold tax if:

- you are a business (includes all church organisations, agencies, committees and congregations whether registered for an ABN or not) making payment for goods and services, and
- the supplier of those goods or services has not quoted their ABN.

You do not withhold tax from a payment for failure to quote an ABN if:

- you are an individual and payment is wholly of a private or domestic nature
- payment does not exceed $50
- the whole payment is exempt income of the recipient (Where the recipient is ITEC, see page 1016.)
- you already must withhold from the payment because you are an investment body paying an amount for which no tax file number has been quoted, or
- the recipient is an individual who has made a written, signed statement that his supply is private or domestic in nature, or relates to a hobby (Available from ATO, refer to page 810).

> Note: Because the Uniting Church is exempt from income tax, PAYG withholding tax should never be deducted from any payments made to the Uniting Church and its sub-entities (including unregistered sub-entities).

Ministers and Withholding 48.5%

On 28th June 2000, the Assistant Treasurer issued a Press Release confirming that Religious Practitioners do not need to apply for an ABN, and in fact the ATO will not issue an ABN to a Minister of Religion for the purpose of carrying out religious activities. An ABN can only be issued for this purpose to an entity, ie a Congregation, not an individual. The definition of Religious Practitioners comes from the Fringe Benefits Tax Assessment Act 1996 and includes:

- a minister of religion;
- a student at an institution undertaking a course of instruction in the duties of a minister of religion;
- a full-time member of a religious order; or
- a student at a college conducted solely for training persons to become members of religious orders.

A minister of religion for the purposes of The Uniting Church in Australia includes:

- a person ordained as a Minister of the Word
- a person ordained as a Deacon
- a person accredited to the specified ministry of Youth Worker

Refer also to page 404 and the relevant section of this manual on payments to relief ministers.

Reporting of PAYG

Reporting and payment of PAYG is through the BAS (see page 900). If you fail to notify the ATO of a withholding amount a penalty may be applied.

Amounts for all withholding taxes were aligned from 1 July 2000.

Small remitters	Less than $25,000 p.a.	Quarterly
Medium remitters	Greater than $25,000 and less than $1m	Monthly
Large remitter	Greater than $1m	Twice weekly

PAYG registration

All PAYG withholders must have an ABN and must register for PAYG.

PAYG registration is required for employers deducting income tax instalments from employees (group tax).

Employers who were registered for PAYE (group tax) at the time of the introduction of GST had their registration automatically transferred to PAYG.

If you make payments from which withholding is required, you must be registered with the ATO by the day on which you are first required to withhold amounts from payments to others under PAYG. For example, if you are required to withhold from a payment to another business because it has not supplied its ABN, and you are not already registered under some other form of PAYG, you have to register before you pay the other business.

Registering for PAYG withholding tax is by completion of the appropriate ATO form or by contacting the ATO on 13 24 78 or 13 61 40.

PAYG obligations

If you make payments from which you have to withhold, you have the following obligations:

- you must register for PAYG withholding
- notify and pay the amounts you withhold
- provide an end-of-year summary to recipients
- send tax file number declarations to the ATO
- report annually to the ATO on all your withholdings.

Penalty

The income tax laws provide for heavy penalties for failing to comply with obligations relating to withholding tax. In the event of non-compliance you may be charged interest or given a monetary penalty. In serious cases you could be prosecuted, which can lead to court fines and/or imprisonment.

FBT (Fringe Benefits Tax)

The grossed-up value of fringe benefits provided to employees has been required to be shown on the payment summaries from the financial year ended 30 June 2000.

Ministers of religion (as defined by *the Fringe Benefits Tax Act*)

Benefits provided to ministers of religion as defined in the *FBT Act* are defined as exempt benefits, and are not reportable benefits, therefore they do not need to appear on payment summaries.

Please note, **not** all Ministers, and **not** all benefits, are exempt. ***Benefits are only exempt from the payment of FBT, and from being reportable benefits, to the extent they are given to a Religious Practitioner, by a Religious Institution, as a benefit for the carrying out of religious and/or pastoral duties.*** eg. A benefit given because of an administrative role within a Church is not exempt, nor are benefits given to a Chaplain employed by a School, Hospital or similar.

Fringe benefits

Fringe benefits are benefits provided by the employer to an employee other than salaries and wages. For example, the provision of a vehicle which has some private use component, Christmas parties, meals at restaurants/cafes where the employer pays, salary packaging payments, gifts and employer provided accommodation.

Excluded benefits

Benefits that are excluded from the reporting arrangement are car-parking expenses, (Churches only, does not apply to welfare agencies,) meal entertainment, corporate facilities and excluded benefits (laptops, mobile phones, work-related expenses, professional fees, superannuation contributions, etc.)

Reporting requirements

Since 1 April 1999, you have been required to separately identify and record the proportion of fringe benefits relating to each employee. Where the value of an employee's fringe benefit exceeds $1000 for any one FBT year, (from 1 April to 31 March,) the 'grossed-up' value is required to be reported on the payment summary. The grossed-up value is the dollar amount (including GST) of the benefit multiplied by a factor of 1.942.

From 1st April 2001, new capping provisions were introduced that effected employees of public and other not-for-profit hospitals, and also employees of Public Benevolent Institutions. Where an employee's "grossed-up" value is greater than $17,000 or $30,000.00 respectively, the full Fringe Benefits Tax applies to the amount over the cap. For employees of rebateable institutions, (congregations,) the rebate does not apply to benefits above $30,000.

Effect for employees

For employees the value of benefits reported on the payment summaries will not be subject to income tax but will be taken into account when liability for certain surcharges and eligibility for government assistance, eg. superannuation surcharge, Medicare levy surcharge, rebates for superannuation contributions, deductions for personal super contributions for the 'self-employed', HECS and child support payments.

It is important that employees are aware of these changes, as they may affect them personally in the future for eligibility for government levies, charges or rebates and income-tested government benefits and concessions.

Please refer to the following section on "Effects on Surcharges and Eligibility for Government Assistance."

Reconciliation of FBT payable and reportable benefits

You will need to prepare reconciliation between the amount declared for FBT purposes and the amount reported on employees' payment summaries.

Refer to the following worksheet that could be used to calculate the amount for each employee. Then total all employee worksheets to obtain a consolidation figure that must agree with the FBT return.

UNITING CHURCH IN AUSTRALIA - SYNOD OF VICTORIA

Employee Reportable Fringe Benefits Worksheet

Employee's Name	
Address	
Payroll Number	

REPORTABLE BENEFITS	Type of Benefit provided	EMPLOYER PROVIDED BENEFIT	SALARY PACKAGED BENEFIT	TOTAL
A	Motor Car - Statutory formula			
B	Motor Car - Actual operating cost			
C	Loan			
D	Debt waiver			
E	Expense payment (Subject to FBT)			
	- Books, Newspapers and Journals			
	- Child Care expenses			
	- Education expenses			
	- Entertainment expenses			
	- Health Insurance and Medical expenses			
	- Home Mortgage payments			
	- Household expenses			
	- Motor Vehicle expenses			
	- Personal Loan repayments			
	- School Fees			
	- Travel expenses			
F	Housing			
G	Living away from home allowance			
H	Airline transport			
J	Board			
K	Property			
L	Other benefits: (residual)			
LESS EMPLOYEE AFTER-TAX CONTRIBUTIONS				
TOTAL TAXABLE VALUE OF FRINGE BENEFITS PROVIDED				
	EMPLOYER REPORTABLE (grossed up) Fringe Benefits Amount			

NON-REPORTABLE BENEFITS	Type of Benefit provided	EMPLOYER PROVIDED BENEFIT	SALARY PACKAGED BENEFIT	TOTAL
M	Entertainment provided by an income tax exempt body (FBT applies)			
N	Loan repayments Shares			
O	Books, Newspapers and Journals			
P	Mobile Phone			
Q	Car Parking			
R	Laptop Purchase (excludes printers, modems etc)			
S	Superannuation			
TOTAL EXEMPT BENEFITS				

FBT / ADMINISTRATION FEE	Type of Benefit provided	EMPLOYER PROVIDED BENEFIT	SALARY PACKAGED BENEFIT	TOTAL
Y	FBT Sacrificed	-		-
Z	Administration Fee	-		-
TOTAL FBT AND ADMINISTRATION FEE		-	-	-
	CASH SALARY	-	-	-
	TOTAL PACKAGE	**-**	**-**	**-**

AMOUNTS RECORDED ON GROUP CERTIFICATE FOR YEAR ENDED 30 JUNE 2000.

TAXABLE INCOME	-	-	-
REPORTABLE FRINGE BENEFITS AMOUNT	-	-	-
ADJUSTED TAXABLE INCOME **	**-**	**-**	**-**

** AMOUNT THAT WILL BE USED TO DETERMINE ELIGIBILITY FOR SOME GOVERNMENT LEVIES, CHARGES OR REBATES AND INCOME TESTED GOVERNMENT BENEFITS AND CONCESSIONS.

Effect on surcharges and eligibility for government assistance

Superannuation contributions surcharge

Where the adjusted taxable income plus employer superannuation contribution is over the surcharge threshold (annually indexed,) an additional surcharge is applicable.

This surcharge is charged by the superannuation fund on the employer superannuation contribution. For 2002/3 the surcharge is an additional 1% per $1,295 above $90,527 to a maximum of 15%.

Example		
Adjusted taxable income =		$95,000.00
Employer contribution @ 10.5%		$9,975.00
Employee contribution @ 5%		$4,750.00
Adjusted taxable income is	($95,000.00 + $9,975.00)	$104,975.00
Surcharge is	($104,975.00 - 90,527.00) / $1,295.00	11.16%
And the amount is	($14,448*11.16%)	$1,1611.93

Rebates for personal superannuation contributions

A rebate was available for low income earner, personal superannuation contributions prior to June 30th, 2002. At that time the scheme was replaced by a co-contribution arrangement for low income earners.

Superannuation co-contribution arrangement for low income earners

These are available for low income earners, maximum taxable income of $32,500, and provide a co-contribution of up to $1,000. Further details can be obtained from the ATO publication, *Government superannuation co-contributions for low income earners.*

Rebate for contributions to spouse's superannuation

Contributions to a complying superannuation fund or retirement savings account on behalf of dependent spouse where the adjusted taxable income of your spouse is less than $13,800.

The rebate of up to $540 allowed is:

18% of the lesser of -

$3,000, reduced by $1 for every $1 your spouse's adjusted assessable income exceeds $10,800, or the total of your contributions for your spouse for the year.

Medicare levy surcharge

Where taxpayers do not have adequate private hospital cover and their adjusted taxable income exceeds the Medicare threshold, an additional surcharge is levied at 1%. (This is in addition to the 1.5% Medicare levy.)

The threshold for 2002/03:

Individuals	$50,000
Families (combined income) Note: for each additional child after the first the thresholds increased by $1,500	$100,000

Example

Individuals / no dependents	Adjusted taxable income	=	Medicare levy
	$50,000		$750.00
	$50,001		$1,250.02

The $1 increase in adjusted taxable income results in additional 'tax' of $500.02.

Higher Education Contribution Scheme

A HECS fee is charged for enrolment in a non-fee-paying higher education award course. Students who do not pay the fee 'up front' have several options to progressively pay off their debt through the tax system once their taxable income reaches a minimum level.

In 2002/03 the minimum level is $25,064.

HECS repayments will now be calculated as a percentage (up to 6%) of the adjusted taxable income.

Child support payments

Child support is an extremely complicated area, well beyond the scope of this publication. At the end of June, 2003, the Prime Minister announced an enquiry into the system and the Agency responsible for its management. Readers are advised to consult the Child Support Agency on 13 12 72 if they have any queries. The Agency will only contact an employer where there is a requirement to undertake some action.

Other

The Government uses reportable fringe benefits information to assess entitlements to payments for government assistance and also repayment regimes, such as HECS, Child Support, Medicare Levy Surcharge, Superannuation Surcharge etc. Centrelink may also request information about fringe benefits, ***including un-reported benefits*** made to Ministers of Religion. This information can be used to influence the level of family allowance, pension, and similar payments made by them. Please note Centrelink appears to implement this inconsistently, and it is suggested that when either a Treasurer or Minister is contacted with a request for additional information, if it is not clear exactly what Centrelink are asking for, they be asked to be specific as to what information it is they are requesting.

Notes on definitions

Food and drink (entertainment)

Entertainment is the provision of entertainment by way of food, drink or recreation; or accommodation or travel in connection with, provided to an employee and paid by the employer.

When a tax exempt body, such as the Uniting Church in Australia, provides entertainment a fringe benefit will arise and FBT will be payable.

> Note:
>
> Morning and afternoon teas provided to staff on a workday on the employer's premises or worksite, or light **working** lunch does not constitute entertainment.
>
> Food provided whilst travelling is not entertainment, as a meal (employer paid) is only providing sustenance. If there is an accompanying spouse and the employer pays for all meals, or if there is entertainment with the meal, FBT is applicable.
>
> Food consumed by employees while attending a seminar or conference is generally not subject to FBT.
>
> Most, but not all, Ministers of Religion are exempt from FBT.

The following table is a summary of circumstances applying to the UCA in the provision of entertainment and indicates where FBT is payable.

Food and drink consumed on or off business premises	Lay staff	Minister **(In a pastoral care or religious duties role.)**	Order of St Stephen worker	Public Benevolent Institution Employee **(Uo to a Max. of $30,000 grossed up.)**
By employees - social function	Yes	No	Yes	No
By employees - not a party	No	No	No	No
By associates	Yes	No	Yes	No
By clients	No	No	No	No
Employees and/or associates dining together at a restaurant and the meal is paid for with a UCA Corporate Credit Card	Yes	No	Yes	No

An associate of an individual is a relative/family member, ie. parent, grandparent, brother, sister or spouse.

Declaration re Hobby/Private or Domestic supplies

Where an individual can declare that the supply they make in the course of an activity is a private recreation pursuit or hobby, and they are therefore not carrying out an enterprise and are not registered with an ABN, they need to complete a:

"Statement by a supplier – reason for not quoting an Australian Business Number (ABN) to an enterprise" (Available from the ATO, reference NAT 3346-6.2000.)

This declaration requires the supplier to provide the following information

- Name of supplier
- Address of supplier
- Tick appropriate box against applicable declaration
- Enter name of authorised person (if not the supplier)
- Signature of supplier (or the authorised person)
- Date of declaration
- Daytime contact phone number

It should however be noted that it is not possible to pay members of the congregation who act on a regular basis as Organist, Choir Master, Gardener or similar, a small fee, exclusive of GST, on the basis that the persons activities are a hobby.

For it to be a hobby,

- the activity that generates the payment must be isolated and not part of a regular pattern of events,
- the activity must generally be carried on at a loss, and
- there cannot be any reasonable prospect the person will ever be financially advantaged by the activity. (Recovery of costs incurred is acceptable.)

It is clear that a regular payment to an Organist, Choir Master, or Gardener could not possibly fit within these guidelines, despite the fact that it may be that individuals hobby to play the organ, lead a choir, or to garden. Hence, either the person must obtain an ABN, or, any payment should be regarded as salaries and wages and normal income tax requirements observed. This of course excludes reimbursement of expenses incurred, ie for the purchase of music, plants, etc.

Please note, the presentation of **small** honoraria to those within the congregation who have made significant contributions over the year, say at the annual general meeting of the Church, does not come within the scope of a "payment for service," and would still be acceptable.

In cases where it is appropriate to use the form, you will need to retain them for 5 years. Copies of the form should be attached to the transaction record.

If you suspect that a statement provided to you is false, and that the person who has supplied the declaration is in fact carrying on an enterprise, you must withhold 48.5% tax from the payment if the supplier does not quote their ABN.

Reimbursement of Volunteer Expenses

Where the payments are merely expected to cover reasonable out-of-pocket expenses incurred, the amount will generally be considered a reimbursement and not be subject to PAYG. 48.5% withholding would therefore not apply.

For example: The payment of $11.00 per day to volunteers towards expenses such as train tickets or lunches, are likely to be mere contributions towards expenses. Accordingly there are no PAYG withholding concerns.

There is also no requirement to deduct 48.5% withholding tax from payments made to volunteers to reimburse their actual expenses (such as petrol money, train tickets or lunches).

From a PAYG and ABN point of view, if the volunteers were merely receiving reimbursement of expenses, they would not be considered to be carrying on an enterprise. They are therefore unable to obtain an ABN. Payment made to a person or body that is not carrying on an enterprise are not subject to PAYG withholding. If there is any doubt, a letter could be obtained from the volunteer confirming that their voluntary effects do not amount to an enterprise.

Where the congregation reimburses volunteer expenses, the congregation is entitled to claim the GST Input credit, as long as either the tax invoice paid by the volunteer is subsequently provided for the expenses of $50.00 or more, or a receipt for amounts under $50.00 identifying that GST has been charged.

Committee Travel

Verbal advice from the ATO has indicated that our committee travel kilometre reimbursement of 24 cents per kilometre would be considered at a level low enough to be considered to cover reasonable out-of-pocket petrol expenses.

The nest page is 900

BAS

What is a Business Activity Statement (BAS)?

A Business Activity Statement is the single form churches need to fill in and return to the ATO as a tax return on:

- Goods and Services Tax (GST)
- Income tax withheld either from employees wages, (PAYG) or because the supplier did not quote an ABN (48.5%)
- Fringe benefits tax instalments.

Who should use a Business Activity Statement?

All entities registered for GST (including congregations) with any of the above tax obligations and entitlements must complete a Business Activity Statement at the end of each tax period.

Who should use an Instalment Activity Statement?

A congregation not registered for GST, but that has withheld income tax or has a fringe benefit tax liability will be required to complete an Instalment Activity Statement which is a simplified version of the BAS.

How do you receive your activity statement?

The ATO will send the appropriate activity statement before you need to lodge it. Your activity statement is personalised to your congregation, with some parts already filled in to save you time and effort. Your activity statement indicates when you have to lodge and the tax period it covers.

How often do you need to lodge an activity statement?

Churches may choose to lodge the GST return either monthly or quarterly. Small remitters may be given the option to remit annually.

Depending on the size of your payroll you may have additional requirements to submit PAYG. For example, a medium PAYG withholder of between $25,000 and $1 million will be required to submit their PAYG monthly even though they may have selected quarterly GST returns. The ATO will advise large withholders of their PAYG payment obligations.

When do you lodge an activity statement?

Your activity statement, together with any payment due, must be received by the ATO on or before the due date as specified on you BAS form. Generally quarterly lodgements are due on 28th day after the end of the quarter and for monthly lodgement 21st day after the end of you the month. Medium and large PAYG withholders may be required to lodge interim PAYG only activity statements.

If you are lodging by mail, make sure you allow enough time for your activity statement and any payment to reach the ATO by the due date.

How do you lodge your activity statement?

Your completed activity statement can be mailed to the ATO. The ATO has also developed a facility to enable you to lodge your activity statement directly with the ATO via the Internet.

How do you lodge your activity statement electronically?

The ATO has developed an Internet-based electronic commerce system that enables you to lodge your activity statement electronically. In time, you will be able to make other business tax transactions through this system. This facility will be available 24 hours a day, 7 days a week and will provide a secure and efficient service that will save you time and reduce your administration costs.

Many people are concerned that the Internet is not safe for business transactions and the transfer of confidential information. There are also issues around authentication of transacting parties and the non-repudiation of transactions. To eliminate these concerns, the ATO electronic system uses an internationally accepted technology known as public key technology.

If you are already lodging your statement manually it can be changed to electronic lodgement by contacting the ATO at any time to obtain the required form. The ATO identification code for the form is NAT 3327, and it is called "**Dealing Electronically, registration, cancellation, or change of details**."

The ATO will provide the electronic commerce software, free of charge, to install on your personal computers. This software package will include user instructions, help information and a Business Activity Statement (BAS) application.

The software enables congregations/presbyteries to retrieve their personalised electronic BAS from the ATO, enter the required information, and then transmit the completed BAS to the ATO. As part of the transmission process, the ATO will confirm that it has received the BAS, and will provide a receipt number.

Users are able to print a hard copy and save the BAS onto their hard drive or diskette. It is also possible to import data from most accounting software packages.

How do you work out how much you owe or are owed by the ATO?

Once you have filled in your activity statement, you will work out a net amount that you either owe to the ATO or are owed by the ATO. These instructions, and the accompanying worksheets, will help you fill in your activity statement and work out your net amount payable or owing.

An amount owing to you will be refunded if there are no other outstanding tax debts or outstanding notifications that may affect the amount to be refunded. When filling in your activity statement, cut off cents and show whole dollars only.

How does the ATO pay you amounts owed?

The ATO will pay any amounts owing to you within 14 days of the due date provided you have lodged your activity statement. The amounts will be paid by direct credit into a financial institution account nominated by you. The nominated account must be at a branch of the institution that is in Australia.

What if you're not going to be able to lodge the BAS on time ?

If you have a genuine reason why it will not be possible for you to lodge your BAS return on time, and you would like to request a deferment of your lodgement date, contact the ATO by telephone on number 13 11 42, or fascimile on 1 300 139 045. Ensure you have your ABN number, and the document number of your BAS return with you when you telephone, or ensure they are clearly identified on your fascimile so the ATO is aware of the entity making the request, and the period for which the lodgment deferrment is being requested.

BAS – quarterly vs monthly

How to decide?

Generally congregations choose quarterly tax periods.

In determining your tax period you need to consider your cash flow and the administration time to prepare the BAS. If you are a small remitter the ATO may suggest you remit annually.

Cash flow

The implication for GST on cash flows is that you pay or charge GST with each transaction so, if you pay more GST than you collect via sales and other income, the ATO owe you a refund cheque. If you are submitting BAS returns quarterly the refund cheque can only be quarterly. The congregation would therefore be out of pocket for up to four months before a refund is received. However, if you submit the BAS return monthly you would only be out of pocket for two months before a refund is received.

Administration

There is obviously a "time taken" element that needs to be considered by the Treasurer in deciding how frequently to complete the BAS. If quarterly tax periods are selected, then less time and effort is required.

These two issues need to be considered taking into account the size of your organisation and the time available to your Treasurer. (See Tax periods page 600.)

Cash vs Accrual

Churches can account on a cash basis regardless of what their turnover is.

To determine what method of accounting you currently use, look at your invoicing procedures and when you record payments and sales. If you issue or receive an invoice but do not account for the sale or purchase until the cash is received or paid, you are using a cash basis. If you account for the sale or purchase at the time you issue or receive an invoice, you are not using a cash basis. **Most congregations use a cash basis of accounting.**

Cash basis

If you use the cash basis of accounting, input tax credits charged to you are claimed after you have actually paid for acquisitions. In other words, you cannot claim an input tax credit until you have paid for the goods and services, and you do not have to pay the ATO the GST included in the price of a sale you have made (a ‘supply’) until you receive payment for that supply. You must hold a ‘Tax Invoice’ or ‘Adjustment Note’ when submitting your return. Where these are not held the claim is delayed until the invoice/adjustment note is obtained

Example - Accounting on a cash basis

On 30 September a GST-registered church sells 10 Bibles (at their normal market value) to its members for $22 each (including $2 GST). The church gives its members invoices on the day of the sale, and payments are not due for 30 days. All members in fact pay for their Bibles in November (total amount received was $220).

The church's quarterly tax periods end on 30 June and September and 31 December and March. The $20 GST payable is attributable to the tax period ending 31 December because the cash was received during that quarter.

Special rules

Acquisition of second-hand goods from unregistered persons for resale:

- if $300 or less, GST can be claimed at 1/11th of the acquisition price in the period of acquisition
- if $300, GST claim is delayed until acquisition sold (BAS adjustment). When sold, a GST claim can be made of 1/11th of the lesser of cost or resale price.

Refundable deposits.

- GST does not apply on refundable deposits (eg. for hire of hall). An adjustment is required if payment ceases to be a deposit (forfeited or used).

Non-cash basis

If you do not use the cash basis you will account for all GST payable and all input tax credits in the earlier of:

- the tax period in which a tax invoice is issued relating to that supply, or
- the tax period in which any of the consideration is received or made.

Regardless of which accounting method you use, you cannot claim an input tax credit until you receive a tax invoice (unless the GST-exclusive value of the supply is $50 or less).

Changing from Monthly to Quarterly BAS lodgement

If after initially electing to lodge monthly, it is decided BAS returns that frequently are somewhat onorous, it is possible to change to a quarterly lodgement program. As most Churches are in a net refund situation for GST, this will generally be to the detriment of your cash flow, however if this is less significant than the inconvenience of monthly lodgement, it is possible to change.

Currently, the only way to alter your BAS cycle is to contact the ATO by telephone, 13 28 66, (Small Business Information Line,) and ask them to alter your BAS cycle to quarterly. You will need to be an authorised person to do this, if you are not the person who was the Treasurer at the time of commencement of GST, and the change in personal has not been advised to the ATO, you may find you are unable to make the change immediately. If this is the case, ask the ATO to send out the required documentation to notify them of a change in authorised personnel first, then do the lodgement program change. They will only send these documents to the address on their system, which will be the address the BAS statement is currently being posted to.

Please note there is currently, (September 2003,) information on the ATO's web site which would indicate it is possible to alter your BAS cycle without telephoning. This is incorrect, it cannot be done by the means suggested. This has been brought to their attention.

How to complete BAS

The Business Activity Statement is sent to the contact address nominated by you to the ATO when registration occurs, or when the address is subsequently altered. This will be either an electronic lodgement address, or a postal address, and the BAS will be sent monthly or quarterly as required.

Instructions for simplified BAS

The ATO had issued a simplified procedure for completing the BAS, - the accounts method. A booklet BAS Basics was sent to all organisations containing instructions for completing the BAS at the time of the introduction of GST. This booklet is no longer available, however, congregations are advised to obtain copies of the following documents if they have difficulties.

- Business Activity Statement Instructions (NAT 3030)
- How to keep your business records (NAT 3029)

The BAS form for manual lodgement must be completed using a black pen. It must be completed irrespective of whether you need to remit tax, claim a refund or submit a nil return. It must be completed in whole dollars only.

The ATO has a number of BAS forms and will send you the one applicable to your congregation once you are registered. The labels have the same meaning no matter which form you receive.

Pre-printed top half of page 1 of BAS

The BAS will be pre-printed with your registered name, address, ABN, period covered by the statement and the due date for payment or submission.

30500200

Uniting Church Congregation
12 Cara St
ABLEM WA 6999

Business Activity Statement

April to June 2001

Document ID	12 123 123 123
ABN	97 999 9999 9999
Form due on:	28 Jul 2001
Payment due on:	28 Jul 2001
GST accounting method:	Cash
Your phone number if we need to contact you:	

Page 1 of BAS: GST statistical information

1. Goods and Services Tax (GST)

The BAS form now shows three GST options:

Option 1: Calculate GST and report quarterly. This is the current method used by congregations to report their quarterly GST.

Option 2: Calculate GST and report annually. Under this option the ATO will send an Annual GST information report for completion of amounts for G2 Exports, G3 Other GST-free sales, G10 Capital purchases and G11 Non Capital purchases.

Option 3: Pay GST instalment amount. (This option is only available if you are not in a refund situation). Under this option you pay the ATO an instalment as advised and then complete an Annual GST return.

The following instructions are based on Option 1 and the accounts method.

2. G1 – Total sales

Calculate total sales and income and other supplies as follows:

	Amount
Start with total receipts in cash-book *(1)	
Less any prior period values in total	
Less donations and offerings received	
Less GST refund received from ATO	
Less dividends and interest received	
Less loans received	
Less receipts from supplies made pre 1 July 2000	
Less any UCA GST Religious Group transactions	
Less any sub-entity transactions	
Plus/minus other adjustments *	
TOTAL (Record this amount at G1)	

*(1) Total cash-book values (not the total of GST column).

Other adjustments are unusual events such as the receipt of an insurance claim for an event that occurred pre 1 July 2000, refundable deposits, etc.

3. Does the amount shown at G1 include GST?

You will need to check your accounts and indicate whether the amount shown at G1 includes GST or not. In most cases the cash book will record amounts including GST in the total receipts column. Therefore you should indicate with an X in the YES square.

4. G2 – Exports

Most congregations would leave this blank.

5. G3 – Other GST-free supplies

From the cash receipts book, total the columns containing income from GST-free supplies. Examples of GST-free supplies are:

- non-commercial residential rents
- other non-commercial income
- religious service
- opportunity shop income
- GST-free food
- health education and child care.

Offerings and donations are not supplies and therefore not included in this item.

6. Capital purchases

Capital items are items such as land and buildings (but not repairs), equipment such as chairs, tables, photocopiers, etc. Purchase of existing residential premises are excluded because these are input taxed and do not include GST.

From your cash payment record:

(a) take total of assets acquired column

(b) less purchase of existing residential building (input taxed)

(c) total (a) and (b) above

(d) enter 110% of (c) above in G10 (if total of (c) is $100, entry in G10 would be $110)

There are special rules for claims for real property and imported capital items. Professional advice is required before making GST claims for these items.

7. G11 – Non Capital purchases

Calculate the total purchases as follows:

	Amount
Start with total payments in cash-book *(1)	
Less any prior period values in total	
Less any GST payment to ATO	
Less loans repayments	
Less stipends, salaries and wages	
Less supplies acquired pre 1 July 2000	
Less any UCA GST Religious Group transactions	
Less any sub-entity transactions	
Plus/minus other adjustments *	
TOTAL PURCHASES	
Less value of G10 Capital purchases	
TOTAL NON-CAPITAL PURCHASES	

*(1) Total cashbook values (not the total of GST column)

Goods and services tax (GST)

For the QUARTER from 1 Apr 2001 to 20 Jun 2001

Complete Option 1 or 2 OR 3 (indicate one choice with an X)

Option 1: Calculate GST and report quarterly

Total sales **G1** $

Does the amount shown at G1 include GST? (indicate with an x) Yes No

Export Sales **G2** $

Other GST-free sales **G3** $

Capital purchases **G10** $

Non-capital purchases **G11** $

Go to *summary* over the page to report GST on sales at 1A and GST on purchases at 1B

OR

Option 2 Calculate GST and report annually

Total sales **G1** $

Does the amount shown at G1 include GST? (indicate with an x) Yes No

Go to *summary* over the page to report GST on sales at 1A and GST on purchases at 1B

OR

Option 3: Pay GST instalment amount

ATO instalment amount **G21** $

Write this amount at 1A in *summary* over the page (leave 1B blank)
OR if varying this amount, complete G22, G23, G24

Estimated net GST for the year **G22** $

Varied amount for the quarter **G23** $

Write the G23 amount at 1A in *Summary* over the page

Reason code for variation **G4**

calculate this figure, total the value for current period entries in the GST column in the cash receipts book plus or minus any adjustments.

Adjustments could include GST in:

- GST refunds received from the ATO and recorded in this column
- value from barter transactions
- trade-in values
- sponsorships
- non-market value transactions with associates (discuss with Synod if you think this applies)
- adjustments for refundable deposits

Record the whole dollars at 1A on the back page. Do not include balance carried forward from previous tax period.

9. 1B (page 2) – Amounts the ATO owes you

This is, the amount of GST that you can claim as a refund. It is the amount of GST included in purchases/expenses. To calculate this figure, total the value of current period entries in the GST column of the cash payments book plus or minus any adjustments.

Adjustments could include GST in:

- GST paid to ATO and recorded in this column
- exclude payments without 'tax invoices'

  (If a 'tax invoice' is subsequently received, it should then be added back in)
- value from barter transactions:
  - trade-ins
  - sponsorships
- delays on second-hand goods for resale purchased from unregistered individuals and where cost exceeds $300.00.
- adjustment for refundable deposits

Special rules exist regarding purchase of motor vehicles, real property and imported goods.

Remember you cannot claim GST paid on input-taxed properties. (ie Commercially rented out Manse.)

10. Payment or refund

Is the amount you owe the ATO more than the amount the ATO owes you?

If you are due for a refund the answer is NO

If you need to pay the ATO the answer is YES.

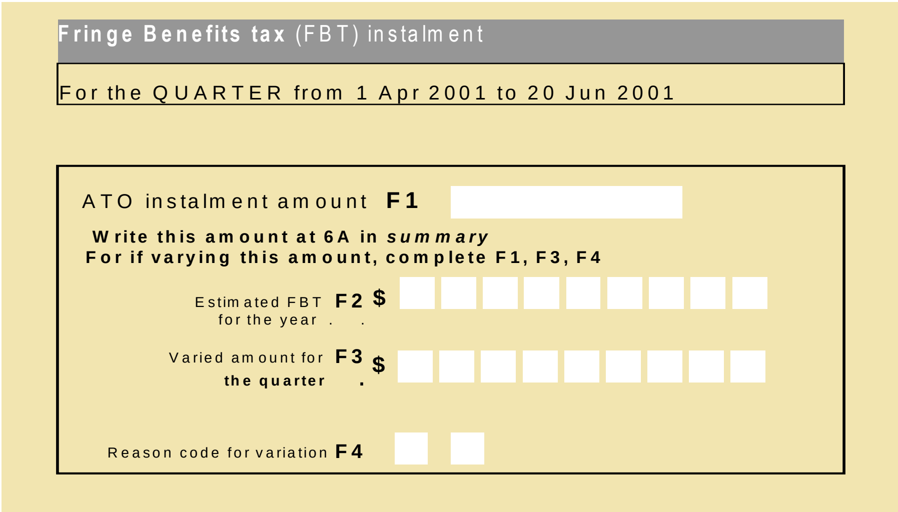
Write the amount of your payment or refund at '**9'.**

Where you have other taxes to pay these amounts will also need to be taken into account.

OTHER TAXES REPORTED ON THE BAS

11. 6A/6B – FBT

Where you have an FBT liability, every quarter the form will have a section for the payment of your Fringe Benefits Tax instalment. The ATO instalment will be recorded at F1. This amount can be varied if the amount is likely to be significant different. Write the amount of FBT instalment or the adjusted amount for the quarter in 6A.


Fringe Benefits tax (FBT) instalment

For the QUARTER from 1 Apr 2001 to 20 Jun 2001

ATO instalment amount **F1**

Write this amount at 6A in *summary*
For if varying this amount, complete F1, F3, F4

Estimated FBT for the year **F2** $.

Varied amount for **the quarter** **F3** $.

Reason code for variation **F4**

12. 5A, 5B, 7, T1 to T11

Where these items appear leave blank as UCA congregations and agencies are exempt from these taxes. In most case these items will not appear on your BAS form.

13. 1C, 1E, 1D and 1F

These items relate to luxury car tax and wine equalisation tax. Most UCA organisation will leave these blank.

14. PAYG Tax withheld (Page 2)

W1 – record total salaries, wages and other payments paid for the period from which withholding tax was deducted.

W2 – record total tax deducted from such payments above.

W3 – relates to tax withheld by banks and investment companies where no tax file number has been supplied. Most congregations will leave this box blank.

W4 – amounts withheld from invoices where no ABN quoted.

Record total of W2 + W3 + W4 at item 4 on page 2

PAYG tax withheld

For the QUARTER from 1 Apr 2001 to 20 Jun 2001

Total salary, wages and other payments	**W1**	$
Amount withheld from Payments shown at W1	**W2**	$
Amount withheld where no ABN is quoted	**W4**	$
Other amounts withheld (excluding any amount shown at W2 or W4	**W3**	$
Total amounts witheld (W2 + W4 + W3) **Write at 4 in summary blow**	**W5**	$

15. Summary (Page 2)

Total amounts in the summary section for amounts owing to ATO and amounts the ATO owes you.

16. Payment or Refund? (Page 2)

Is the amount you owe the ATO more than the amount the ATO owes you?

If you are due for a refund the answer is NO

If you need to pay the ATO the answer is YES.

Write the amount of your payment or refund at '**9'. Do not use symbols such as +, -, /, $.**

17. Declaration (Page 2)

Sign and date the declaration and record the time taken to complete the form.

Payments can be made at post offices if required. If a refund is due from the ATO, it will be credited your bank account within 14 days of receipt.

Note: The GST calculation worksheet does not have to be completed if using the accounts method above.

What if I've made a mistake?

Normally you need to contact the Tax Office for a revision form to amend you BAS for an earlier period. But in some case you can correct mistakes on a following BAS.

If you made a mistake or left something out of your previous BAS which would increase the amount the ATO owes you (ie an increased refund), you can correct it on any following BAS by adding the amount to 1B.

If you made a mistake that increased the amount you are required to pay the ATO (ie a decreased refund or increase payment to the ATO), you can correct it on you next BAS only if:

- the mistake was on your most recently lodged BAS, not an earlier one
- the total net amount of extra GST is less than $1000, and
- your annual business turnover is less than $20 million.

If you satisfy these test, to make the correction add the amount to 1A. If not contact the ATO on 13 24 78.

Lodging a NIL activity statement over the telephone

If you do not have any items on your BAS that require reporting, ie. all boxes are zero, it is possible to lodge it over the telephone.

Telephone 13 72 26 and you will hear a recorded message offering a number of choices. The option to select is 1, "Lodgement enquiries." The recorded voice will then offer some other options which are only relevant to Registered Tax Agents, so these can be ignored. The recorded voice will then ask you to enter the Document number, and the tax file number or ABN of the BAS you are lodging. As all congregations should be ITEC, you will not have a tax file number, you will find the document number and ABN are located on the right hand side of the BAS, underneath where the month is indicated. These numbers must be entered when requested.

Once the form has been entered, the recorded voice will provide you with a receipt number which should be recorded.

Note, this system is all recorded voice and keypad activated, you will not at any stage talk to a "real person." There also appears to be no option to cancel an entry and go back one stage, if you realise you have made an error, hang up, and start again.

Retention of Records

Documents used to complete your BAS, such as invoices, copies of bank statements, cheque requisitions, need to be kept for a minimum of five years after the lodgement of the BAS which contained the transaction to which they relate.

It is therefore suggested that Congregations adopt a position where all documents and records that relate to the BAS are kept in financial years, and that they be kept until the commencement of the sixth year after the year in which they were used.

In a case where a document covered multiple financial years, it should be filed with those documents that relate to the last year in which it was relevant, not the first year.

Record Format

Records must be kept either in English, or in a form which which is readily convertible into English. (ie. on a computer disk.) The records must be sufficient to explain each transaction, and the minimum details for each transaction will include the date, amount, and "character" of the transaction.

Next page is 1000

Registration/Endorsement

This chapter provides an overview of the registration requirements for UCA for GST.

What are the registration/endorsement requirements?

GST Religious Group

The GST legislation includes a provision to create GST Religious Groups (Division 49), and the Uniting Church in Australia has done so. To be part of this group every congregation and entity within the group must be registered for GST, and ITEC endorsed. **The benefit of this GST Religious Group is that transactions between members are exempt from GST.**

The principal member of our group is the UNITING CHURCH IN AUSTRALIA NATIONAL ASSEMBLY ABN 16 939 630 947.

Unregistered Sub-entity

Congregations can use sub-entities not registered for GST to remove fundraising activities from the GST net. Under this option congregations will not charge GST on revenue but cannot claim GST-credits on any associated acquisitions. Requirements of unregistered sub-entities are listed on page 306.

ABN - Australian Business Number

This number is used for dealings with the Australian Tax Office and governs business transactions across Australia. The ABN must be quoted on invoices. An ABN is also required to register or obtain endorsement for any of the following tax categories.

As explained below, congregations should either obtain their own ABN or be part of a larger group that has an ABN, eg. a cluster of congregations.

As a general rule it is not necessary for unregistered sub-entities such as fundraising sub-entities to obtain an ABN.

See page 1014 for further information on ABNs.

GST – Goods and Services Tax

Depending on the level of business activity (turnover) some congregations will be required to register for GST accordingly to ATO legislation. All congregations are strongly encouraged to register for GST so that they may be part of the GST Religious Group and thereby transactions between sections of the Uniting Church will not attract GST. See Page 1015 for further details on GST registration.

PAYG Withholding – Pay As You Go

PAYG registration is required for congregations to withhold income tax from payrolls or the 48.5% withheld because a supplier does not have an ABN. The PAYG registration for congregations with their own payroll will be processed as part of their ABN registration. Most congregations using the central Synod payroll service do not need to register for PAYG. (See page 800.)

ITEC – Income Tax Exempt Charity

ITEC endorsement is required to confirm exemption from income tax. The ITEC endorsement is applied for at the same time as registering for an ABN for all new entities. All applications processed through the Synod at the time of the introduction of the GST have obtained ITEC endorsement.

See page 1016 for ROGATE and ITEC information.

DGR – Deductible Gift Recipient

Organisations that currently have the ability to accept donations of $2 or more that are tax deductible to donors, have been assigned a DGR number by the ATO. Receipts for tax-deductible donations have only been able to be provided after 1 July 2000 by organisations that have been DGR endorsed by the ATO. DGR endorsement is required for agencies, school building funds and other approved funds able to issue tax-deductible receipts for donations.

See page 1017 for ROGATE and DGR information.

Why is registration necessary?

As explained above congregations **must** be registered for GST to be part of the Uniting Church Religious Group.

Congregations should register for their own **ABN** so that:

- they can register for GST and claim GST credits
- they can register for PAYG withholding tax (required where the congregation has its own payroll (see PAYG page 800)
- they have a number to quote so as to stop suppliers deducting 48.5% withholding tax. Tax reform envisages that entities such as congregations have their own ABN.

Registration for **GST** is compulsory under ATO legislation if turnover is more than $100,000 p.a. for a charitable entity, and if more than $50,000 for a commercial entity. Registration for GST is required to enable congregations to be part of the GST UCA Religious Group and thereby reduce costs between sections of the Uniting Church (eg. Insurance premiums)

PAYG registration is required if the congregation has its own payroll or withholds 48.5% PAYG withholding because an ABN was not supplied

GST registration issues to consider and review three years on.

Questions to consider	Actions
Should we be registered ?	Review the impact of GST on your congregation of registering vs not registering, both in terms of refunds/payment of GST, GST charges required on transactions with other parts of the church and cash flow.
What should we register ?	Review fundraising and other activities to determine if an unregistered sub-entity is required
Income/Supply What does GST apply to ?	Review what you supply to others and whether they are taxable, input-taxed, or GST-free
Are my prices correct ?	Determine what goods/services required a price change for GST, and ensure input tax credits are correctly allowed for in assessing margins.
What changes are required to contracts?	Review all contracts, particularly those relating to use of property, and ascertain whether they are commercial or not, input-taxed or not etc.
Expenses What credits can I claim ?	Are you claiming all the input tax credits you are entitled to ? Are your suppliers giving you the correct details on invoices ?
Records What needs a Tax Invoice ?	Are you issuing a tax invoice to groups that are entitled to receive one ?
Is our record keeping up to scratch ?	Evaluate whether you are using the best method of accounting for GST receipts and payments to ensure compilation of the BAS is as simple as possible.
Are we lodging our BAS return appropriately ?	A quarterly choice could mean a reduction in the administration effort to submit returns, but monthly enables a GST refund cheque to be obtained faster and may improve your cash flow.
Should we account on a cash or accrual basis ?	Cash (account only when goods received or paid) or non-cash, also known as accrual (account on sale or receipt of invoice)
Does our GST reconcile ?	Ensure that the amount you claim back or pay, is reconciled to the tax office debit or payment. If it is not reconciled, you may be missing something.

Who has to register for GST?

Under ATO legislation it is a requirement to register if all of the following apply:

- your church/organisation is carrying on an enterprise (a religious institution is a carrying on an enterprise - see definition page 1411.) and
- if your annual turnover is $100,000 or more.

However, even if your turnover is less than $100,000, to be included in the UCA GST Religious Group it will be necessary to be registered for GST otherwise GST will apply on transactions with the Synod and other UCA congregations.

Understanding your annual turnover

Annual turnover means the calculated amount of current annual turnover or projected annual turnover. Turnover is the total value of supplies made, eg. fees from providing services, rents, sale of goods or property.

> Note: Donations and free-will offerings are **not** included in annual turnover.

Calculation of annual turnover

Total income	
Less gifts and donations	
Less offerings	
Less legacies, bequests	
Less interest	
Less investment income (interest)	
Less loans received included in total income above	
Total annual turnover	

If a congregation decides not to register for GST, it needs to know what its annual turnover was for the past year and needs to monitor turnover throughout the year to make sure it remains within the limits.

If a not-for-profit organisation's annual turnover is over $100,000, it must register. Failure to register when required to do so will result in penalties.

Uniting Church registration structure

Each body (company, incorporated body,) or entity, (Congregation, unincorporated body,) must register as a separate entity. Congregations, Presbytery, Agencies and the Synod are all considered for GST purposes to be separate entities. We are grouped together in GST Religious Group so that transactions within the group are exempt from GST. To be part of this group each entity within the group must be registered for GST.

Fundraising activities and sub-entities

Where there are fundraising activities or Uniting Church Adult Fellowship groups (UCAF) that account independently to the congregation, there is an option of recording these as separate unregistered sub-entities that are excluded from the GST net. Unregistered sub-entities do not charge GST and cannot claim GST credits on acquisitions.

> Note: It is very important that GST credits for acquisitions by an unregistered sub entity are not claimed by the registered congregation.

It is recommended that fundraising activities should be run by unregistered sub-entities **except** where:

- the supply would be GST-free, ie.
  - non-commercial, eg. proceeds less than 50% GST-inclusive market value (See page 204.)
  - second-hand donated goods, ie. opportunity shop
- the purchaser can claim GST credits
- the supply can be input taxed under ATO fundraising guidelines to be announced- see Federal Treasurer's Press Release 37 dated 3 May 2000.

> Note: This last option has the same financial effect as using unregistered sub entities, but enables input taxing of events where fundraising is in excess of $100,000 (not available for sub-entities).

Use of an unregistered sub-entity for fundraising can:

- reduce administration by removing the requirement to determine if GST applies and processing GST entries
- increase profit where a proportion of GST would be deducted from proceeds.

Example -	Sale of chocolate bar	
	Unregistered	Registered
Cost (incl. GST)	0.55	0.55
GST input tax credit		0.05
Net cost	0.55	0.50
Sale price	1.10	1.10
GST output tax payable to ATO	0.00	0.10
Net revenue	1.10	1.00
Profit	0.55	0.50

An activity will be considered to be independent if it:

- keeps its own accounting records (this can be as simple as a separate column on the receipts and payment in the Cash Book record), and
- can be separately identified by the nature of its activities or by its location.

Example

An independent activity could include a fete, lamington drive or fundraising dinner. It means that, where the activity's turnover is less than $100,000, the unit can choose not to register for GST. Where the activity has a turnover of $100,000 p.a. or more, it will have to register separately for GST and will have the same rights and obligations as other GST-registered entities.

If a congregation chooses to treat its fundraising activities as separate unregistered sub entities for GST purposes, it cannot revoke this choice within 12 months of the choice being made. The Synod does not legally have to be advised of every unregistered sub entities, although it is useful if it is, however Congregations must properly document their creation and recording.

This option is available only to charitable institutions (including churches), trustees of charitable funds, gift deductible entities as defined in the *A New Tax System (Goods and Services Tax) Act 1999* and also certain not-for-profit bodies that are income tax exempt.

Example - Not-for-profit sub-entity

A GST-registered congregation runs a fete once a year to raise money for congregation activities. Separate accounting records are kept for the fete. From the turnover of previous fetes it is estimated that the current year's fete will raise $60,000. Since the fete keeps a separate accounting system and it conducts different activities to the congregation's activities, the congregation may elect to treat the fete as a separate entity for GST purposes. Because the turnover of the fete is less than $100,000, the organisers of the fete can choose whether or not they want to register the fete for GST purposes. If the organisers choose not to register the fete for GST, the sale of items at the fete will not have GST included in the price. However, GST that has been included in the price of inputs to the fete such as the hire of stalls and a marquee, cannot be claimed as input tax credits.

If such a sub-entity needs to quote an ABN then the ABN of the congregation to which the sub-entity belongs can be used.

UCA structure

The following organisations make up the Uniting Church in Australia structure (some differences exist between states).

UCA Property Trust/Synod	• A Trust (Body Corporate) established by legislation *(UCA Act 1977)* for the purposes of holding property on behalf of the churches of Uniting Church in Australia. • The Trust is the legal vehicle for any contractual arrangements relating to property of UCA. • Synod facilitates the management functions of the UCA in each state. • Synod manages the collection of funds from churches and the delivery of stipend funds to ministers/youth workers/lay pastors/congregational staff. • Synod is the primary employer for staff working in the various operations of the wider church. • Synod has within its structure operational groups that deliver specialised services to the wider church body, eg. printing, financial services, insurance, additional funding/bequest management, web publishing.
Congregations	• Operational groups located throughout a state using the assets of the Property Trust to further progress the mission and vision of the Uniting Church in Australia. • The congregations are recognised by the community as individual organisations. However they are groups that operate within the legal umbrella of the Synod and Property Trust.
Related organisations (agencies, schools, etc.)	• Separate organisations (usually unincorporated bodies) linked (usually through membership on the management committee) to a congregation, presbytery or Synod. These are primarily day care centres, neighbourhood centres, meals on wheels. • These organisations use the tax exempt status of the UCA.

Legal position

As Churches are not registered legal entities, they are un-incorporated associations, the ultimate legal entity is always the Property Trust as the nominated Trustee for all Church assets. However, local management of each entity or organisation (in the case of a Congregation the Church Council) is responsible for compliance with the GST legislation. They are therefore prima-facie liable for any non-compliance, and should there be an incidence of defalcation, and the ATO took legal action against the Property Trust, the latter entity as Trustee for the entire Church would most likely have to take action to recover the costs from the individual or Church concerned.

There is, however, over-riding public indemnity coverage contained in Regulation 4.11.1 of the Uniting Church in Australia Regulations for all agents working on behalf of the UCA. If an agent is working in good faith and has undertaken to comply with the policies and practices of the UCA, then the UCA will take on liability on behalf of the Church Council.

Regulation 4.11.1 of the Uniting Church in Australia Regulations states:

a. Any person acting under the express or implied authority of the Church shall be indemnified out of trust property against all liability for any matter or thing done or liability incurred except in the case of fraud, criminal act, gross negligence or wilful misconduct. Without detracting from the generality of paragraph (a), a member of a Church Council or other body responsible for the management and administration of property shall be indemnified out of trust property against liability for any matter or thing done or liability incurred in the performance of functions as a member thereof except in the case of fraud, criminal act, gross negligence or wilful misconduct.

b. The word ‘liability incurred’ in 4.11.1(a) can be taken to include taxation matters.

What you need to do to register

Registration is by means of completing the ATO registration pack, "Registration for the tax system," which includes a guide booklet and the application form, or, for those with access to the internet, it can be undertaken on the Australian Business Register website, http://www.abr.business.gov.au/.

Forms can either be lodged directly or forwarded to Synod office to lodge. In either case, it is essential that the Synod office be notified of the Legal Name, and ABN when it has been issued. If not applied for initially, ITEC status should then be applied for, to allow it to be included in the UCA GST Religious Group.

What do I register as?

All congregations within the UCA are encouraged to be registered for GST as entities.

Sections of your congregation may need to be recognised as unregistered sub-entities. The requirements are:

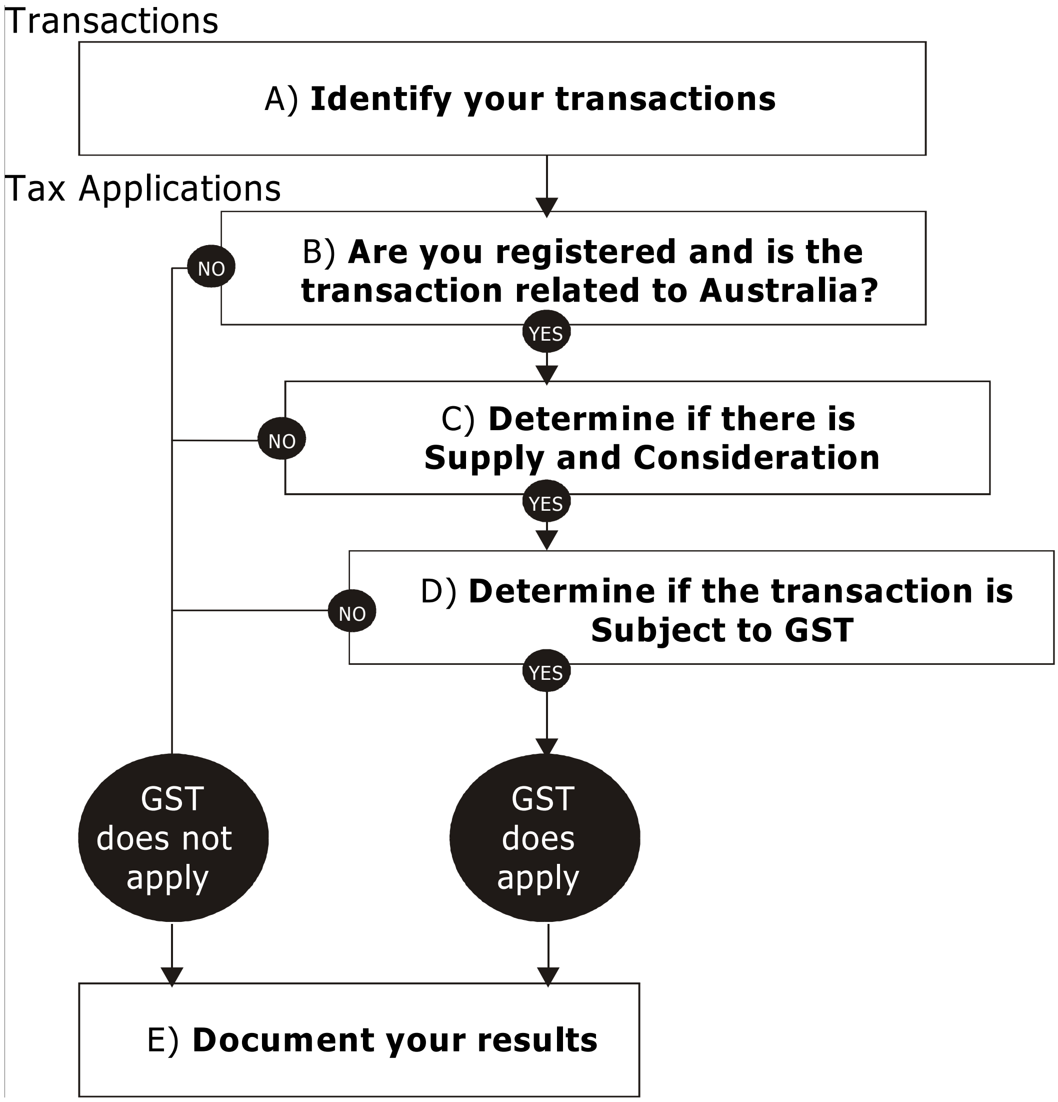
- not-for-profit (ie. objects, etc.)
- separate identification by either activity or location
- recorded by Church Council or other parent entity. There is no requirement to notify the property trust, however it is appreciated if congregations and other entities do so. (See page 1004.)
- For example a congregation may have church account, UCAF group, Fete committee and a Sunday School. If all these maintain separate accounts and are under the $100,000 threshold the following will apply:

Group	Comment	Registration option
Church	Normal church operating account	Register GST
Sunday school	No income, expenses only	Part of main church account
UCAF	Raises money for church through cake stall, lolly drives, etc. Very few expenses	Unregistered sub-entity
Fete group	Organises annual fete which raises income for church (but income is less than $100,000)	Analyse impact of GST and decide whether to register as part of church, or not to register and be recognised as an unregistered sub-entity.

How to determine what GST applies to?

This section outlines the steps to take to identify which transactions attract GST.

Steps to follow



A) Identify your transactions

As the GST is a transaction-based tax it is important that you identify the types of transactions within your congregation and then assess whether GST applies.

- Review your congregation activities and ministries and identify all your income sources.
- Determine what activity is conducted to generate this income source. This is useful for remembering the specific issues associated with the type of activity:
  - religious services
  - fundraising
  - fee for service
  - community service.

B) Are you registered and does the transaction relate to Australia?

The supply is to be made by a registered entity and the transaction is to be made or performed in Australia.

C) Is there a supply and consideration?

Supply	A supply can be the provision of goods, services, information, property, provision of entry into, or release from, an obligation to do anything, or an agreement to refrain from, act within, or tolerate a specific situation.
Consideration	Any payment or act or forbearance, in connection with the supply of anything, **or** any payment or act of forbearance in response to or for the inducement of supply of anything. **However,** *payments made as a gift to a not-for-profit body is not the provision of consideration.*

This means:

- if an activity is provided free of charge it is not subject to GST
- if a gift (unconditional) is received it is not considered consideration for supply.

As can be seen from the above, the definition of what can be deemed to be a supply and what is consideration are extremely broad.

D) Is it subject to GST, or is it GST-free or input-taxed?

You need to review each transaction to see if it fits into one of these categories:

- religious services
- fresh food
- second-hand goods
- charitable activities.

E) Document your results

To avoid any issues should you have a tax audit, it is important to document your reasons for not taking 1/11th from your income in all cases. An example worksheet is included below as an example of how you might analyse your transactions and document your results.

Ministry Area	Income Source	Details	Transaction Type	Supply	Consideration	GST- Free ?
Childrens Club	Weekly offering	Offering Donations	Gift	Services	$	Yes
	Chocolate Sales	Fundraising (Chocolates)	Fundraising	Food	$	No
Playgroup	Photoshoots	Family Portrait - Group recieves % of profit	Fundraising	Goods	$	If < 50% of Market Value
	Pie Drive		Fundraising	Food	$	No
	Annual Fee		Fee for Service	Services	$	No
	Government Grants		Community Service	Comm. Services	$	No
Friends of Yurana	Garage Sale	Items donated (Food & Used Goods)	Fundraising	Food & Goods	$	Review each item
	Fete	As Above	Fundraising	Goods	$	Review each item
Starlights	Fee for T-Shirts	Childrens Choir - each pay an amount towards the cost of their T shirt.	Fee for Service	Goods	$	If < 50% of Cost
Golden Years	Bus Trips	Fee Charged to cover cost of bus and entry fees	Fee for Service	Services	$	If < 50% of Market Value
Boys & Boys Brigade and Youth	Food Stalls	Donated and Created Items	Fundraising	Goods	$	Review each item
	Canps	Fee to cover charges & food	Fee for Service	Services	$	No
	Activity Nights	Bowling / Video's etc.	Fee for Service	Services	$	No
Kingfisher puppets	Donations	Arising from presentations to other Churches and community groups - no fee charged	Gift	Services	$	Yes
Craft Groups	Donations	Weekly gold coin to cover costs, not mandatory	Gift	Services	$	Yes
Women's Ministry	Donations	From coffee evenings	Gift	Services	$	Yes

Ministry Area	Income Source	Details	Transaction Type	Supply	Consideration	GST- Free ?	Applicable Test
Soccer	Match Fees	Weekly Fee	Fee for Service	Services	$	No	
	Photo Sessions	% of Profit on Sales	Fundraising	Goods	$	If < 50% of Market Value	Professional Photography
	Sock Drive	% of Profit on Sales	Fundraising	Goods	$	If < 50% of Market Value	Local commercial suppliers
	Registration Fees	Annual Charge for Associations	Fee for Service	Services	$	No	
Catering Ministry	Catering Fees	Fees for catering events (labour usually donated)		Goods	$	If < 50% of Market Value	Commercial caterer
Corporate Revenue	Samoan Church	Gift to Church	Gift		$	Yes	
	Potters Bookshop	Gift to Church	Gift		$	Yes	
	Calvary College	Gift to Church	Gift		$	Yes	
	Photocopies	Charges to ministries for copying	Fee for Service	Services	$	If < 50% of Market Value	Commercial copy supply
	Wedding Service	Fee to cover costs	Religious Service	Services	$	Religious Service	
	Wedding Flowers	Fee to cover costs	Church Decoration	Services	$	No	
	Training Fees	For training fees	Fee for Service	Services	$	No	
	Counsellor	As able to give for counselling sessions	Community Service	Services	Not always	If < 50% of Market Value	Commercial counselling service
	Theatre Restaurant	Fundraising	Fundraising	Services	$	If < 50% of Market Value	
	Benvolent Fund	Funds to be used for food parcels & bills	Gift			Yes	
	Offerings	Cash & Direct Debit	Gift			Exempt	

Ministry Area	Income Source	Details	Transaction Type	Supply	Consideration	GST- Free ?	Applicable Test
Community outreach	Drinks & Food Stall	Fundraising during community events	Fundraising	Goods	$	If < 50% of Market Value	Local commercial suppliers
	Carols in the Park	Businesses donate goods or services in return for advertising	Community Service	Advertising	Goods or Services	If < 50% of Market Value	
	Carols in the Park	Council provides funds to help sponsor the event	Community Service	Community Service	$	If < 50% of Cost	
	Carols in the Park	Drink stalls / Coffee and Tea Tent	Fundraising	Goods	$	If < 50% of Market Value	Local Shop
	Community Groups	Church Hall Hire	Fee for service	Services	$	If < 50% of Market Value	Equivalent facilities
	Associated Organisations	Shared costs of rates on property	Fee for service	Services	$	No	
	Interest from UCIS	Interest on Deposit Funds	Fee for service	$ is not a supply	$	Input Taxed	
	Sausage Sizzle	Gold coin donation requested but not required	Fundraising	Goods	$	If < 50% of Market Value	Local Shop
Other Supply	Church useage	The Church is provided free of charge to a number of local organisations		Services	No consideration	Yes	
	Church functions	The Church presents a number of functions that are free for the community		Services	No consideration	Yes	

Registration - ABN

Registration is available only to a company or entity carrying on an enterprise (including churches). Employees, hobbyists and individuals conducting activities without a reasonable expectation of profit cannot register for an ABN or GST.

All Uniting Church congregations need to obtain an Australian Business Number.

Registration of ABN and GST are separate issues, however the former is a prerequisite for the latter, and it is also a requirement for Income Tax Exempt Charity status (ITEC) and Deductible Gift Recipient status (DGR). The Australian Business Number (ABN) is critical to the operation of the GST system, as every entity that is registered for GST will have an ABN and this is the number that must be quoted on all your tax invoices.

An ABN enables organisations in Australia to deal with the ATO and a range of government departments or agencies using the one number. This number is over time replacing group tax numbers, sales tax numbers, FBT numbers and other ATO organisation numbers.

If an enterprise does not include an ABN on its invoice, the customer receiving that invoice is required by the Tax Office to withhold 48.5% of the invoice amount (47% tax and 1.5% Medicare levy). The customer withholding this 48.5% is then obliged to remit it to the Tax Office.

Example

A parish hires a local plumber to replace several leaking pipes. It receives an invoice for $1,000. It is noted that there is no Australian Business Number quoted on the invoice. The parish should telephone the plumber and ask if he has an ABN, if he has, what it is. If he does not have an ABN, the parish must withhold 48.5% of the dollar amount of that invoice and pays only 51.5% to the plumber. The plumber receives $515 and the parish remits the remaining $485 to the Tax Office at the end of its next tax period.

Registering for an ABN

The same form is used to register for an ABN and GST.

When an organisation has been allocated an ABN its details will be placed on the Australian Business Register, which will be administered by the Commissioner of Taxation.

Alternatively it can be done electronically through the web site of the Australian Business Register. Note that it is not possible currently to apply for ITEC status using the ABR web site even where an ABN number has already been issued..

www.abr.business.gov.au

Registration - GST

The ABN registration form asks several questions:

- do you wish to register for GST?
- what is your annual turnover?
- do you wish to account on a cash or accrual basis?
- do you wish to report on a monthly or quarterly basis?

If a congregation determines it will not register the congregation for GST when it applies for an ABN, it is possible to register for GST at a later date, if circumstances change.

If a congregation does not register for GST purposes, it will not include GST in its charges; nor will the congregation claim GST credits on its purchases.

Congregations not registered for GST must regularly monitor annual turnover, as it is a requirement that registration for GST occurs within 21 days of an enterprise exceeding its stipulated threshold.

Once satisfied that an organisation is carrying on a business or enterprise, the Tax Office must comply with the application. If the Tax Office is satisfied that the organisation is required to be registered, this must happen even if the organisation has not applied.

The notification of registration will specify the registration number and tax periods.

The authorised contact person is the person responsible for GST returns and contact with the ATO.

The Tax Office can backdate registration if it is satisfied that an enterprise was required to be registered at that earlier date. The enterprise will then be subject to the GST system from that date.

There are severe penalties for non-compliance, ie. if an organisation is required to register for the GST and fails to do so. Penalties also apply for failure to regularly submit a Business Activity Statement once registered.

An enterprise must be registered for at least 12 months before cancellation of registration is allowed.

ROGATE

ROGATE stands for Register of Gift Deductible and Tax Exempt Charities

In December 1999, Parliament passed legislation creating a new system of endorsement of charitable organisations. Under income tax law, churches are charitable institutions. (See page 200.).Churches need to be endorsed as an income tax exempt charity (ITEC). The legal meaning of charity includes activities such as welfare, religious and educational activities. Endorsement is also a condition of continued tax deductibility status for deductible gift recipients (DGR).

Entities must be registered for an ABN and GST before they can apply for endorsement as a deductible gift recipient and/or an income tax exempt charity.

Outline of how the arrangements operate

After 1 July 2000, charities that had not been endorsed lost gift deductibility and income tax exempt status.

Any new charitable organisation will need to apply to the ATO to be endorsed after they receive their ABN, and GST registration.

Most charitable organisations eligible for DGR status prior to the change would have had their status confirmed previously by the ATO. These charitable organisations did have to apply for endorsement, however they did not have to go through a full review to retain endorsement.

> Note: All Deductible Gift Recipients have to obtain endorsement unless they are named specifically in tax law, whereas endorsement for income tax exemption applies only to charitable organisations. The legal meaning of charity includes activities such as welfare, religious and educational activities

Income Tax Exempt Charities (ITEC)

The Uniting Church is currently exempt from income tax under section 50-5 of the *Australian Income Tax Act 1977*. This means that churches do not have to pay income tax or payroll tax.

From July 1st, 2000 this exemption has had to be endorsed.

Every congregation and related agency needs to apply for ITEC endorsement. Applications are submitted as part of the registration process of applying for an ABN.

Important points to note:

- ITECs are exempt from income tax
- ITECs need to regularly review whether they are entitled to endorsement
- an ITEC must tell the ATO if it ceases to be entitled to endorsement
- endorsement can be revoked if an ITEC is no longer entitled to endorsement.

Deductible Gift Recipient (DGR)

ITEC endorsement does not entitle an organisation to receive income tax deductible gifts. There is a separate endorsement process for deductible gift recipients. These are organisations currently recognised by the ATO as approved to issue tax-deductible receipts for donations (eg. Share, Christmas Bowl).

DGR endorsement involves the ATO confirming that an organisation is eligible to receive tax-deductible gifts. If they are not, donors cannot claim income tax deductions for gifts they have made.

To apply for endorsement, an organisation must have an ABN.

Endorsement as a DGR does not:

- exempt an organisation from income tax
- exempt an organisation from GST on its commercial activities
- endorse an organisation as an income tax exempt charity (ITEC).

To achieve endorsement as a DGR, the following requirements must be satisfied:

1. Charitable institutions test

A charitable institution can be entitled to endorsement if it meets at least one of three tests.

1. It has a physical presence in Australia.
2. It is a Deductible Gift Recipient.
3. It is prescribed by law.

Congregations need Income Tax Exempt Charity (ITEC) endorsement, however they will generally not qualify for Deductible Gift Recipient (DGR) Status.

2. Charitable funds test

To receive endorsement, all charitable funds must be applied for the purposes for which they were established. There are special requirements for charitable funds not established by ‘Will’ before 1 July 1997, and ‘new trusts’ that are applied for their purposes. These trusts must meet specific tests.

Next page is 1400

Frequently Asked Questions

The following sample of questions were originally compiled by the Queensland Synod, from responses to the survey forms being completed by congregations at seminars and workshops and from ATO questions and answers at the time of the introduction of GST in July 2000. They have been updated and amended for the September 2003 edition.

1. What is GST?

GST is Goods and Services Tax, payable on a taxable supply. You make a taxable supply if:

- you make the supply for consideration
- the supply is made in the course or furtherance of an enterprise you carry on
- the supply is connected with Australia
- you are registered or are required to be registered.

A supply is not a taxable supply to the extent that it is GST-free or input taxed.

There are no exceptions or exemptions from the above. If any of your transactions fall into the definition of a taxable supply they must have GST applied.

2. Offerings – how are they affected?

The definition of consideration specifically excludes gifts to not-for-profit bodies. The UCA is considered a not-for-profit body. It is therefore understood that offerings and other such gifts to a congregation are not subject to GST. (Therefore, 1/11th does not need to be given to the Government). Offerings do not need to be reported on the BAS.

3. How can I claim a GST exemption?

You can't, there is no such thing as a GST exemption certificate or number. GST is a tax that is charged by the organisation providing or supplying the goods or service, and it is applied, or not applied, according to the type or nature of the service or supply, not according to the type of entity delivering the service or supply. It does not work like the previous sales tax system. On most costs incurred by the Church, there will be GST applied by the supplier.

To claim back from the Government the GST you pay on acquisitions related to your organisation, you will need to register for GST. Before making a decision, you must understand that if you register you must to ensure you comply with the GST legislation, charge GST on your taxable supplies and maintain the record-keeping associated with this.

If you do not register, you are not able to claim back from the Government any GST you have been charged by your suppliers.

4. Fundraising – how does GST apply?

There are a number of options to consider. Many of our fundraising events have very little costs and therefore small amounts of GST that can be recovered in respect of GST credits. If your event is of this nature you should consider the use of an unregistered sub-entity. Under this option you do not charge GST but you do not claim any GST in expenses for that event.

If you are registered for GST, and are considering whether to claim the input tax credits, you need to work out if each type of supply is a taxable supply (and therefore if GST will apply to them).

There are a number of categories of GST-free supplies that may apply to fundraising and which may result in the majority of your items being GST-free. These include:

- gifts to a not-for-profit enterprise – this will probably cover a large proportion of the goods for sale that have been donated from members
- second-hand goods – if the supplier is a charitable institution. (The goods must also not have their original character modified)
- non-commercial activities **-** if the supply is for consideration that is less than 50% of cost, or 50% of the market value. (Refer page 204 for details.)

If you have any transactions which are really "grouped," you will still need to review them to determine if they are a Taxable Supply.

5. Can I elect to remit a quarterly return even if my year-end is not 30 June?

The year-end requirement relates to the income tax year-end for organisations. As the UCA is an exempt body for income tax it does not have an income tax year-end and therefore can elect to submit quarterly returns.

6. Will I need to charge GST to other UCA congregations / agencies / organisations?

If the other UCA congregation is part of the UCA GST Religious Group then no GST applies. If the other organisation is not part of the UCA GST Religious Group then GST may be applicable depending on whether the supply is considered taxable and is not GST-Free under non-commercial activities for example.

7. Do ministers need an ABN?

If a minister is receiving income from sources outside the church that is not related to work as a minister of religion (and is not a hobby) then they will need to apply for an ABN to ensure that 48.5% is not withheld by the organisation remitting payment for the services rendered. (Also see question 25.)

8. When do I need to withhold 48.5% from anybody?

If you are provided with goods or services from a person or organisation who does not:

- provide you with their ABN, or
- provide you with a declaration

you will need to withhold 48.5% and (if this is the first time you have withheld funds) register with the ATO that you have done so. (See page 801.)

9. Does expenditure incurred have to be integral to the religious service to allow entitlement to an input tax credit?

Expenditure incurred does not have to be integral to the provision of a religious service to allow entitlement to an input tax credit. However the expense does have to be incurred in the course of furtherance of your enterprise, meeting the normal requirements for a creditable acquisition.

10. What supplies are considered to be integral to the provision of religious services like weddings and funerals and will therefore be GST-free?

Creditable acquisitions may include hymnbooks, candles and religious symbols, however car hire and flowers are not considered integral to a religious service.

11. In which of the following cases will GST be applicable, and which entity issues the tax invoice?

1/ A registered body asks for sponsorship in exchange for advertising by way of:
   - i) money
   - ii) goods that are normally sold in the course of our business
   - iii) goods that we purchase and then donate to the club.

2/ an unregistered body asks for sponsorship in exchange for advertising by way of (i), (ii) and (iii) as above

3/ a registered body asks for sponsorship and promises nothing in return. Sponsorship is provided by (i), (ii) and (iii) as above

4/ an unregistered body asks for sponsorship and promises nothing in return. Sponsorship is provided by (i), (ii) and (iii) as above

5/ schools, hospitals, etc. ask for sponsorship.

Amounts paid as sponsorship fees are usually payment for services such as advertising, and will be subject to GST if the sponsored entity is registered for GST. The entity being sponsored will be liable to pay GST of $1/11^{th}$ of the payment received. If the organisation being sponsored is registered for GST, the organisation paying the sponsorship fee will normally be entitled to a GST credit of $1/11^{th}$ of the payment. The tax invoice would have to be issued by the company being sponsored. Sponsorships are not among the classes of transactions for which recipient-created tax invoices are currently allowed. However, it is possible that sponsorships could be subject to a future determination by the Tax Office allowing recipient-created tax invoices.

If a sponsor provides goods and services in return for advertising or promotion, there is a supply by both parties to each other. If both parties are registered for GST, each will be liable to pay GST. The GST will be 10% of the GST-exclusive market value of the supply made by the other party, or $1/11^{th}$ of the GST-inclusive market value. Both parties will also normally be entitled to a GST credit equal to the amount of GST payable.

If the organisation being sponsored is not registered (or required to be registered) for GST then it will not have to pay GST on the sponsorship, and the sponsor will not be entitled to a GST credit.

If a registered body receives sponsorship but provides nothing in return, then the situation is similar to a donation. The unconditional sponsorship is not subject to GST whether in the form of money or property. The same rules will apply to schools, hospitals and emergency service entities. If the entity is a gift-deductible entity a tax deduction may be available for an unconditional sponsorship.

12. What are the GST implications of activities that are combined events with other denominations?

In these situations the implications of GST would need to be considered on a case by case basis. Is there a supply, consideration, are you registered for GST, is the supply within Australia and is the supply not GST-free under other provisions:

- non-commercial activities - the supply if for consideration that is less than 50% of cost or 50% of market value.

- Donation (refer page 304)

13. Our congregation has a bookshop that uses a room at the worship centre. The bookshop is not charged any rental and does not contribute to any costs, but it does make a donation to the church when profits allow. How should this donation be treated?

As there is no contract with the bookshop or defined fee for use of the premises, the supply of a room is free and as such does not attract GST. If the donation received is unconditional and results in no direct benefit to the bookshop, then it is not understood to be consideration and there is no GST payable on the income.

It should be noted that the mere naming of rental as a donation does not negate the application of GST.

14. Our congregation shares power bills with a registered day care centre. The day care centre provides their share of the costs to the congregation and the congregation pays the total bill. How should this be treated for GST purposes?

- If both the day care centre and the congregation are part of the GST Religious Group then no GST will apply on the payment from the child care centre to the congregation.
- If the day care centre is not part of the GST Religious Group then GST would apply on the payment from the child care centre to the congregation.

15. Can you differentiate between fundraising and other profits from functions such as '60's Dance and Musical Trivia Night'?

If the congregation is not registered, then GST does not apply to any charge made by the congregation in relation to any activity, neither can the tax paid on expenses be claimed. This is irrespective of the type of activity, normal operations, or fundraising. The same situation applies if a registered congregation chooses to run an event through its unregistered sub entity.

If the congregation is registered, and the event is not part of an unregistered sub-entity, or an input taxed event, all tax paid on expenditure can be claimed.

With respect to whether tax should be charged on the "tickets" to the event, or on the supplies, the following applies. If the activity is carried out by an unregistered congregation, or by an unregistered sub entity of a congregation, then no GST should be charged.

Only where it would be advantageous for the congregation to be able to claim the GST costs would it justify operating the activity through an entity which is registered. Generally, this would only occur where the GST that has been paid (eg. hire of equipment, advertising,) is greater than the tax that would need to be charged on "tickets." Fundraising activities, by their nature often include inputs that are donated (food, labour) and therefore may not incur much in the way of tax on inputs.

A supply is a taxable supply (GST applies) if it is not GST-free, or input taxed. The key provision that will apply to make the supply GST-free, where the supply is made by a GST registered entity, relate to the price being charged being less than 50% of the market value for that type of supply.

16. Members of the congregation often purchase items for the church with a credit card or for cash. The church then reimburses them for this. What are the implications under the GST of this type of activity?

It is important that church members make sure they obtain a tax invoice to support all claims. As there is no requirement for suppliers to automatically issue a tax invoice for items less than $50.00, it will be important that the congregation members ensure they ask for appropriate documentation to validate their expenditure and indicate if GST is included. This will allow the congregation to claim any input tax credits. A personal credit card statement is not a valid tax invoice.

Invoices greater than $1000 require the name and address of the organisation/person purchasing the goods/services as well as the supplier. It would be advisable in this case to ensure the invoice was directed to the congregation rather than the individual.

17. Are Mission and Service and other inter-church transactions subject to GST?

Inter-church transactions are exempt from GST, provided both parties are registered as part of the GST UCA Religious Group. If you are unsure please contract your Synod for confirmation. Where one party is not a member of the GST UCA Religious Group the transaction will need to be assessed in terms of whether there is a supply, is the party providing that supply registered, is the transaction within Australia and whether the transaction is GST free under some other provision (donations, non-commercial).

18. What is the status of bequests and gifts – money given to foundation – for which the interest is used for a specific purpose?

No GST is payable on bequests provided there is no benefit provided to the donor.

19. Is residential property GST-free or input-taxed? What are the GST implications?

Residential accommodation is input taxed. This means that NO GST is charged on rental and NO tax paid on inputs can be claimed from the ATO.

However for charities there is an additional provision of a "non-commercial transaction," that can be applied to residential property that can override this and allow it to be treated as GST-free. This means that no GST is charged on the rental, but you can claim the tax paid on inputs. The GST-free provision requires that the residential accommodation be provided for less than 75% of the GST-inclusive market value.

Manses owned by the Congregation, and occupied by Ministers, are part of the enterprise of the Church, not the provision of residential accommodation, and therefore GST free. **Please refer though to the note on page 412 re current discussions with the ATO on this matter.**

20. How are ministers' benefit accounts affected by GST ?

- Ministers are not required to have an ABN or register for GST.
- Fringe benefits provided to ministers will remain exempt insofar as they are benefits given in relation to the provision of pastoral care and the undertaking of religious duties.
- Stipends, are a 'withholding event' and are subject to PAYG provisions (Refer page 404)

The effect of these agreements is that payments received by ministers in their capacity as religious practitioners for ministry activities will not be part of the 'GST' system.

21. If 'religion' is exempt from GST, is carpet in the worship area exempt? What about the office in the same complex?

There are no exemptions from GST for the Church. There are provisions which exclude some supplies we make from requiring a GST charge. These supplies are those integral to the practice of religion. However, GST incurred in delivering this supply is claimable. (Refer also next question.)

22. What does the ‘religion’ exclusion in GST mean to us?

A supply is GST-free if it is a supply of a service that is supplied by a religious institution and is integral to the practice of that religion.

If a congregation is registered, this means that they should not charge GST for the practices integral to the practice of religion. At this point we consider this to include:

- weddings
- funerals
- baptisms
- education in the faith
- retreats.

This does not mean that all items associated with a wedding are free. GST may apply if we charge for additional services associated with a wedding which may not be integral. (See page 200.)

23. Does withholding apply only if someone is registered for GST ?

A GST registration and an ABN registration are for different purposes. The 48.5% withholding relates to suppliers of goods and services who do not have an ABN.

As all congregations will have an ABN, they will need to ensure that the suppliers providing them with goods and services in the course of the congregation’s operations are also registered for and have an ABN. This applies irrespective of your GST status. (Note: A supplier cannot be registered for GST if they have not previously, or simultaneously, registered for an ABN.)

24. Our congregation is proposing to sell a property at some time in the future. Should we have it valued to apply the margin scheme ?

The margin scheme is applicable only where a commercial property is sold to a non-registered organisation. For example, a church building is sold to a private individual. If this occurs the valuation could take place after the sale, but the valuer would value the property as at 30 June 2000. So there is no need to have all your properties valued in case they are sold under these circumstances.

25. It is our understanding that transactions that are less than $50 may not be required to have a tax invoice. If no tax invoice is provided on transactions such as petrol purchases and such transaction relates to religious services, how can credits be claimed?

Under s.29-80, it is not necessary to have a tax invoice in order to claim input tax credits where the tax exclusive value of the acquisition does not exceed $50. Despite this, it is still necessary for the recipient to be able to verify purchases made. For example, a standard cash register receipt or hand written receipt should be retained.

26. Where a supplier fails to provide a tax invoice what documentation will need to be maintained for compliance purposes? What will the audit procedures be?

Every taxpayer that makes a taxable supply must keep records that record and explain all transactions and other acts engaged in by the taxpayer that are relevant to that supply. A supplier who is requested to provide a tax invoice, but who fails to do so within 28 days of the request, is in breach of the tax law.

Taxpayers must maintain their records for five years from the time of completion of the transactions or acts to which they relate.

27. Is it true that we can lodge our GST return by the first of the month and the ATO must pay our refund within fourteen days or pay interest?

If the amount of input tax credit owed to you is greater than the GST on your supplies you will receive a refund. Any refund due will be applied against your other tax liabilities before an amount is refunded. The Commissioner must pay the refund within 14 days of you lodging your Business Activity Statement (GST return) for that tax period. Interest is payable under the Taxation (Interest on overpayment, Early payments) Act 1983. The Commissioner may offset your refund against other liabilities you may have.

28. When is a payment considered sponsorship rather than a gift or donation?

Where money is provided in return for a supply, ie. advertising, a registered organisation receiving the funds will be required to remit 1/11th of the amount received as GST. The organisation making the payment can claim an input tax credit for the GST paid provided they are also registered for GST. Where both parties are registered for GST, the overall impact of the GST will be nil for both parties.

Contra Sponsorship

Where goods or services are provided in return for a benefit, but without payment changing hands, ie. advertising, this is a contra sponsorship arrangement. Assuming both organisations are registered for GST they are making taxable supplies to one another. Each party will have a GST liability for the supply they have made and an input tax credit entitlement for the acquisition they have made (assuming it is a creditable acquisition). Where the value of the supplies is equal the net amount of GST for the whole transaction is zero. This is because each party makes a taxable supply and a creditable acquisition of the same value - the GST collected and the input tax credit entitlement are the same. Each party would however need to record both the supply and the acquisition.

29. Under what circumstances will memberships be subject to GST? Is there a clear distinction that can be drawn between membership fees and donations?

Generally, membership fees are payments in return for services or rights and will be subject to GST. Membership bestows rights to members even where nothing tangible is supplied.

Gifts are considered under Taxation Ruling IT 2443 which states:

> " that a payment made for consideration, however inadequate, falls outside the concept of a gift for the purposes of paragraph 78 (1) (a)". The example given in the ruling was a "100 pound a plate dinner" where the cost of the dinner was paid out of the proceeds of the subscriptions. It was considered that the dinner represented consideration received by the payer, even though inadequate, and the subscriptions were not allowed as a deductible gift."

Given the view above regarding gifts, memberships would not be treated as gifts.

The commercial activities of charities will be taxable, but the non-commercial supplies by charities will be GST-free. Anything supplied by a charity (if registered for GST) is GST-free if the consideration is less than 50% of the GST inclusive market value or less than 75% of the "cost of supply.

It is open for a charity to demonstrate that their membership fee is less than 50% of the GST inclusive market value or 75% of the cost of the membership rights, and therefore should not have GST added to it, however, the onus of proof would rest with the charity in the event of an ATO investigation or audit.

30. With regard to donations, what is a material benefit? When is there a contractual agreement? How does the grants' ruling affect the treatment of donations by charitable trust foundations?

Material Benefits

The following are not considered to be a material benefit in relation to the making of a donation:

- Listing of donors on a donor board. That is a mere acknowledgment and not advertising.
- The provision of a gift which is directed towards a specific benefit to a person who is not an associate of the donor. For example, "this donation is to be used to provide braille books for children undertaking studies towards the Higher School Certificate".
- The provision of a gift in response to a specific or general appeal for a specified purpose. An example of this is an appeal to help victims of a natural disaster.
- The provision of a mere acknowledgment or items of insubstantial value (for example a lapel pin,) as the result of a gift.
- A thank you lunch or dinner to volunteers working for an organisation where there is no pre-existing agreement that such provision will be made.
- Membership of a donor club whether or not the member has any voting rights, provided the member receives no material benefit. This will be a matter of degree but an example would be a club where the donor receives things like a certificate and an infrequent newsletter or a report upon the progress of projects funded by the donations. The purpose of the newsletter or report is to encourage further donations by the members.

The following are considered to be a material benefit in relation to the making of a donation:

- Membership of a donor club where rights other than voting rights are bestowed on the member. An example is where a health promotion body provides to the member, amongst other things, advice about their symptoms and medication and a quarterly newsletter.
- The recipient of the donation confers an entitlement on the member to discounted prices at functions or events organised and goods or services supplied by it.
- The recipient of the donation confers an entitlement on the member to use its facilities.
- The donee provides advertising (rather than mere acknowledgment) to the member.

31. When is a gift a gift, a donation a donation? For example, how will the sale of small tokens such as pens, ribbons, pins and the like be treated under GST when run by charities registered for GST on allocated days such as daffodil day or red nose day?

Generally, where the item received by the person is equivalent in value to that of a receipt and the intention of the person was to donate money rather than purchase an item the activity would be considered to be a donation and will not give rise to a GST liability.

32. Would a tied donation be GST-free?

The elements of a gift are discussed above. A 'tied' gift will generally have no GST implications provided the payment meets the requirements of a gift discussed earlier. If the recipient of the donation has called for donations for a specific purpose, this will not affect the nature of the payment. Importantly, there must be no material benefit flowing back to the donor.

33. Are preference donations subject to GST?

Where a donor makes a donation and communicates a wish for the monies to be used for a specific purpose, this will not affect the nature of the payment. Provided the donor does not receive a benefit in return, and the recipient is not contractually obliged to spend the monies toward a specific purpose, the payment will constitute a gift. Gifts are not subject to GST.

34. Is GST payable on grants provided by overseas organisations?

The general principles outlined above apply to grants to and from foreign entities. The relevant question is whether the supply for which the grant is received is connected with Australia.

35. What happens where a community service agency sells a motor vehicle 2 years after purchasing it for less than 75% of the consideration the supplier provided (the original market value - will it be GST free despite the fact that the selling price may not be less than 50% of the market value for a similar second hand vehicle ?

Assuming the agency is treated as a charity the supply of the vehicle for less than 75% of the cost to acquire the vehicle will be GST free under s38-250 of the GST Act irrespective of whether the sale price is greater than 50% of the market value for a similar second hand vehicle.

36. A congregation sells a community hall. The hall has been used for charitable activities and has also been hired out at commercial rates. How will the sale of the hall be affected by the introduction of the GST?

The sale of the hall will be subject to the normal rules, as it does not matter how the hall was used prior to its sale. A hall would be a supply and if it met all other relevant tests then it would be treated as a taxable supply.

37. Will the sale of buildings owned by charities and organisations that use them for non-commercial GST-free activities be subject to GST ? Is the sale of a gifted real property GST-free, regardless of changes made to that property or usage of that property ?

The sale of buildings regardless of their prior use is generally a taxable supply. However, there are some exceptions to this principle. If the premises are, or are intended to be used for residential accommodation, the sale will be input taxed, unless the sale constitutes the sale of new residential premises. An example of a new residential sale would be a church that has been turned into a residence and is sold for the first time as a residence. In this instance, the sale would be taxable.

However, if the church had acquired a property as a residential property, any subsequent sale (provided it was still used for residential purposes) would be input taxed.

Sales of gifted real property will not be GST free. Such sales will be treated in the manner described above.

Contacts and support

- The Accounting Services or Finance Department of the Uniting Church Synod in your state.
- Australian Taxation Office : Not-for-profit Info line 1 300 130 248.

  www.ato.gov.au
- Ian Johnston, F.C.P.A., Taxation Advisor, Synod of Victoria and Tasmania.

  Telephone : 03-9251-5200, or e-mail : ian.johnston@vic.uca.org.au

Booklets

Many ATO publications are available from either www.ato.gov.au, or, www.taxreform.ato.gov.au as PDF files for downloading, or can be printed off.

NAT Number and Title

Subject Matter : Australian Business Number (ABN)

- 2939 Application to register for companies and other organisations.
- 2938 Application to register for individuals (sole traders)
- 2955 Cancellation of registration - application
- 2943 Change of registration details application
- 3346 Should your suppliers quote their ABN?... a guide for business

Subject Matter : Electronic Commerce

- 3327 Dealing electronically - registration, cancellation or change of details

ATO information

The Australian Taxation Office previously published a number of A4 sized booklets called "Giftpack," CharityPack," and "ClubPack." At the time of writing this edition of the Treasurers Manual, August 2003, these had just been replaced by the following publications,

- 7966 Tax basics for non-profit organisations
- 7967 Income tax guide for non-profit organisations
- 3132 Giftpack for deductible gift recipients and donors

Copies can be obtained by ringing the ATO distribution centre on 1300 720 092.

Further information (including other industry-related booklets) is available on the above ATO websites or phone the ATO Not-for-Profit Infoline on 1 300 130 248, or Obtain a Fax from the Tax Office on 13 28 60 or write to ATO at PO Box 9935 in your capital city.

Other Industry Booklets

Accommodation and The New Tax System

Arts and Culture and The New Tax System

The Building and Construction Industry and The New Tax System

Business and Professional Services and The New Tax System

Child and Aged Care and The New Tax System

Commercial Fishing and The New Tax System

The Communications Industry and The New Tax System

Cropping and The New Tax System

Dairy Farming and The New Tax System

Federal and State Public Sector and The New Tax System

The Health Industry and The New Tax System

Higher Education and Training and The New Tax System

Horticulture and The New Tax System

Importing and The New Tax System

Insurance and The New Tax System

The Livestock Industry and The New Tax System

Local Government and The New Tax System

Manufacturing and The New Tax System

Mining and Energy and The New Tax System

Property and The New Tax System

Registered Clubs, Pubs and Hotels and The New Tax System

Restaurants, Cafés and Caterers and The New Tax System

Retailing and Wholesaling and The New Tax System

Road Transport and The New Tax System

Schools and The New Tax System

Sport, Recreation and Gaming and The New Tax System

Storage, Hire and Rental and The New Tax System

The Taxi Industry and The New Tax System

The Timber Industry and The New Tax System

Travel and Tourism and The New Tax System

Note: many of these were written pre July 1st, 2000, and therefore the information is fairly basic and generalistic. Readers also need to be aware that in some instances, changes in legal interpretation have occurred as a result of GST rulings etc. issued since these publications were written.

Need more information?

If you would like to find out more about GST and *The New Tax System* and if you do not speak English and need help from the ATO, phone the Translating and Interpreting Service (TIS) on 13 14 50.

A TTY service is available by contacting 1300 130 478.

Australian Taxation Office Audit

The Australian Taxation office have recently advised (July 2003,) that their involvement with the community in relation to Goods and Services Tax, will now move from one of education, to one of checking and compliance. As such, there is now a much higher likelyhood that Churches will receive both queries on their BAS, and also notification from the ATO of their intention to conduct an audit.

Treasurers and others should be aware that the ATO has extremely far reaching powers, however, these are rarely used except when dealing with blatant and large scale taxation avoidance, the average individual and / or entity has nothing to fear from a taxation audit.

In the vast majority of cases, the initial contact scenario for a Congregation will be a phone call from an ATO representative, requesting copies of documents that support the amounts shown on the BAS. In all cases, please satisfy yourself that the person with whom you are speaking is in fact a bona fide taxation office employee before making confidential information available. It is unlikely that someone intent on fraud would contact a Church, however it is possible. If you have any doubt on the persons bona fide's, ask for their **full name**, **a direct line telephone number on which they can be contacted**, the location of the ATO office from which they are calling, and advise you will call them back.

Usually, assuming that all is in order, once the information requested by the ATO, ie. copies of invoices, has been supplied, there will generally be nothing further required. In the event the ATO disagree with your interpretation of how an item should have been treated, they will contact you again to explain their belief, and request that you amend your BAS return. If you require assistance to do this, they will explain how it should be undertaken.

Should the ATO indicate they wish to inspect the Churches records, and request an appointment for an audit visit, if you do not feel comfortable about handling this on your own, you should contact your Synod office **as soon as they receive the request** for a visit. Synod office staff will endeavour to assist by providing advice, support, and if necessary, liasing with the ATO on what is required.

ATO Audit staff will always carry identification, will work from a presumption that you are innocent of any wrong doing, and that if there is an error, that your mistake is genuine, unless they have good reason to believe fraud has been committed.

If you do not agree with the interpretation placed on a particular treatment of an item by the ATO, you do have a right of appeal.

There is a Taxpayers Charter of rights, (NAT 2547,) and copies can be obtained from the ATO. The ATO also have a number of other publications available to assist people in handling queries over their dealings with the ATO. These are available by telephoning the distribution service on 1 300 720 092.

NAT 2549	If you are subject to enquiry or audit
NAT 2550	Your honesty and the tax system
NAT 2549	Treating you fair and reasonably
NAT 2555	Who can help you with your tax affairs
NAT 2556	If you are not satisfied
NAT 2559	Fair use of our access and information gathering powers

Glossary of terms

Account on a cash basis means a parish may account for GST on a cash basis if its turnover is less than $1 million per annum and it has received permission to do so from the Tax Commissioner. Where a parish accounts for GST on a cash basis, its accountable event for sales, is the receipt of payment and, for purchases, the date of payment.

Accrual accounting records transactions as they happen. It may mean that there will be two or more entries recorded, such as when the account for the service was issued, as well as when it was paid.

Acquisition is any form of purchase of goods or services, or the purchase of a right. The only listed exclusion is money, unless provided as consideration for a supply of money itself.

Adjusted input tax credit amount means the total amount of input tax credit for a tax period after any increasing or decreasing adjustments have been made.

Adjustment note is the name given to a document issued by a supplier in order to increase, decrease or cancel the value of a supply as the result of an adjustment event.

Annual turnover does not include sales that are input taxed, where there is no amount paid (unless made to associates), sales that are not made in connection with the business or enterprise, transfers of capital assets and supplies that are not taxable.

Apportionment Input tax credits can be claimed only for those purchases that can be clearly attributable to taxable and GST-free supplies. Where something bought may be used for both taxable and input-taxed supplies, GST credits must be allocated to each supply on an appropriate basis. The reasonable allocation of purchases is defined as 'Apportionment'. For example, a computer may be bought for your parish that is also used for personal accounts. After keeping a log book, it is found that 10% of use of the computer is personal. In this case, only 90% of the GST paid on the computer can be claimed.

Australian Business Number (ABN) is an entity's identification number allocated by the Australian Taxation Office when registered in the Australian Business Register.

Bad debts are debts written off as bad or which are outstanding after 12 months, and which will give rise to an adjustment.

Branches are a component of an organisation's structure. Rather than requiring them to amalgamate their accounting for GST across all divisions or branches every tax period, they are allowed, where they specifically apply to do so, to register their branches separately for GST purposes. The criteria for separate branch registration has regard to whether the branch has an independent system of accounting, and can be separately identified by the nature of its activities, or location.

Business includes any profession, trade, employment, vocation or calling, but does not include occupation as an employee.

Business Activity Statement (BAS) means the single form used to account for GST and some other taxes. A Business Activity Statement (sometimes referred to as an activity statement) must be lodged by a registered entity for each tax period.

Capital expenditure refers to purchases of capital equipment rather than trading stock or business consumables. Such purchases, for GST recovery purposes, are treated the same as trade purchases. That is, the GST incurred on capital expenditure is recoverable in line with the normal rules.

Cash-based accounting is the system where transactions are recorded only when money actually goes in or out, eg. when a parish is paid, or when it pays for goods or services.

Charity is an organisation that undertakes charitable activities. The term 'charitable' has a technical, legal meaning that is different from its everyday meaning. Activities will be charitable if they are to benefit the community, or some section of it, through:

a) the relief of poverty or sickness or the needs of the young or aged
b) the advancement of education
c) the advancement of religion
d) other purposes beneficial to the community.

Commercial residential premises means:

(a) a hotel, motel, inn, hostel or boarding house
(b) premises used to provide accommodation in connection with a school
(c) a caravan park or a camping ground
(d) anything similar to residential premises described in paragraphs (a) to (d).

However, it does not include premises to the extent that they are used to provide accommodation to students in connection with an educational institution that is not a school.

Commissioner means the Commissioner of Taxation.

Company means:

- a body corporate
- any other unincorporated association or body of persons, but does not include a partnership.

Consideration is the name given to the payment for any supply. It doesn't necessarily require the exchange of money, and can include the doing of any act, or not doing any act (ie. refraining from doing something).

Creditable acquisition means taxable goods or services acquired solely or partly for a creditable purpose.

Creditable purpose means the extent to which goods or services are acquired in carrying on an enterprise other than for the purpose of making input-taxed supplies.

Education course (Government approved) means:

- a pre-school course
- a primary course
- a secondary course
- a tertiary course
- a masters or doctoral course
- a special education course
- an adult and community education course
- an English language course for overseas students
- a first aid or life-saving course
- a professional or trade course
- a tertiary residential college course.

Electronic payment means a payment by way of electronic transmission, in an electronic format, approved by the Commissioner.

Enterprise is an activity, or series of activities, done:

- in the form of a business
- in the form of an adventure or concern in the nature of trade
- on a regular or continuous basis, in the form of a lease, licence or other grant of an interest in property
- by the trustee of a fund that is covered by, or by authority or institution that is covered by, Sub-division 39-B of the Income Tax Assessment Act 1997 and to which deductible gifts can be made by a charitable institution, or
- by a trustee of a charitable fund
- by a religious institution

- by the Commonwealth, a State or Territory, or a body corporate, or corporation sole, established for public purpose by or under law of the Commonwealth, a State or Territory.

Entity means any of the following:

- an individual person
- a body corporate
- a corporation sole
- a body politic
- a partnership
- any other unincorporated association or body of persons
- a trust
- a superannuation fund.

Financial supply is defined as dealings with money, such as lending or borrowing. A financial supply is any of the categories listed in Section 40-5 of the GST legislation.

Examples of financial supplies include:

- the creation, keeping or closing of a bank account, dealings with debt securities (such as mortgage or debentures), as well as dealings with shares and other equity interests
- dealings with trusts, futures, options and warrants
- dealings with rights or interest in a superannuation fund, as well as the management of a superannuation fund
- the supply of life insurance.

Financial year means a period of 12 months beginning on 1 July.

Goods means any form of tangible property.

Grouping is a GST mechanism that allows organisations to submit a collective GST return on behalf of several legal entities if the members of the group are from the same 90% owned group. One member is nominated as the 'representative member' who becomes responsible for accounting for output tax on all supplies made by members of the group. The representative member entitled to all the input tax credits in relation to acquisitions made by members of the group from outside the group. The representative member makes a GST return on behalf of the members of the group. There are similar provisions for joint ventures, partnerships and trusts that satisfy requirements specified in the regulations. However, not-for-profit bodies are not subject to the 90% test, providing that all members of the group are not-for-profit bodies, and are all members of the same not-for-profit association, ie. the 'umbrella association'.

GST-exclusive	means GST is not included.
GST-free	(supplies) are those where the supplier does not charge output tax on his or her supplies, but claims an input tax credit on the goods and services used to make those supplies.
GST-inclusive	means GST is included in the price.
GST-inclusive market value	is the market value of the consideration or thing, without any discount for the amount of GST (if any) payable on the supply.
GST joint venture	means two or more companies are participants in a joint venture for the exploration or exploitation of mineral deposits, or for a purpose specified in the regulations. If registration of the GST joint venture is accepted, the joint venture operator is the party responsible in respect of GST matters, and supplies by the joint venture are not taxable supplies.
GST religious group	means a group of two or more entities that belong to the same religious organisation, are both registered for GST, are both exempt from income tax and are not members of any other GST religious group. The benefit of forming a GST religious group is that supplies made by one member to another member of the same GST religious Group are not taxable, each member of the group accounts for GST separately and submits their own BAS and the GST religious group is treated as one entity for the purposes of working out entitlements to input tax credits and adjustments.
GST return	is the approved return that is required to be lodged by registered entities, or entities required to be registered, for the tax period that is applicable to an enterprise for the purpose of accounting for GST.
Increasing adjustment	is an adjustment of GST in the GST return that increases the amount of GST otherwise payable.
Inflows	are the products and services purchased by an organisation.
Input tax	is recoverable GST that has been paid. The majority of the items and services that an enterprise buys will be subject to GST. If an enterprise is registered for GST, it will generally be able to recover the GST incurred on purchases that are for the purposes of the enterprise. The recoverable GST is known as input tax.
Input tax credit	is a credit entitlement or refund for GST paid on the acquisition of the goods or services used to make taxable or GST-free supplies.
Input taxed	means that there is no entitlement to an input tax credit or refund for things that are acquired or imported to make the supply.

Insurance policy is a policy of insurance (or a re-insurance) against loss, damage, injury or risk of any kind, under a contract or a law.

Invoice is a document notifying an obligation to make a payment.

Luxury car means a car where the luxury car tax value exceeds the luxury car tax threshold, which for 2002/3 is a GST-inclusive price of $57,009 or greater.

Margin scheme is a method of GST assessment whereby the GST on a taxable supply of real property, as defined, is $1/11^{th}$ of the 'margin'. The margin for the supply is the amount by which the consideration for the supply exceeds the consideration for the acquisition of the real property in question, or the value of the real property, in specified circumstances.

Member in relation to a GST group, means an entity currently approved by the Tax Commissioner as one of the entities of the group, as previously defined.

Net amount means GST payable for each tax period and is the difference between your GST liability on taxable supplies, and the sum of all input tax credits for creditable acquisitions or creditable importations.

Non-commercial supplies test Supplies that pass the test below will be regarded as non-commercial and be GST-free:

- less than 50% of the GST-inclusive market value of the supply, or
- less than 75% of the cost of the supply.

A special rule applies for accommodation:

- less than 75% of the GST-inclusive market value of the accommodation, or
- less than 75% of the cost of providing the accommodation.

Non-deductible expenses for GST purposes means one of a number of prescribed expenses that are not deductible for the purposes of ITAA 1997, (eg. entertainment) and therefore they are not creditable acquisitions or creditable importations.

Not-for-profit association means an entity, all the members of which are not-for-profit bodies. (Note: The ATO uses the term Non-profit.)

Non-taxable in relation to an importation is an importation which, if it had been a domestic supply, would have been GST-free or input taxed.

Outflows refer to the products and services your organisation is selling or providing.

Output tax is the GST charged on goods and services produced.

Recipient in relation to a supply means the entity to which the supply was made.

Recipient-created tax invoice is a tax invoice belonging to a class of tax invoices that the Tax Commissioner has determined in writing may be issued by the recipient of a supply rather than the supplier. This can only occur in circumstances approved by the Commissioner.

Registration means registered for GST with the Commissioner.

Registration turnover threshold for the enterprise is $50,000 (or $100,000 for not-for-profit bodies).

Supply is deemed to include any form of supply whatsoever. Supply specifically includes the following:

- a supply of goods
- a supply of services
- the provision of advice or information
- a grant, assignment or surrender of real property
- a creation, grant, transfer, assignment or surrender of any right
- a financial supply
- an entry into, or release from, an obligation to do anything
- to refrain from an act
- to tolerate an act or situation

or, any combination of the above.

Taxable supply Means a supply made for consideration by an entity in the course or furtherance of an enterprise carried on by the entity when the supply is connected with Australia.

Tax invoice means a document that is necessary to claim an input tax credit. It must be in the approved form, is usually issued by the supplier, and sets out the Australian Business Number of the supplier and the price of the supply. The regulations can also specify additional requirements.

Tax period means a period in respect of which an entity prepares its GST return, which is either one or three months.

Value of a taxable supply is the price exclusive of GST.

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