Chatswood High School
PARENTS & CITIZENS ASSOCIATION

GST MANUAL

Contents

1. GST AND CHS P&C

1.1. Why is Chatswood P&C Registered for GST?

Not-for-profit (NFP) organisations such as CHSP&C must register for goods and services tax (GST) if their GST turnover is $150,000 or more and can choose to register if their GST turnover is lower.

Turnover represents gross income, excluding any GST included in sales, input taxed sales, sales not connected with an enterprise that your organisation carries on and sales not connected with Australia.

CHS P&C has revenue which places it above the $150,000 threshold and is therefore registered for GST. The GST registration can be reviewed annual to confirm that registration is still required.

1.2. What things do we need to charge GST on?

Once registered for GST the P&C must work out which of its sales are taxable. Those are the things that the P&C must charge GST on.

According to the legislation a **"supply"** is (GST) "**taxable**" if-

- it includes a supply of goods or services (including the supply of "goods in kind" or a barter arrangement),
- the provision of advice or information,
- the creation, grant, transfer, assignment or surrender of any right,
- the entry into, or release from, an obligation to do anything,
- it is for consideration,
- it is the course of furthering an enterprise,
- it is connected with Australia, and
- it is conducted by a registered person.

unless it is a supply which is

GST-free - that is, the rate of GST is 0% although the GST credit is claimable by the Supplier, or

Input taxed - that is, GST is not charged to the recipient of a "supply" and the GST credit is not claimable by the Supplier.

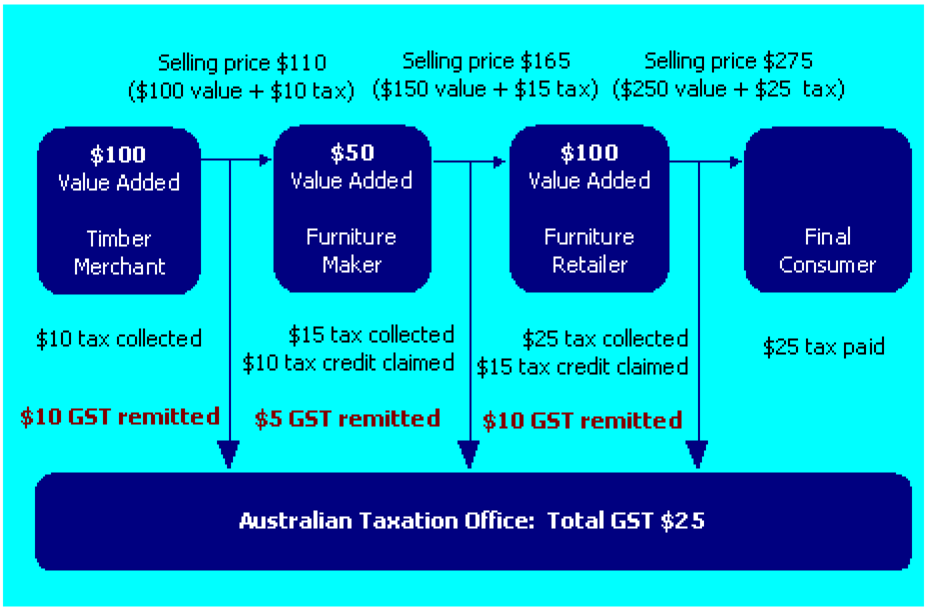
Type of Supply	Charge GST? (On Sales)	Claim Input Tax Credit (ie GST Paid on Purchases)
Taxable Supplies	Yes at 10%	Yes
GST-free supplies	0% rate	Yes
Input Tax Supplies	No	No

As a consequence, CHS P&C:

- pays GST for most goods and services it acquires;
- will be required to charge GST and pay it to the ATO on applicable taxable goods or services; and
- has an obligation to adhere to the GST legislation.

1.3. How does charging GST and claiming back GST on purchases (input tax credits) work?

The diagram below shows how GST is charged and claimed back on each stage of the sales process:



It is the final customer – you and me- who pays the GST on the products. As the product moves along the supply chain businesses collect GST and remit it to the ATO and claim back any GST that they have incurred.

1.4.Documentation required when charging or claiming GST

When a business charges GST on its goods and services it must provide a tax invoice which shows how much GST it charged within 28 days of a request for a tax invoice from the customer. Usually businesses provide tax invoices as their sales documentation, so customers do not usually need to request one.

Business **MUST** hold a valid tax invoice to be able to claim back GST. The invoice must be held at the time that the business submits it business activity statement to claim back the GST it has incurred.

As only those businesses that are able to claim back GST are likely to request a tax invoice there will be little need to generate a tax invoice for many of P&C's customers eg students and parents. It is, however, good practice to set up systems to provide tax invoices even where this is the case especially for high volume items such as the uniform shop. It is also good to provide this information for transparency purposes. Note that if a tax invoice is not provided eg for locker hire, this does not mean that GST is not accountable to the ATO for GST the item.

1.5.Tax invoices

All ABN registered businesses with GST registration must issue a tax invoice when charging GST. Electronic version (eg, a faxed or pdf version) of tax invoice is acceptable to claim input tax credits. The legislative reference is s.29-70 of the relevant GST Act, confirmed by GSTR ruling 2000/17, paragraph 24.

The tax invoice requirements depend upon the value if the invoice as follows:

Requirements	**Invoice (less than $1,000)**	**Tax Invoice ($1,000+)**
"Tax Invoice" stated prominently	X	X
Date of issue	X	X
Name of supplier	X	X
ABN of supplier	X	X

Requirements	**Invoice (less than $1,000)**	**Tax Invoice ($1,000+)**
Name of recipient	-	X
Address or ABN of recipient	-	X
Brief description of each thing supplied	X	X
For each description - the quantity of the goods or the extent of the services supplied	-	X
The GST inclusive price of the taxable supply (GST is usually separately itemised)	-	X
If GST is 1/11th of the total price either:(a) a statement like "the total price includes GST" or(b) the total amount of GST	X	X

1.6.Purchasing from someone who does not have an ABN

Contractors who are not ABN registered may be subject to deduction of tax from payments via the "Pay As You Go" system. Therefore if an invoice is received from a third party and no ABN is included, seek help from the Treasurer or Bookkeeper to determine how the payment to he third party should be treated.

1.7.GST compliance and record keeping

For the P&C to be able to claim back GST an original "Tax Invoice" is required for transactions involving a price (GST exclusive) of $75 or more ($82.50 or more GST inclusive).

For acquisitions less than $75 (GST exclusive), a receipt or docket is acceptable to claim back an input tax credit.

As the P&C is registered for GST it must be ready to issue a "Tax Invoice" for all taxable supplies it makes.

2. CHS P&C TRANSACTIONS

A summary of the treatment of CHS P&C transactions is set out below. Refer to additional details for more information.

CHS P&C Transaction	GST Treatment	Refer
Gifts and voluntary donations	Not subject to GST	3
Uniforms- new	GST charged- and GST can be claimed on purchases	4
Uniforms- second hand	GST free	4
Canteen	Input taxed- no GST on sales and no GST claimed back on purchases	5
Locker hire	Subject to GST	6
Donations to school	Specific process to be followed per P&C Federation- refer notes below	7
Fund raising	Specific rules apply	8
Grants	Depends on whether something is supplied in return- read detailed notes below	9
Membership fees	Subject to GST	

3. GIFTS AND VOLUNTARY DONATIONS TO P&C

A gift to a not for profit organisation is not consideration for a sale and therefore no GST applies. This means that gifts to the building fund and gifts to the P&C are not subject to GST.

4. UNIFORM SHOP TRANSACTIONS

Although the uniform shop is an important source of fund raising for CHS P&C it is not treated as fund raising by the GST legislation. It is instead treated as a commercial activity. It is therefore necessary to comply with GST legislation for the uniform shop.

This means that:

- GST at 10% must be included in the price of all new uniform shop items;
- Donated second hand goods are sold as GST free ie 0% GST in the price; and

- GST can be claimed back on all invoices relating to the uniform shop where those invoices have GST in the price. (This will usually be all uniform suppliers).

The uniform shop will also be required to provide tax invoices within 28 days where these are requested.

5. CANTEEN TRANSACTIONS

GST rules relating to food can be complex with some foods subject to GST (including hot foods and confectionary and foods prepared to be eaten off the premises) and other foods not subject to GST. (bottled water, fruit). Many schools have a canteen.

There are therefore special concessional GST rules that relate to school tuck shops. These allow a not for profit organisation to sell food through a tuck shop or canteen at a primary or secondary school and treat the sales as **input taxed**.

CHS P&C treats all canteen purchase and sales as input taxed. This means that:

- The canteen **DOES NOT** charge GST on any of the meals, snacks, drinks or other foods and goods that it sells; and
- It **DOES NOT** claim back any of the GST on the purchases that it makes to run the canteen. The gross amount of all purchases (ie the full amount of all purchases including any GST) are treated as an expense of the canteen.

6. LOCKER HIRE AND REPLACEMENT PADLOCKS

There are no special rules or exemptions for locker hire and $1/11^{th}$ of all amounts raised must be paid to the ATO as GST. If replacement padlocks are purchased the GST on those padlocks can be reclaimed.

7. DONATIONS TO THE SCHOOL

The objective of the P&C is to advance the best interests of the school and its students. There may therefore be instances where the school requests funding for purchase of services or equipment. Those items may have GST included in the price.

The approach to be followed is that set out in the NSW Federation Guide For Treasurers which has been copied below (in italics):

When the P&C Association makes a donation to the school – for the purchase of equipment, resources or materials – the P&C Association is free to specify the items it wishes to supply or indicate that it is making a donation for the purchase of a specified item. This will be regarded as a gift, rather than a “conditional donation”. To purchase equipment and resources for the school, the P&C

Association should ask the school to order the goods and make a donation for the cost less GST and ensure that supporting documentation of proof of purchase is provided by the school.

8. FUND RAISING

Bingo and Raffles

Tickets to raffles and bingo sold by an endorsed charity such as CHS P&C are GST-free provided the holding of the raffle or bingo event does not contravene a state or territory law.

Other Fundraising Events

An endorsed charity may choose to treat all sales it makes in connection with certain fundraising events as input taxed

The following is an extract from the ATO web site:

Fundraising events

A registered charity, gift deductible entity (see note 2) or government school may choose to treat certain fundraising events as input taxed.

If an organisation chooses to treat a fundraising event as an input taxed fundraising event, it will have to treat all sales it makes in connection with the event as input taxed. The choice must be made before any sales take place.

The organisation will not be entitled to claim GST credits for any purchases for the event and it will not be required to charge GST on the sales it makes. The organisation will not be entitled to claim GST credits regardless of whether the supply would have been GST-free had it not made the election.

Proceeds from input taxed fundraising events do not form part of an organisation's GST turnover. Therefore, if an organisation chooses to treat all sales in connection with certain fundraising events as input taxed, it does not need to register for GST provided its GST turnover is less than $150,000.

The following fundraising events may be treated as input taxed:

- a fete, ball, gala show, dinner, performance or similar event – a similar event may include a charity auction, a cake stall, wine tasting or fashion parade
- an event where all goods are sold for $20 or less, but
  - the event cannot involve the sale of alcohol or tobacco
  - the selling of the goods must not be a normal part of the supplier's business, for example, a charity holds an annual flower day where it sells flowers for $2 each and the charity is not in the business of selling flowers

- an event that has been approved by us as a fundraising event. If a fundraising event is not one of the types listed above (for example, a golf day, car rally or an art show), the organisation can write to us and ask for approval to treat the event as an input taxed fundraising event. We will grant approval only if:
  - the event is held for the purpose of fundraising
  - the organisation is not in the business of conducting such events, and
  - the proceeds from the event are for the direct benefit of the organisation's charitable or NFP purposes.

9. GRANTS AND OTHER FUNDING

In general, 'grant' is usually used to describe a one-off provision of money, whereas funding describes a longer-term agreement. Organisations that give out grants or funding to community organisations (grant-makers) include:

- government bodies or statutory authorities (federal, state or local government)
- philanthropic or other grant-making organisations, and
- corporate bodies (that is, businesses).

It is common for grants to have a series of conditions attached to them. If they have, the conditions form a contract with the grant-maker. The grant conditions will be the terms of that contract and the P&C will be under a legal obligation to comply with them.

These conditions may involve things like:

- how the P&C is to receive and spend the grant money
- how often the P&C must report to the grant-making organisation
- what kind of information the P&C must provide to the grant-making organisation in its reports

GST legislation specifically includes grants. Where a grant is received and the P&C provides consideration to the grantor eg by entering into a binding agreement to provide something of value such as services or whether the grantor receives a material benefit then the grant may be liable for GST and pay 1/11th of the grant to the ATO.

The following is extracted from a **philanthropy.org.au guide** prepared by Alice Macdougal of **Herbert Smith Freehills:**

When are grants not subject to GST?

There will be no GST consequences of a grant where:

(a) the grant recipient is not registered for GST (and is not required to be); or

(b) the grant is unconditional; or

(c) the grant is only subject to conditions which are considered to be peripheral to the real purpose of the grant (ie to fund a charity or to fund a charitable project), such as these common grant conditions: (1) that the grant must be used for the specified purpose of the grant; (2) the date for completion of the project; (3) acknowledgement of the grant maker's contribution in relation to the use of the grant; (4) a report on the use of the grant; (5) requirement to repay any unused amounts or seek permission from the grant maker to apply the funds for another purpose; (6) separate management accounts for the grant.

It is possible to have further conditions without there being GST payable by the grant recipient. The key is to consider the true character of the transaction.

Further advice should be obtained and possibly a private ruling requested from the ATO to be certain as to the GST consequences, where the grant agreement requires the grant recipient to provide more than the supplies considered peripheral to the grant, noted in paragraph (c) above1.

2 When are grants subject to GST?

Grants are subject to GST where the grant recipient will be making a supply to the grant maker which is more than peripheral to the payment of the grant such that the grant is consideration for those supplies.

Where any additional supplies/conditions to those listed above are to be provided in the grant agreement, then the grant maker and the grant recipient need to review the supplies being made and whether the grant is payment for or in connection with the supplies such that is consideration for the supplies.

Examples of conditions which may make the grant subject to GST include:

(a) a requirement for the Charity to advertise or promote the grant maker as directed by the grant maker or in a way which will be a significant requirement to the grant recipient, such as in a sponsorship arrangement;

(b) the obligation to provide intellectual property rights in the reports or methodology to the grant maker, which enables the grant maker to take commercial exploitation of any IP generated from the grant.

Where a grant is subject to GST, the grant recipient needs to pay the GST.

When the grant maker requires the grant to be on conditions which make it subject to GST, it is customary for the grant maker to gross up the amount of the grant to include the amount of GST (if not already factored into the grant amount). This is to ensure the grant recipient is not 'out of pocket' for the GST amount.

The grant maker may then require the grant recipient to provide it with a tax invoice which may enable the grant maker to claim the input tax credit in respect of the GST, where the grant maker is also registered for GST.

3 How far can the conditions go?

3.1 Specifying the use of the funds

The following will not make the grant subject to GST:

(a) stating the grant is for the purposes or project as set out in an application;

(b) requiring the grant recipient to meet a time-line or a date for completion;

(c) requiring the grant recipient to maintain separate management accounts or records on the application of the grant.

The grant may be subject to GST if the grant agreement is really an agreement for the charity to carry out a project as directed or required by the Foundation – ie the agreement is not a grant agreement but more like a service agreement and the grant is more like a payment for services or supplies.

3.2 Requiring a report

The following will not make the grant subject to GST, requiring:

(a) a report on how the grant recipient has spent the money;

(b) copies of management accounts;

(c) a report on the project and its outcomes.

The grant will be subject to GST if:

(a) the obligation goes further than just accounting for the grant and requires the grant recipient to provide information which is of a material benefit to the grant maker, such as the research results which are relevant to the grant maker's business; or

(b) the purpose of the grant is for the supply of information to the grant maker, then the grant recipient is entering into an obligation to provide specific material information in connection with the grant (and not merely incidental reporting on the use of the grant).

3.3 Acknowledgement of the grant maker

The following will not make the grant subject to GST:

(a) requiring the grant recipient to thank the grant maker;

(b) requiring acknowledgment or public recognition of the grant;

(c) requiring recognition of the assistance from the grant maker in publicity material or on displays.

The grant will be subject to GST if:

(a) detailed requirements are made by the grant maker in relation to acknowledgement so it is similar to sponsorship;

(b) the grant maker controls the way and the quantity in which it is to be publicly recognised;

(c) substantial expenditure is required by the grant recipient to provide the recognition of the grant maker; or

(d) the requirement for acknowledgement amounts to advertising.

If the grant recipient is making a 'supply' to the grant maker in connection with or in response to the grant which is more than peripheral to the grant (see above), the grant recipient will need to pay GST.

10. OTHER TRANSACTIONS

Membership fees- are subject to GST

Bank fees- are input taxed, so no GST can be claimed\

Wages- are not subject to GST

11. OTHER GST CONCESSIONS

Other concessions for charities to be aware of are:

Non-commercial activities – where an eligible entity makes sales and the payment it receives in return for the things it sold is less than a certain amount, the sales are GST-free.

Accounting on a cash basis – an eligible entity may choose to account on a cash basis regardless of its GST turnover.

Reimbursement of volunteer expenses – an eligible entity can claim GST credits for reimbursements made to volunteers for expenses the volunteer incurs that are directly related to their activities as a volunteer of the entity.

Gifts and GST credit adjustments – adjustments of GST credits are not required when an item acquired by a business is subsequently gifted to an eligible NFP entity.

Non-profit sub-entities – an eligible entity may conduct some of its activities through a non-profit sub-entity, subject to certain exceptions. This could be used to extend fund raising benefits for example.

Version Control

Version 1 October 2016