

Add Ministry Inc.

Understanding GST

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What is GST?

- Goods and services tax is a broad-based tax of 10% on the sale of most goods and services consumed in Australia since July 2000.
- Transaction-based tax, not organisation-based tax.

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Basic GST Terminology

Business = Enterprise/Entity
Sales/Services = Supplies
Purchases = Acquisitions
Fixed Assets = Capital Acquisitions
GST Credit = Input Tax Credit

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Must apply GST to supplies unless one of the following DON'T apply;

- **S**upply of goods or service where
- **C**onsideration is paid to a
- **R**egistered entity in the 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

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The Tax Fraction

GST exclusive price = \$10 (10/11th)
Plus GST 10% = \$1 (1/11th)
GST inclusive price = \$11

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Simple GST

	Gross	GST	Net
Sales/Supplies	1,100	100	1,000
Purchases/ Acquisitions	660	60	600
Net Income	440	40	400
	(i)	(ii)	(iii)

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- (i) Appears in your banking records
- (ii) Net \$40 paid to Tax Office
- (iii) Appears in income statement/profit & loss

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What's different for my church?

	Gross	GST	Net
Sales/Supplies	1,100*	400	1,100*
Purchases/ Acquisitions	660	60	600
Net Income	440	(60)	500
	(i)	(ii)	(iii) ^o

* If market place can support sale at \$1,100 compared with other registered providers

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Cash v Accruals Basis

GST paid to Tax office –

- Cash - income received & payments made.
- Accruals - income earned & expenses incurred.
- Cash basis easier for cash flow.
- No turnover threshold restrictions. ¹⁰

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Registering for GST

- NFP organisations if > \$150,000 GST turnover.
- Voluntary if < \$150,000 GST turnover.
- May be beneficial to register even if below \$150k to take advantage of GST refund on packaged salary benefits. ¹¹

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GST turnover calculated as annual gross turnover, **excluding**:

- GST itself (i.e. income net of GST).
- Input taxed supplies (incl. fundraising income).
- Supplies not connected with Australia.
- Donations received (no consideration for supply). ¹²

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What if my GST Turnover is near \$150,000?

- Income of current month + past 11 months AND income of current month + forecast of next 11 months.
- If income > \$150,000, registration must occur within 21 days.

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What does GST registration mean?

- Organisation pays all GST from sales to ATO.
- Can claim GST credits for GST included in purchases.
- Must complete Business Activity Statement monthly, quarterly or annually to report GST (same form as used if already employing).

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GST – Free Sales

- Basic food items.
- Most education, child care, health services.
- Most exports.
- Religious services **IF** supplied by religious institution and integral to practice of that religion.

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GST – Free sales – cont.

- Non-commercial activities (GST concession for charities).
- Income from raffles & bingo (GST concession for charities).
- Sales of donated second-hand goods (GST concession for charities).

Organisation can claim GST credits on purchases supporting this income.

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Input Taxed Sales

This is a supply that the seller cannot charge GST on and also cannot claim any GST incurred in relation to that **supply**

- Sale of residential property (unless new).
- Rental of residential property.
- Financial transactions (providing a loan, interest received).
- Income from fund-raising events (GST concession for charities).

No GST credit claim in purchases supporting this income.

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Gifts & Donations Received

Gifts to NFP entity NOT subject to GST. Gift means: -

- Must be voluntary.
- Donor cannot receive material benefit.

Often confusion in this area.

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Grants & Sponsorships Received

- MAY pay GST on grant if supply of service tied to that funding, (e.g. provision of financial counselling).
- IF sponsor receives benefit, then GST payable on sponsorship.

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You are not registered for GST?

	Gross	GST	Net
Sales/Supplies	1,000	-	1,000
Purchases/Acquisitions			
	660	-	660
Net Income	340	-	340
	(i)	(ii)	(iii)

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Not registered for GST – cont.

- (i) Appears in bank records.
 - (ii) Nil paid to Tax Office.
 - (iii) Appears in Profit & Loss Account.
- Result – entity \$60 worse off by not being registered – but clients (supposedly) pay \$100 less for same goods or services.

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GST Branches

- Entity operating through branch structure, each registered separately for GST.
- Each branch liable for GST on sales and entitled to GST credits on purchases.
- Transactions between branch and parent entity subject to GST.

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GST Religious Groups

- NFP organisations that are tax-exempt charities can form GST religious group.
- No GST payable/no credits between group members.
- Registration for GST still required individually and individual BAS required for transactions external to group.

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GST Groups

- NFP entities members of same NFP association can form GST Group. Treated as single entity for GST purposes.
- No GST payable nor credits claimable on inter-group transactions.
- One group representative for GST for whole group. BUT each group member individually registered for GST.

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NFP Sub-entities

Main organisation registered for GST.

- Sub-entity separate for GST only – PAYG, FBT and income tax (if applicable) not affected.
- Maintain independent accounting and be separately identifiable. Minute to record decision.
- If turnover > \$150,000 – must register separately.

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Non-commercial Activities

Commercial activities taxable BUT non-commercial can be GST-free IF amount charged is:

< 50% GST incl. market value

OR

< 75% costs incurred in supply of service.

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Supply of Commercial Premises

Sale is GST –free IF amount charged is:

- < 75% GST incl. market value OR
- < 75% costs of providing accommodation.

Calculations used to determine non-commercial activities should be recorded with evidence of market valuations.

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GST Concessions for Charities

- Fund-raising events Input taxed
- Religious Services GST-free
- Non-commercial activities GST-free
- Income – raffles/bingo GST-free
- Sale of donated second-hand goods
 GST-free

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GST concessions – cont.

- GST credits claimable on reimbursements to volunteers.
- Accounting for GST on cash basis (regardless of turnover).
- GST religious groups.
- NFP sub-entities.

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Single Touch Payroll

- All-in-one reporting method to Australian Taxation Office for employee payroll and superannuation obligations.
- Obligatory from 1 July 2019.
- No exemption based on size – even with sole employee.
- Requires use of accounting software or App – no manual procedures.

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Single Touch Payroll – cont.

- Low cost options (\$10 per month) available.
- Replaces employee PAYG summaries (aka group certificates) and Employer Payment Summary Annual Report previously sent annually to the ATO.
- Superannuation funds required to report to ATO when contributions received.

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Thank You



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