



# **GST** *Action Planning*

SEMINAR SERIES AND SUPPORT

EDUCATIONAL BODIES  
COURSE THREE:  
QUESTIONS AND ANSWERS

COURSE WORKBOOK

3

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This material is provided under the Commonwealth's GST Start-Up Assistance Programme, and is designed to provide general information on the GST and on business skills, practices and processes necessary to operate with the GST, focused on small and medium enterprises and the community and education sectors. Because business circumstances can vary greatly, the material is not designed to provide specific GST or business advice for particular circumstances. Also, because aspects of the GST are complex and detailed, the material is not designed to comprehensively cover all aspects of the GST as it applies small and medium enterprises and the community and education sectors. Further, the laws implementing GST, and rulings and decisions under those laws, may change.

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- As appropriate, seek your own professional advice relevant to that particular matter.

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## Objective of this course

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The objective of this course is to clarify some issues that have arisen for educational bodies regarding to the introduction of GST.

This has been done by

- Identifying questions that have been asked by staff of educational bodies.
- Providing answers to these questions in a way that will assist the attendees appreciate the impact of GST on their organisation.

# Introduction

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The introduction of the Goods and Services Tax on 1 July 2000 represents a major change to the Australian Tax System.

The introduction of any change that impacts on the conduct of an educational body is often an area of concern for those organisations. The introduction of GST is no exception. Many educational bodies are very concerned about how the introduction of GST will affect them and their operations.

In many respects those concerns are without foundation. The introduction of GST should not cause problems for a well-managed educational body. However many valid questions have been raised that need an answer. In this course we have attempted to address some of these. We do however stress that the ATO or your professional adviser are the most appropriate source of advice on GST.

This course is the final of a series of three.

- This introductory course discussed the basic principles of GST. It introduced GST terms and their implications in managing the GST process. It also considers GST registration options.
- The second course discussed GST systems. It was intended to assist educational bodies put in place simple systems to make the management of GST a relatively straightforward process.
- Now with course three we look at GST management issues. It is designed to assist educational bodies with decision making in the GST environment. The format is in question and answers to cover many basic issues that have been raised

This course material has been written in the knowledge that it is being made available to peak bodies who wish to provide GST material and GST training for their members.

The material may also be used by individuals and groups in the education sector who have a need for training material to assist them, and others, get an understanding of issues associated with the introduction of GST.

In making this material available for use, the authors are conscious that many of the GST terms used, and their particular meanings in a GST context are very important.

The material in this course will from time to time be updated as new questions are asked. Please check the site from time to time to check for these further developments.

We trust you find the course useful.

# Question One

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## Should we register for GST?

### QUESTION ONE

We are a small educational body and the total amount we receive for all the goods and services that we supply is under the registration threshold of \$100,000.

Is there any benefit for us if we register for GST?

### ANSWER

In general, yes, but it will depend on what type of educational body you are.

The General Rule

Most approved educational bodies, including those that provide pre-school, primary, and tertiary education, will benefit by registering for GST.

A very important factor is that the government will be grossing up grants to include GST. In this context only very few educational bodies will have grants of less than \$100,000 per annum. In this event registration will be mandatory. In addition you may find that many businesses will not deal with an unregistered enterprise.

Educational bodies will not be required to charge GST on many of the supplies they provide as they will be GST-free supplies provided as part of an approved educational curriculum. They will however, have GST included in most of the grants they receive and this must be paid over to the ATO.

Educational bodies will pay GST on the goods and services they buy for the purpose of making those supplies. Only an educational body that is registered for GST is entitled to claim back, from the ATO, the GST it pays to its suppliers. These are called GST 'input tax credits'. If the organisation is not registered the GST that the organisation has been charged by its suppliers is an added cost to the organisation.

The amount of GST input tax credits that educational institutions will be entitled to claim back will usually be more than the amount of GST that they have charged their customers (apart from the GST on grants).

As a final point it is worth noting that government grants will be included in your 'turnover' figures and therefore only relatively small organisations would have a turnover under the threshold.

# Question Two

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## Monthly or Quarterly

### QUESTION 2

As an educational body, should we choose to lodge our Business Activity Statement monthly, or quarterly?

### ANSWER

It depends on the particular circumstances of each organisation.

#### General Rule

Educational bodies have the option to file monthly or quarterly returns provided they have a balance date on 30 June in each year.

Some non profit organisations will find that quarterly returns are the better option.

There are good reasons for choosing quarterly periods in certain circumstances.

The main reason would be where GST payable to the ATO in respect of GST included in taxable supplies provided by you exceeds input tax credits due from the ATO i.e. you would be making a payment to the ATO.

The net amount due to the ATO will have accumulated over a period of three months, with a further three weeks at the end, before the payment is physically made. This enables you to invest the relevant amounts in an appropriate way to maximise the cash flow benefit derived.

Compliance costs are usually lower as the figures are accumulated and returned quarterly instead of monthly.

Circumstances where this will apply include:

- You provide taxable supplies by way of the sale of goods and the provision of services which are neither GST-free supplies nor input taxed supplies and these GST supplies made by you are greater than your creditable acquisitions.
- You receive a large part of your funding by way of government grants, most of which are likely to be subject to GST. The recipient is the one providing the relevant services or information, in return for which it receives payment from the grantor.

## Question Three

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### Cash Basis

#### QUESTION 3

We understand that the cash basis of accounting for GST is easier  
Can educational institutions register on a cash basis?

#### ANSWER

Yes, if the organisation qualifies.

##### General Rule

The general rule is that an enterprise may use a cash basis only if its annual turnover is \$1 million or less.

The government has indicated that all ‘charities’ may use the cash basis regardless of turnover. Accredited educational institutions are regarded as ‘charities’ for purposes of the legislation.

## Question Four

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### Related Entities

#### QUESTION 4

Will the various associations allied to educational institutions have to register for GST?

#### ANSWER

Most of these will be treated as “charities” so unless their annual turnover exceeds \$100,000 they may choose not to register.

If they are not registered they cannot claim input tax credits and there will be GST implications for both you and the associations. It might be advisable for them to obtain an ABN even if they choose not to register for GST.

It also depends on whether the association is run as an integral part of your entity, in which case its transactions would be included with yours, or whether it is registered and/or incorporated as a separate legal entity. In the latter case you could investigate the ability to ‘group’ the various entities.

## Question Five

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### Multiple Campuses

#### QUESTION 5

If we operate more than one campus do we need to register each one separately?

#### ANSWER

Subject to certain qualifications you may register each campus separately, each then becoming a distinct branch for GST purposes. However, you may choose to remain as one entity for GST purposes thus avoiding the need to include GST on inter-branch transactions.

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## Question Six

### Stationery

#### QUESTION 6

Do we have to order new stationery?

#### ANSWER

Ensure that your tax invoices comply with the GST requirements and that you can produce the correct Adjustment Notes if required. Details of what is required to be shown on a Tax Invoice appear in the booklets issued by the ATO entitled “Schools and the New Tax System” and “Higher Education and Training and the New Tax System”. Details of what is required to be shown on an Adjustment Note are given in a draft Tax Ruling GSTR 1999/D1.

This information can be downloaded from the internet.

If you have existing stationery it can be modified by adding the additional information required.

## Question Seven

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### Additional Costs

#### QUESTION 7

We have calculated that it will cost us a great deal to modify our systems and provide our staff with training. Is there any assistance available?

#### ANSWER

Yes. The Government has provided funding to various bodies to assist you with implementing the new system. Information is available from the ATO and the GST Start Up Assistance Office.

- ATO Website [www.taxreform.ato.gov.au](http://www.taxreform.ato.gov.au)
- The Business Tax Reform Infoline Ph: 13 24 78
- A Fax From Tax Ph: 13 28 60
- By mail PO Box 9935 in all capital cities
- GST Start-Up Assistance Office [www.gststartup.gov.au](http://www.gststartup.gov.au)
- Info line for Tax Reform Ph: 13 30 88

## Question Eight

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### Accrual Basis

#### QUESTION 8

We use an accrual system and allow customers to pay in installments. Is GST payable and when?

#### Answer

There will be no GST payable on “GST-free” or “input taxed” supplies made by you.

GST will be payable on the full value of all taxable supplies from the date the tax invoice is issued or the date the first payment is received, whichever is the earlier.

## Question Nine

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### Adjustments

#### QUESTION 9

What happens if a transaction amount alters after it has been accounted for in a Business Activity Statement?

#### ANSWER

There are rules for these to be adjusted by means of Adjustment Notes and the effect taken into account on a subsequent Business Activity Statement.

Adjustments will occur if:

- goods are returned by you to a supplier or to you by a customer
- the original purchase price is altered
- discounts are awarded
- debts become uncollectible or are recovered subsequent to an adjustment having been claimed in a previous period

You will not be able to claim for adjustments which result in less GST being payable unless you have the requisite Adjustment Note.

## Question Ten

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### Input tax credit

#### QUESTION 10

Can I claim an Input tax credit equivalent to 1/11th of ALL my purchases?

#### ANSWER

Not quite. Some of your acquisitions may be “input taxed” or “GST-free” so you won’t have paid GST on them. In that case, you can’t claim a GST credit. As well, there are some purchases that are not deductible for income tax purposes (like entertainment expenses) that might have GST charged on them, but for which GST credits are not allowed. Otherwise you can claim an Input Tax Credit in respect of all purchases of goods and services acquired to carry on your business, that is, “creditable acquisitions”.

## Question Eleven

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### Wages

#### QUESTION 11

Are salaries and wages and superannuation contributions subject to GST?

#### ANSWER

No. Note that the PAYE withheld on salaries and wages, as well as any FBT due, may be offset against any GST owing by the ATO in the relevant reporting period.

## Question Twelve

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### Non registered suppliers

#### QUESTION 12

If a supplier such as a tutor or contractor is not registered for GST can we claim an Input Tax Credit?

#### ANSWER

No. A non-registered enterprise does not issue GST Tax Invoices, without these you cannot claim a credit.

Be aware of the obligation to withhold tax at 48.5% from any such payments if the supplier is a business and does not provide you with an ABN.

## Question Thirteen

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### Petty Cash

#### QUESTION 13

We use Petty Cash for small purchases. Can we claim Input Tax Credits even if we do not have a Tax Invoice?

#### ANSWER

You can claim a credit if the purchases were each \$50 or less (excluding GST) and you have documentary evidence to support the claim. Tax Invoices are required for all acquisitions costing more than \$50.

## Question Fourteen

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### Refunds

#### QUESTION 14

If our Input tax credits exceed the GST payable to the ATO in a Tax period will we receive a refund?

#### ANSWER

Yes. The ATO is obliged to transfer the refund into your nominated bank account within 14 days of lodging your Business Activity Statement, assuming that you do not have any other tax debts to be offset against this amount. You are entitled to interest from the ATO if this deadline is not adhered to.

## Question Fifteen

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### Insurance

#### QUESTION 15

Do we have to pay GST on insurance premiums?

#### ANSWER

Yes, but to the extent that they are an expense in providing your services you will be entitled to the relevant input tax credit.

## Question Sixteen

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### Maintenance Contracts

#### QUESTION 16

We outsource many of our maintenance and catering activities.  
Will we be charged GST by the suppliers?

#### ANSWER

Yes, if they are registered for GST, in which case you can claim an input tax credit if the service is necessary for you to carry on your business. If they are not registered you will not pay GST but in all probability their price will be inflated to cover the GST they have had to pay and cannot claim back on their own inputs.

In addition if the business is not registered and does not supply you with an ABN then you will be obliged to withhold tax at 48.5% from any payments you make to it.

## Question Seventeen

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### Motor Vehicle

#### QUESTION 17

We have budgeted to purchase a new motor vehicle for educational use in July. Will we be entitled to an input tax credit in respect to the GST paid?

#### ANSWER

Yes. You are entitled to a refund of any GST paid on the vehicle provided it is an input into the approved educational services you are providing. You would have been exempt from paying wholesale sales tax on similar vehicles so that the transitional rules affecting this area do not concern you.

## Question Eighteen

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### Student Equipment

#### QUESTION 18

If we supply books, computers, musical instruments etc. to students will we have to charge GST?

#### ANSWER

Yes. If they are to become the property of the students they are “taxable supplies”.

If you retain ownership of the items and merely loan them to the students there will be no GST chargeable.

If you charge a hire fee to the students for the use of these items you must include 10% GST in the prices you charge them.

## Question Nineteen

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### Taxable supplies

#### QUESTION 19

If we decide not to charge our customers GST on non GST-free goods and services do we escape paying GST?

#### ANSWER

No. You will be liable for GST on all relevant transactions, “taxable supplies”, even if you do not collect it from your customers. 1/11th of all the invoices you issue must be paid to the ATO. You are obliged to issue your customers with a Tax Invoice for all transactions with a value of more than \$50 (before GST).

## Question Twenty

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### GST-free

#### QUESTION 20

Are fees charged for all education courses GST-free?

#### ANSWER

Most educational courses offered as part of an approved curriculum by Government accredited institutions will be GST-free. There are some exceptions so if in doubt seek confirmation from the ATO.

## Question Twenty-one

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### Staff Board

#### QUESTION 21

We provide full board and lodging for staff in our own residences. What GST is payable?

#### ANSWER

This is a complex area but basically the accommodation for staff will be an input taxed supply as it is classified as residential rent. No GST will be payable by the staff but neither will you be able to claim any input tax credits in respect of any of the expenses incurred in the cost of providing that accommodation. These include the building of the premises, maintenance, power, insurance, all of which will need to be apportioned if the residential area is part of a building used to house students if they qualify for GST-free accommodation. This is because input tax credits will be available for student accommodation.

The cost of meals provided to staff is subject to the general GST rules relating to food, some of which is GST-free and the rest is subject to GST.

## Question Twenty-two

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### Overseas Students

#### QUESTION 22

We recruit some of our students from countries outside Australia?

The bills are sent to their parents who usually pay us in foreign currency.

Do we charge them GST?

#### Answer

The fact that the supplies are all made in Australia means that all of the rules that apply to resident students will apply in respect of the bills to the foreign parents. For example, all the tuition fees will still be GST-free.

## Question Twenty Three

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### Staff Car parks

#### QUESTION 23

We bill staff annually for parking facilities on the campus.

Do we charge GST ?

#### ANSWER

Yes, on that portion of the invoice which relates to the period starting 1 July 2000.

This will apply to any taxable goods or services where any part of the supply takes place on or after July 1 2000.

## Question Twenty Four

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### Student Board

#### QUESTION 24

We provide full board and lodging for students in our own residences.

What GST is payable?

#### ANSWER

This is a complex area but basically the accommodation for students will be a GST-free supply if the students are attending a primary, secondary or special education school.

Accommodation in hostels for school students from remote and rural areas will also be GST-free.

You will be able to claim input tax credits from 1 July 2000 for all of the expenses relating to the cost of providing that accommodation. That includes the cost of new buildings, maintenance, power, insurance, administration.

The cost of meals provided to students is subject to the general GST rules relating to food, some of which is GST-free and the rest is subject to GST.

## Question Twenty-five

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### Student Excursions

#### QUESTION 25

We organise regular excursions for our students locally, nationally and internationally.

Do we collect GST on the cost?

#### ANSWER

A complex area. If the excursion directly relates to the approved curriculum and is organised by the educational institution it will be GST-free. The cost of food included in the bill will be subject to the rules regarding food.

Costs incurred out of Australia will not be subject to our GST as they are not 'connected with Australia'.

## Question Twenty-six

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### Scholarship

#### QUESTION 26

If a third party sponsors a scholarship for a student will it be subject to GST?

#### ANSWER

Yes. There is usually some benefit to the sponsor in the form of advertising but if it can be shown that the sponsor derives no benefit from the sponsorship then no GST is payable. This would be the case where the sponsor remains anonymous.

## Question Twenty-seven

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### Donations

#### QUESTION 27

Will donations received by an institution be subject to GST?

#### ANSWER

GST will not be payable provided that the donation is unconditional. There must be no services, benefits or rights afforded to the donor as any of these might be construed as a 'consideration' and turn the transaction into a taxable supply.

## Question Twenty-eight

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### Government Grants

#### QUESTION 28

Is GST payable on the grants received from the Government?

#### ANSWER

It depends on the nature of the grant but if it is for a specific purpose then it will be subject to GST and you will need to provide the grantor with a Tax Invoice.

The ATO is issuing a specific ruling on this area and the government has indicated that it will "gross up" the grants so that your organisation should receive the same net amount, as if no GST applied.

The grants received from the government are treated as being a payment for educational services provided by your organisation. You are, in effect, invoicing the government for these services and the service is subject to GST. This is so even though you then supply the educational services as GST-free supplies to your students.

## Question Twenty-nine

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### Parental Assistance

#### QUESTION 29

Parents often accompany groups on excursions.  
Will they have to pay GST on their costs?

#### ANSWER

No, unless there is a separate charge to them for their participation.

## Question Thirty

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### Transition

#### QUESTION 30

We have entered into a service contract which spans July 1.  
What are the GST implications?

#### ANSWER

A complex area needing careful consideration and/or specialist advice. In general that portion of the fees which cover services to be rendered after 30 June 2000 is subject to GST. This applies both to the receiving and the providing of services which are subject to GST.

## Question Thirty-one

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### Membership Fees

#### QUESTION 31

We collect membership fees from students and others in respect of various associations connected to the institution. Must we charge GST on these fees?

#### ANSWER

Yes. Membership joining and renewal fees will usually be subject to GST because they are paid in return for a supply of taxable services.

## Question Thirty-two

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### Tuckshop

#### QUESTION 32

We operate a tuckshop on the campus. Do we need to charge GST on all sales?

#### ANSWER

Provided that your registered entity runs the tuckshop you can elect to treat all sales as input taxed which means that you do not charge GST on sales, but neither can you claim a refund from the ATO of GST paid on your acquisitions, including food and services. You may sell only food, as defined, or subdivide the shop into clearly identifiable activities.

If you choose not to be input taxed you need to carefully understand the definition of “food” as some items are GST-free and others are not.

If you outsource the operation of the tuckshop to a third party then you must charge them GST on the fee they pay you.

## Question Thirty-three

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### Subject Levy

#### QUESTION 33

We charge a separate “Subject Levy” for specialist subjects. Is this fee GST-free?

#### ANSWER

You will not have to charge any GST if the subject is part of the approved educational curriculum.

## Question Thirty-four

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### Provision of Tea and Coffee

#### QUESTION 34

Must we include GST in the fee we charge staff for the provision of tea and coffee?

#### ANSWER

No, but be sure that only GST-free beverages and food are provided. This does not include prepared food or beverages.

## Question Thirty-five

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### Fringe Benefits

#### **QUESTION 35**

Is GST payable on the cost of Fringe Benefits supplied to staff?

#### **ANSWER**

New legislation is expected to clarify the GST and FBT interaction.

## Question Thirty-six

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### Evening Classes

#### **QUESTION 36**

We present evening and weekend classes for the community to learn new skills.

Will the fees be subject to GST?

#### **ANSWER**

Yes. These classes are not part of the approved educational curriculum offered by the institution.

## Question Thirty-seven

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### Stocks held before 1 July

#### QUESTION 37

Goods such as uniforms and stationery purchased prior to July 1 and held for resale at that date include wholesale sales tax paid by us and yet we have to charge GST thereon.

Is there any relief for this?

#### ANSWER

Yes. It is essential that you do a stock take at June 30 and claim a refund of the Sales Tax paid on that stock. You will then be required to adjust your prices to take this reduction in cost into account. The amount you charge your customers will be the reduced cost, plus your normal dollar value mark-up plus 10% GST.

The ACCC will be monitoring price increases to ensure that the public is not exploited.

## Question Thirty-eight

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### Second-hand uniforms

#### QUESTION 38

We run a shop which sells second-hand uniforms and books. Do we charge GST on the sales even if we have paid no GST to acquire the goods?

#### ANSWER

Yes, you must charge GST on all sales. If you purchased the goods from an unregistered supplier you are entitled to claim an input tax credit calculated at the lesser of 1/11th of the cost of acquisition and the GST on the subsequent sale.

If the second-hand goods were donated to you and you have not altered them in any way then you do not have to charge GST on the subsequent resale.

## Question Thirty-nine

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### Fees

#### QUESTION 39

Do we need to consider GST when setting fees payable for 2000?

#### ANSWER

Yes. Tuition fees are 'GST-free' but some items on bills which are not directly linked to the curriculum may be subject to GST from July 1. This could include fees charged for transport to and from the institution, hire of musical instruments, hire of computers, private tuition provided by private tutors in some cases, membership fees for associations unrelated to the curriculum.

## Question Forty

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### Tax Exempt Status

#### QUESTION 40

We have been exempt from income tax and have been able to receive tax deductible donations for specific purposes. What is the situation from 1 July 2000?

#### ANSWER

You must apply specifically for endorsement as an income tax exempt charity (ITEC), as well as for endorsement as a deductible gift recipient (DGR). This must be done prior to 1 July 2000. The application to register for the New Tax System (which is the ABN application form) includes questions that cover these areas.

## Question Forty-one

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### Non-registered business

#### QUESTION 41

What is the situation if we are a registered entity and we acquire goods or services from a non registered business?

#### ANSWER

If a business is not registered for GST it cannot charge you GST on your acquisitions so there will be no input tax credit available to you.

If the supplier can provide an ABN you have no further obligation.

However, if the supplier does not have an ABN you are obliged to withhold 48.5% of the payment as a withholding tax and pay this to the ATO in your next return. Withholding is generally required unless the supply was for less than \$50, or the payment is exempt income of the supplier. (eg the supplier is a charity).

## Question Forty-two

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### ABN not on Invoice

#### QUESTION 42

We are registered and we acquire goods or services from a supplier who does not provide us with an ABN. What are our obligations?

#### ANSWER

If the supplier is an individual who is not operating an enterprise then there are no obligations other than to record the acquisition as one on which no GST has been paid, and consequently in respect of which you cannot claim an input tax credit.

However, if the supplier is a business then you are obliged to withhold tax at 48.5% of the invoice and remit this to the ATO in your next return as part of the new PAYG regime. Withholding is not required if the supply is less than \$50, the payment is exempt income of the supplier (e.g. the supplier is a charity), or the payee has made a written, signed statement that the supply is private or domestic in nature or relates to a hobby.

## Question Forty-three

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### Electronic Filing of BAS

#### QUESTION 43

We are a very small institution and yet we have been told that we have to submit our BAS electronically to the ATO. Is this correct?

#### ANSWER

The ATO will only refund net credits in respect of GST to you electronically (directly into your nominated bank account) and not by cheque. However, unless your annual turnover is \$20 million or more you are not obliged to submit your BAS electronically.

## Question Forty-four

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### Deposits Paid

#### QUESTION 44

We are required to pay deposits for various services at the time we enter into an arrangement with the service provider. Are these subject to GST?

#### ANSWER

If the deposit is held as security and will be refunded to you at the end of the contract no GST is payable. If, however, it constitutes an instalment payment made in advance as part consideration for the supply then you will be charged GST thereon.

If the deposit is forfeited then GST is payable.

## Question Forty-five

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### Mixed Attendees

#### QUESTION 45

We provide accredited training courses on our campus.

We allow outsiders to attend some of our classes for a fee.

Do we need to charge them GST?

#### ANSWER

The fees for accredited courses are normally GST-free but only for those students who are studying for a recognised qualification. If other members of the public choose to enrol for specific courses they will be charged GST.

## Question Forty-six

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### Professional Development Courses

#### QUESTION 46

We run personal development programmes for our senior students and as part of our professional development for staff. Can we claim tax input credits on the cost?

#### ANSWER

Two separate issues. In respect of the students you will be able to claim input tax credits as long as the programme can be classified as part of the overall accredited educational curriculum. The supply to the students will be a GST-free supply in that case.

In respect of the staff you should be able to claim input tax credits if the professional development is accepted as a normal part of operating your institution but you may need to check with the ATO.

# Question Forty-seven

## Staff Reimbursement

### QUESTION 47

Staff sometimes purchase goods for the college and request reimbursement. Are we entitled to input tax credits on these items?

### ANSWER

In order for you to be able to claim an input tax credit you must have the relevant tax invoice (or receipt if the item cost \$50 or less) and the item must be used as an input into the provision of accredited educational programmes.

# Question Forty-eight

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## Staff Uniforms

### QUESTION 48

We purchase and safety equipment for our maintenance staff. Are we entitled to claim input tax credits in respect of the purchases?

### ANSWER

Yes, if they are purchased from a registered supplier and provided in your capacity as an employer you may claim input tax credits. If the employees are required to pay for them no input tax credits can be claimed.

# Question Forty-nine

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## Professional Development

### QUESTION 49

We frequently pay for staff to attend conferences and professional development

courses supplied by private providers. Do we have to pay GST on the cost?

### ANSWER

Yes, you are acquiring taxable supplies. If the expense is part of your normal operating expenses in providing the accredited educational curriculum you will be entitled to claim the relevant input tax credits.

In certain cases expenses incurred on the professional development of particular staff members may be considered to be a fringe benefit and advice should be sought if you are in doubt.