

Summary of GST Rules for Churches

The charitable concessions apply to Churches. However, there are also some special GST and PAYG rules specifically for religious institutions to consider. This summary is a helpful introduction in this area.

1. A church need not be registered at all for GST if its income (excluding tithes offerings and other gifts) is less than \$150,000 per annum (\$100,000 up to 30 June 2007). Nevertheless a church may choose to register for GST and claim back the GST on expenses if the GST refunds justify this. Once registered for GST the church must stay registered for at least 12 months.
2. When undertaking a building programme, the Church may choose to lodge its Business Activity Statement monthly (this must be for at least 12 months)
3. When a church is selling anything, GST should be considered. GST is payable unless the sale is "non-commercial" (defined as sold for less than 75% of its cost or for less than 50% of market value), or the sale is "integral to the practice of that religion", e.g. a bible, hymnal, icon - or it could be the cost of a religious retreat for ministers.
4. Tax invoices should be held for all expenditure for which GST is claimed. Where a person is reimbursed for expenditure incurred by them on behalf of the Church supporting invoices and a signed request for reimbursement should be obtained.
5. Small items of expenditure up to \$75 (GST inclusive) (previous to 30 June 2007 \$55) need not be supported by tax invoices for GST purposes. However for audit purposes it is important that all expenses be supported by either invoices and/or a payment declaration form signed by the claimant.
6. There are special rules for payments to visiting speakers and ministers, including special rules for those from overseas under PAYG laws – churches should hold these rules (see PAYG for Ministers) and apply them. If a payment is made to the Church from which a minister comes then normal documentation rules apply however within most denominations the Special Religious Group rule applies (see 8 below). This is a complex area and is subject to special rules regarding withholding of taxes. It is often easier for the payment to be made to an entity on behalf of the clergy if the amount exceeds \$75. If GST is not applicable then a "Statement from Supplier" will be needed for substantiation purposes.
7. GST is not payable on donations made or received, as these are not acquisitions. These amounts therefore should not be included anywhere in the BAS at all.
8. Transactions within many denominations are covered by a "Special Religious Group" and accordingly there will normally be no GST charged on such transactions. You should check with your State administrator to clarify if this applies.
9. Loan payments are not required to be included as expenditure in the BAS and will have no GST included. However lease payments are expenditure and, as

from July 2005, will normally have GST included. The GST on goods purchased with the loan can normally be claimed at the time of purchase, - except for hire purchase where the BAS is prepared on a "cash" basis.

10. GST attributable to expenditure on the manse/rectory areas in which clergy live will not normally be able to be claimed, as this is residential accommodation. There are some exceptions but the reason for claiming should be documented.
11. There are special rules for fundraising events. If you cannot obtain the appropriate tax invoices for expenditure on fundraising events (fetes etc) then the church is permitted to isolate the event and not claim or pay GST related to that event. The decision to treat the activity as a special fund-raiser should be minuted.
12. Churches can isolate activity areas from the record keeping of GST by minuting an activity as being a GST sub-entity. The activity would normally have income less than \$150,000 and the church must be able to produce accounting for that activity separately. This would be particularly suitable for many seniors', youth or children's activities. Transactions of GST sub-entities are not to be included on the Church's BAS. There will also be some instances where it will be appropriate for such a GST sub-entity to be separately registered for GST, where it can still be a part of the same GST Religious Group, but needs its own separate ABN.
13. There will be situations where GST may be claimed on expenditure for church and youth camps under a heading of "spiritual retreats", while the income for such retreats often need not be charged GST. It must be an activity which is predominantly "integral to the practice of that religion" See 3 above.
14. GST attributable to expenditure on Christian education and worship services may be claimed, while tithes and offerings are not subject to GST. This is subject to the "integral" rule at 3 above also.

September 2007