

# Add Ministry Inc.

## Understanding GST

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Ross Brough  
Principal  
Argon Business Partners  
7 King William Street  
BAYSWATER WA  
08 9271 1866  
[ross.brough@argonbp.com.au](mailto:ross.brough@argonbp.com.au)



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# Today's Outline

- GST Basics
- Registration
- Branches/Religious Groups/Sub-entities
- GST Concessions

# 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.

# GST Terminology

Business	=	Enterprise/Entity
Sales/Services	=	Supplies
Purchases	=	Acquisitions
Fixed Assets	=	Capital Acquisitions
GST Credit	=	Input Tax Credit
Input-Taxed	=	Sales doesn't include GST, no GST claim on inputs

# Must apply GST to supplies/sales 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

# The Tax Fraction

GST exclusive price = \$10 ( $10/11^{\text{th}}$ )

Plus GST 10% = \$1 ( $1/11^{\text{th}}$ )

GST inclusive price = \$11

# 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)



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

# What's different for my church?

	Gross	GST	Net
Sales/Supplies	1,100*	<del>400</del>	1,100*
Purchases/ Acquisitions	660	60	600
Net Income	440	(60)	500

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

(i)

(ii)

(iii)<sub>0</sub>

# Cash v Accruals Basis

GST paid to Tax office –

- Cash - income received & payments made.  
((\$10m turnover threshold))
- Accruals - income earned & expenses incurred.
- Cash basis easier for cash flow.
- No turnover threshold restrictions for endorsed charities.

# 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 refunds.

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).

# 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.

# 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.

# GST – Free Sales

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



## **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.

# 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.

# 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.

# 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.

# You're not registered for GST?

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

## **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.

# 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.

# **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.



# 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.

# 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.

# 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.

# 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.

# **GST Concessions for Charities**

- Gifts, no material benefit      GST-free
- Fund-raising events              Input taxed
- Religious Services                GST-free
- Non-commercial activities      GST-free
- Raffles/bingo                      GST-free
- Sale of donated second-hand goods  
   GST-free

# **GST Concessions for Charities – cont.**

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

# Thank You

