

GST – UPDATE PAPER 2008¹

Registration

The registration thresholds of \$100,000 per annum for non-profit making entities and \$50,000 for profit-making entities were increased to \$150,000 and \$75,000 respectively on 1 July 2007.

Accounting systems, record keeping and withholding

For completeness, the information under this section needs to be augmented with the following:

Record keeping

Good records help you manage your GST affairs and make sound decisions. Some of the basic records you may need to maintain are:

- cash book records of daily receipts and payments
- GST tax invoices² and income tax records, such as debtors and creditors lists, stocktake records and where applicable motor vehicle expenses
- records of payments withheld from suppliers who do not quote an ABN (see below), and
- bank reconciliation statements.

Using an electronic record keeping system may save you further time and effort. A free electronic record keeping package, e-Record is available from the Australian Tax Office.

Withholding in business transactions

When your organisation acquires any goods or services, make sure your supplier quotes their ABN to you before you make any payment to them. Most suppliers quote their ABN on their invoice, and you need to keep this invoice in your business records. A supplier may also quote their ABN to you on another document as long as it relates to the supply they are making eg on quotes; renewals, order forms, contracts or leases, catalogue produced by the supplier. If they do not quote their ABN, the general rule is that the payer must withhold 46.5% from their payment and send the withheld amount to the Australian Tax Office.

Some payments are excluded from this withholding rule. These include:

- the total payment to the supplier is \$75 or less, excluding any GST
- the supplier is an individual under 18 years of age, is not your employee, and the payments you make to that person do not exceed \$120 per week, or

¹ This paper has been prepared by the Finance Committee of the ABF primarily to update the information in the original 1999 paper prepared by KPMG Consulting. It does not replace the original paper and should be read in conjunction with that paper. It provides basic information and readers rely on its contents on their own risk. More detailed information is available at http://www.ato.gov.au/content/downloads/NAT7966_05_2007.pdf and http://www.ato.gov.au/content/downloads/NPO_00106955_n7966ADD.pdf

² The required details for GST Tax Invoices are presented at Appendix C of the original GST Briefing Paper. More information can be downloaded from <http://www.ato.gov.au/content/downloads/n12358092007.pdf>

- the supply is wholly input taxed under GST. This includes most financial supplies, supplies of residential rent, residential premises and some precious metals, and food supplies by school tuckshops and canteens that have chosen to be input taxed.

Also, your organisation should not withhold if it is satisfied that:

- the supply is made in the supplier's private capacity, or as their hobby
- the payment is exempt income for the supplier (for example, the supplier is an income tax exempt charity)
- the payment is to a non-resident who is not carrying on an enterprise in Australia or through an agent in Australia, or
- the supplier is not an enterprise because they have no reasonable expectation of profit or gain.

Bridge Club income streams

One **addition** to the various categories of income is presented below:

Grants or sponsorship

Often organisations secure funding from government bodies, foundations and private purpose funds. Under a sponsorship arrangement, when an organisation undertakes a fundraising activity it often receives support in the form of money.

Impact of GST

If your organisation is registered (or required to be registered) for GST, it may have to pay GST on the grant funding payment it receives if it makes a supply in return for that funding. The organisation is not required to pay GST on a funding payment if it does not make a supply in return for the grant funding. Clubs or other entities registered for GST will need to consider carefully the conditions attached to any grant funding and whether it requires certain performance that could be considered a supply – an obligation to repay the grant or part thereof if performance conditions are not fulfilled is one important test.

Under a sponsorship arrangement, when an organisation undertakes a fundraising activity it often receives support in the form of money. In return, it may provide such things as advertising, signage or naming rights or some other type of benefit or value. This means that the sponsor receives something of value in return for the sponsorship, so the sponsorship payment is not a gift. If the organisation is registered for GST, it has to pay GST on the sponsorship it receives.

Further information is available at <http://www.ato.gov.au/content/downloads/NPO56536.pdf>