

GST Guidelines for Congregations



Uniting Church in Australia
SYNOD OF VICTORIA AND TASMANIA



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Introduction

This manual is provided for Uniting Church in Australia congregations to:

- provide a basic understanding of Goods and Services Tax (GST)
- explain the importance of appropriate documentation and record-keeping required to account for the Goods and Services Tax (GST)
- mention some basic business risks that may arise as a consequence of GST

It should be noted that, although many references refer to congregations, it is equally applicable to presbyteries, clusters, shared ministries and other congregation groupings or structures.

This manual is designed to provide general information on GST for Uniting Church congregations. It does not provide full details of all types of transactions. Further details are available from ATO website – ato.gov.au.

What is GST?

GST is a broad based tax, currently set at a rate of 10%, and applying to most goods and services consumed in Australia.

GST is a transaction-based tax not an organisation-based tax. Therefore treatment usually depends on the type of transaction and not whether the organisation is income tax exempt.

The Uniting Church in Australia is **not exempt** from GST. It is a charitable institution as identified by taxation legislation. This expands the range of transactions that are GST-free as well as providing income tax benefits.

How GST works

Generally, business and organisations registered for GST will

- charge GST of 10% on services delivered or sales made,
- claims back from the ATO all GST paid on the goods purchased and other expenses as inputs to sales,

What is the Tax fraction?

The GST is $1/11^{\text{th}}$ of the total price charged or paid

Total price includes GST

When an organisation enters into a transaction that is a taxable supply, GST must be added to the value of the supply to arrive at a selling price for the good or service. In other words, whatever an organisation charges or pays for a taxable supply will have GST included in the price it charges or pays.

Total price includes cost

Because 10% is added to the value of a taxable supply, the GST component of the GST-inclusive price is $1/11^{\text{th}}$ of that price; the rest ($10/11^{\text{th}}$) is the value before GST.

In relation to that supply, that remaining $10/11^{\text{th}}$ of the price is the supplier's real 'income' as the GST collected must be remitted to the ATO.

With any taxable supply you would typically find:

GST-exclusive price	\$10	($10/11^{\text{th}}$)
Plus GST 10%	\$ 1	($1/11^{\text{th}}$: The tax fraction)
GST-inclusive price	\$11	

Where a 'tax invoice' uses the words 'The total price includes GST' in order to post cash-book entries treasurers will need to use the $1/11^{\text{th}}$ 'tax fraction' to calculate the amount of GST. For example, if a GST-inclusive invoice is received for \$49.50, the GST component of \$4.50 will be calculated by dividing the invoice by the tax fraction of 11.

Types of supplies

There are three types of supplies:

- Taxable supplies
- GST-free supplies
- Input-taxed supplies

Additionally there are supplies that are excluded by the *GST Act* and are **not reportable**.

Taxable supplies (SCREAM)

Congregations should assume GST is applicable unless it can be identified that GST does not apply.

Generally, **registered entities must apply GST on income/receipts** unless the item fails to meet one of the six essential elements of a taxable supply outlined below that makes the acronym SCREAM:

- Supply of goods or services
- Consideration is paid
- Registered entity in the course of furtherance of an
- Enterprise that the entity is carrying on that is connected with
- Australia which
- Must not be a GST-free or input-taxed supply.

It is critical that every registered congregation understands that if the congregation fails to charge GST when it should, the congregation will still have to pay to the ATO 1/11th of the price charged. If a congregation fails to keep track of its purchases made in respect of taxable supplies and GST-free supplies, it could miss out on claiming back GST.

GST at the rate of 10% would be added to the value of taxable supplies. However, a taxable supply specifically **excludes** supplies that are **GST-free**, and supplies that are **input-taxed**.

GST-free supplies

A GST-free supply is a special classification that completely removes the impact of GST from the transaction, that is GST is not charged in the sale price, but input tax credits on supplies can be claimed back, effectively removing all GST from the cost structure. For congregations, many of the negative aspects of GST are eliminated when supplies are classified as GST-free transactions.

If a supply by a congregation is GST-free, then

- **the congregation does not charge GST**
- **the congregation can claim input credits for GST included in the price paid for the things acquired to make the supply.**

For congregations, the *GST Act* contains special provisions (highlighted below) that enable most supplies to end consumers to be GST-free. Where the supply is to a domestic consumer this is important as it enables the supply to be made free of GST. For supplies to a business this is not as important, as businesses can usually claim credits for any GST they pay. The non-commercial category is particularly important, as it can enable congregations to provide GST-free supplies that are normally taxable.

Listed below are some major GST-free categories:

- basic food
- health education
- child care
- **religious services**
- **non-commercial activities by charities**
- **donated second-hand goods by charities**
- **raffles and bingo conducted by charities**
- water and sewage
- farmland

Input-taxed supplies

Rather than tax the final consumer, this category taxes the supplier as the end consumer.

For input-taxed supplies, congregations

- **do not charge GST on the supply; and**
- **are not entitled to input tax credits for anything acquired to make the input-taxed supply.**

Input-taxed supplies include:

- residential rents – potentially includes rental income from manses and independent living units.
- sale of residential premises or manses
- financial supplies - includes banking, life insurance and superannuation, interest, dividends, deposits realised, loans received and loans repaid.

Implications for UCA congregations

In 2001 the government introduced **The New Tax System**. This required:

- Each congregation/organisation to register for an ABN (Australian Business Number) and to be endorsed as an income tax exempt charity to maintain their exemption from paying company tax.
- Each congregation is required to be registered for GST and must:
 - charge GST as appropriate;
 - claim tax credits; and
 - prepare an Activity Statement
- Incorrect handling of GST-related matters will cause financial loss to an organisation.
- Withholding tax of 45% may apply to payments made in excess of \$82.50.
- The Uniting Church in Australia is registered as a GST Religious Group.
- Fringe benefits are to be shown on employees' payment summaries at the grossed-up value. (Not applicable to Ministers of Religion employed by Religious Institutions for benefits provided in relation to religious or pastoral duties.)

Why is the Church classified as a Charity?

The reason that churches and other religious organisations are able to take advantage of the concessions granted to charities in *The New Tax System* is because the legal meaning of the word 'charity' arises from common law and is wider than the commonly understood meaning.

Organisations will be charitable if they are conducted on a not-for-profit basis and are established to benefit the community, or some section of it, through:

- the relief of poverty or sickness
- the advancement of education
- the advancement of religion, or
- other purposes beneficial to the community.
- and they are an 'institution' or a 'fund'.

The term 'charitable' has the same meaning for GST as it has for income tax purposes.

What is 'advancement of religion'?

Institutions and funds established for the advancement of religion include:

- churches
- synagogues and other religious congregations
- seminaries
- religious orders
- organisations for:
 - building or repairing religious buildings
 - maintaining clergy, and
 - spreading religious doctrine and practice.

To advance religion means 'to promote it, to spread its message ever wider amongst mankind; to take some positive steps to sustain and increase religious belief; and these things are done in a variety of ways which may be comprehensively described as pastoral and missionary'.

Even though the Church is an Income Tax Exempt Charity we are not entitled to issue tax-deductible receipts for donations. Only deductible gift recipients recognised and approved by the ATO are entitled to issue these receipts. A congregation does not qualify for this status.

GST on income/receipts

This section provides a basic overview of congregation income/receipts and how it will be treated under the GST.

Most income/receipts for churches in Australia comes in the form offerings, gifts and donations from its members and adherents. Other income/receipts can come from 'commercial activities' such as bookshop sales and hall hire and various fundraising activities.

The following table provides a summary listing of transaction types. This is not an exhaustive list, but rather an attempt to describe the GST effect on common transactions occurring within congregations.

The congregation is responsible for charging GST where applicable and, where GST applies, 1/11th of proceeds must be remitted to the ATO even where a tax invoice is not supplied.

It should be noted that transaction between members of a GST religious group are exempt from GST.

Income/Receipt transaction types

No	Supply	Nature of supply	GST treatment
1	Offerings	Open plate offerings, Envelope offerings, Retiring offerings Direct Offerings Electronic Offerings	Exempt income, Not reportable
2	Donations	Specific purpose donation	Exempt income provided no material benefit to the donor. Not reportable
	Hall Hire (referred to as donations for hall hire)	Rent – commercial Rent – non-commercial	Taxable GST – Free
3	Sponsorships	Payment for provision of services - Telstra mobile phone tower	Taxable

No	Supply	Nature of supply	GST treatment
4	Fundraising activities	Usually low costs to the congregation due to resources being donated and the income is derived by providing a good/ service to the community for a nominal fee. These activities are generally not commercial in nature and are designed to generate income over and above costs Examples Fete sales chocolate/ lamington/sock drives, sausage sizzles, walkathons, car wash, fete, food stalls, garage sale, trivia night	Taxable, where supplied by a registered entity except where input taxed under ATO guidelines. Not taxable where GST provisions for non-commercial activities apply with the price being less than 50% of market value, or Not taxable if treated as an activity of an unregistered sub-entity.
5	Bookshop sales	Sale of new books to customers Sale of second-hand books	Taxable GST Free
6	Commissions	Royalty or commission received for selling goods or services on behalf of others Examples are Art shows, sale of books	Taxable, unless non-commercial
7	Uniting Church Grants	Grants for specific purposes – Synod grants for specific projects Non-specific purpose – ministry grants	Taxable. However if registered and part of GST Religious Group, Not taxable or reportable. Not subject to GST as the recipient, a Minister or similar, is not registered and not making a taxable supply. Not reportable
8	Government Grants	Grants for Specific programs - Subsidy of program, or provision of specific purpose funding	Taxable
9	Rental income	This is the rental of residential accommodation (e.g. manse rented out)	Input taxed if at commercial rates If at non-commercial rates – GST- Free
10	Religious services	These are activities undertaken in the course of practising religion. These activities may or may not have a fee attached to cover the costs of the service For example Worship services, weddings, funerals, baptisms etc run by the church.	GST-Free

No	Supply	Nature of supply	GST treatment
11	Livestock scheme	Proceeds from the sale of livestock	Taxable
12	Dividends	Dividend received or Shares	Input taxed
13	Interest	Interest received or credited to bank or investment accounts	Input taxed
14	Trust distributions	Distributions from trusts - UCA Funds Management investment interest/ distribution	Input taxed
15	Proceeds from bequests	Grants from bequests or bequests received.	GST-Free
16	Property	Proceeds from sale of property	GST will be accounted for by the Synod Office. Not reportable for the congregation.
17	Membership fees	Membership fee for Church Tennis Club	Taxable
18	Training courses	Fees charged for training courses Courses for weddings Ministry training	Taxable GST-Free
19	Community Outreach	These services are usually provided with little or no expectation of payment from the recipient. (A donation might be asked for or received but not required.) The cost of the services may be met by other organisations, e.g. Govt. grants, sponsorship, etc. Community carols / sausage sizzles, training and education programs for targeted community groups (unemployment programs), child-care facilities, soup kitchens, drop-in centres, capital works – buildings, provision of equipment	Where there is no scheduled fee/direct link to a payment for a service any funds gained through 'gifts' are not taxable The non-commercial test where consideration is <50% of the cost of providing the service may apply
20	Cash transactions	Loans received Investments realised	No GST applicable Not reportable
21	Internal transfers	Transfers from one organisation to another.	No GST where part of the same GST Religious Group. Not reportable The exception to this is where the supply is to an unregistered sub-entity.

In this case GST may apply.

GST on expenditure/payments

Like all other organisations in Australia, churches have found themselves paying GST on most of their acquisitions since 1 July 2000.

Examples of expenditures which are subject to GST include:

- (a) supplies for religious services
- (b) repairs to church buildings
- (c) telephone
- (d) postage
- (e) stationery
- (f) hire of equipment
- (g) insurances
- (h) magazine subscriptions
- (i) audit fees.

Only suppliers registered for GST can charge GST.

Salaries, stipends and staff wages are not subject to GST.

Tax invoices and ABN

It is important to have a Tax Invoice for each supply to be able to claim GST.

For an invoice to constitute a tax invoice, it must contain certain legally required information. If it does not meet these requirements, then it is not a tax invoice and the business cannot claim back the GST content as input tax credits.

Similarly, where the congregation charges fees or rent and a customer requests a tax invoice, you must provide one within 28 days of their request.

Tax invoices requirements:

For transactions less than \$82.50

To claim a GST credit for purchases less than \$82.50 (including GST), a tax invoice is not required. Provided you have documentation or a record that indicates the

- date of purchase,
- name and ABN of supplier,
- description of items purchased, and
- amount paid.

For Transactions of less than \$1000:

Tax invoices must include enough information to clearly determine the following details:

- that the document is intended to be a tax invoice
- the seller's identity
- the seller's Australian business number (ABN)
- the date the invoice was issued
- a brief description of the items sold, including the quantity (if applicable) and the price
- the GST amount (if any) payable – this can be shown separately or, if the GST amount is exactly one-eleventh of the total price, such as a statement which says 'Total price includes GST'
- the extent to which each sale on the invoice is a taxable sale (that is, the extent to which each sale includes GST).

For Transactions of \$1000 or more:

- the words “Tax Invoice”
- Relevant ABN and the Sellers identity (to check if an organisation is registered for GST you can look up there ABN on the Australian Business Register <http://abr.business.gov.au/Tools/AbnLookup>)
- itemise GST or “The total price includes GST”
- Date of invoice
- Brief description of goods sold or service provided
- Name & address of the recipient i.e. the Congregation.

Name on Tax Invoices - ATO Changes

From 1st November 2023 the Australian Taxation Office is retiring trading names. This will mean that other names currently recorded under your ABN will no longer appear on the Australian Business Register (ABR). Trading names now need to be registered through the Australian Securities & Investments Commissions (ASIC) and incur a cost of \$36.00 per year. It is recommended that treasurers ensure that the entity name is correct and use this with your ABN on all Tax Invoices. If these are not quoted on the Tax invoices you issue, a supplier will need to deduct PAYG tax.

To change your ABN name:

- Complete a change of details form and attach a copy of your church council minutes recording the official Church Name from that recorded by the ATO.
- The format should be **UCA – “Suburb/Town (Congregation name)”**. Please include your suburb or town in the name. If you are a cluster, your ABN should be **UCA – “Cluster name”**.
- Your ABN should be consistent with the current entity you represent. For example, if your congregation was formerly part of a cluster which has since been disbanded do not continue to use the cluster ABN. Similarly If your congregation is part of a cluster and it is the cluster council which relates to the ATO do not use the relevant congregation ABN.

Tax invoice example:



Anytown Uniting Church

Postal address

Town State Postcode

Phone

ABN:

Tax invoice

Invoice No.: 0000999

Date: xx/xx/xx

To:

Organisation or person to be billed

Address line 1

Address line 2

Address line 3

Description

Amount

Hall Hire for xx/xx/xx

\$200.00

GST amount

20.00

Total amount payable

\$220.00

Withholding tax - payments when an ABN is not quoted

Where a supplier does not quote an ABN 45% withholding tax applies unless:

- payment is for salary and wages
- payment is \$75.00 or less
- payment is to an individual for a hobby and a declaration stating same has been lodged
- payment is to local government for rates or licenses which are specifically GST exempt
- investment payment (tax file numbers apply).
- the whole payment is exempt income of the supplier (e.g. an Income Tax Exempt Charity)

It is therefore important to ensure suppliers are able to quote an ABN or can complete an ATO form "Statement by a Supplier".

Expenditure/payment transaction types

No.	Supply	Nature of Supply	GST Treatment
100	Stipend/Wages	Payment of stipends and salary	Excluded from GST Not Reportable
101	Allowances and Fringe Benefits	Payment of allowances in payroll system	Not subject to GST Not reportable
	MBA's	Minister's expenses and Fringe Benefits	Can claim input tax credits – managed through the Synod
102	Workers' compensation	Payment of workers' compensation premiums	Taxable. However if between members of the same UCA Religious Group not taxable or reportable
103	Superannuation	Payment of superannuation	Superannuation is not subject to GST.
	Long-service leave	Payment of Long-service leave levy to Synod.	Long service levy is taxable. However if between members of the same UCA Religious Group not taxable or reportable.
104	Mission and Service contributions	Payment of contribution to Synod for Mission and Service	Not subject to GST, is a Gift. Not reportable
105	Printing/stationery/administration	Purchase of goods for administration purposes	Taxable
106	Advertising	Payment for congregation advertising	Taxable
107	Administration or management fees	Payment for congregation services	Taxable
108	Bank charges	Bank charges such as account-keeping fees	Input taxed
109	Conferences and seminars	Costs associated with professional development courses	GST-free
		Non-approved courses	Taxable
110	Contractors	Payment of contracted services	Taxable
111	Council charges	Payment of rates	GST-free
112	Donations	Donations to charities and not-for-profit organisations	Not reportable
113	Entertainment	Dinner Dance, Luncheon provided to employees	Taxable – credit not claimable
114	Food	Listed exempt food	GST-free
		Other food	Taxable
115	Fundraising expenses	Supplies	Taxable

			Not claimable if event treated as an unregistered sub-entity.
116	Hire charges	Hiring of equipment	Taxable

No.	Supply	Nature of Supply	GST Treatment
117	Insurance	Payment vehicle, property, hall, etc. Payment life insurance	Taxable However if between members of the same UCA Religious Group not taxable or reportable Input-taxed
118	Postage and freight	Payment for postage and freight	Taxable
119	Professional fees	Accounting fees, lawyers, auditors	Taxable
120	Reimbursement to staff and volunteers	Reimbursing costs incurred on behalf of congregation	Taxable (invoices required)
121	Repairs and maintenance	Payment to contractors such as plumbers and electricians	Taxable
122	Subscriptions	Payment of subscriptions	Taxable
123	Utility expenses	Payment for telephone, electricity, gas	Taxable
124	Internal transfers	Transfer of funds from other recognised sections	Not subject to GST provided part of GST Religious Group. Not reportable
125	Capital acquisition	Purchase of new goods such as furniture, equipment, computers Motor vehicles	Taxable
126	Construction	Construction of buildings	Taxable
127	Premises Expenses	Payments for commercially rented residences	Input taxed
		Payments for ministers accommodation	Input taxed
		Payments for non-commercially rented residence	Taxable
		Rental of residential premises	Input taxed
		Church/halls maintenance costs	Taxable
128	Loans	Repayments	Not a taxable supply
129	Journals, newsletters and subscriptions	Purchase of congregation materials	Taxable
130	Honoraria, and volunteer reimbursements	Presentation of nominal amount, or payment to cover out of pocket expenses.	Where person not registered for GST. GST not applicable.
131	Visiting preachers	Payment of travel reimbursement	GST not applicable.

132	Non-resident services	Overseas guest speakers engaged for seminar	Dependant on status of speaker.
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GST charitable provisions

Special provisions are provided by the GST legislation relating to charities (which includes churches). These cover:

- religious services
- donated second-hand goods
- non-commercial supplies
- raffles/bingo.
- GST Religious group
- Fundraising events

Religious services of churches

The Government considers these ceremonies to be 'religious services' and:

- Religious services will be GST-free. Uniting Churches and other institutions that supply religious services will not charge tax on those services and will be able to claim input tax credits for tax paid on their inputs. The service supplied **must be integral to the practice of the religion** to be GST-free.

For the purposes of the Uniting Church in Australia, the following activities are considered *integral* to the practice of religion:

- weddings
- funerals
- baptisms and dedications
- spiritual retreats and education of the faith.

Spiritual retreats:

- in some cases religious training may be GST-free both as a GST-free religious service and as GST-free education
- whilst spiritual retreats may include other activities, e.g. break for exercise, religion must be the primary focus. A church retreat where the primary focus was not religious activity would not be GST-free.

This activity includes the preparatory classes that are required for the service and the conduct of the service.

The location of GST-free religious services is not restricted to church buildings. The location is restricted to Australia but can be anywhere including on land, on water or in the air.

Donated second-hand goods

Second-hand goods are considered to be goods that have been used previously. Provided they retain their original character, the sale of donated second-hand goods is a GST-free supply by the church.

Donated food items or animals are not second-hand goods.

The sale of clothing that has been cleaned and repaired for sale is GST-free, but the sale of goods made from recycled clothing is subject to GST. For example, sales of clothing from opportunity shops will generally be GST-free, while the sale of industrial cleaning rags that have been made from recycled clothing will be subject to GST.

The ATO has accepted that the sale of buttons, lace and zips removed from donated second-hand goods is a GST-free supply.

Non-commercial supplies

Although a significant proportion of supplies of goods and services by *businesses* are subject to GST, supplies made by *churches* and other charitable institutions will be GST-free as a non-commercial supply.

The non-commercial activities of churches and charities will be GST-free if the consideration is:

Supplies other than accommodation

- Less than 50% of the GST-inclusive market value of the good or service, **or**
- Less than 75% of the amount you paid to purchase the good or service that you then sell.

Accommodation supplies

- Less than 75% of the GST-inclusive market value of the supply **or**
- Less than 75% of the cost of providing the accommodation.

This is the primary provision for charity organisations to enable an easing of the potential burden of GST. The key test is the market value of the cost of supply. When using this provision, congregations must either use:

- ATO benchmarks (where applicable), **or**
- Provide documentation that would be acceptable by a reasonable person.

Specific ATO benchmarks have been developed to help determine the 'Market Value' for some restricted activities (residential housing but not halls and offices). It is important that each congregation considers some form of documentation to support any major transactions where they have elected to apply this provision.

Where sales are made on a 'non-commercial' basis, they will not be subject to GST.

Raffles and bingo

Under Charities Gaming, sub-division 38H (where such activities are lawful) raffles and bingo are GST-free only if conducted by a charitable institution (i.e. a church). GST is not payable on the raffle or bingo proceeds and GST credits can be claimed on acquisitions purchased for either prizes or for administration.

Fundraising activities of churches

Congregations have a number of options for GST treatment of fundraising activities such as fetes, lamington or pie drives, cake stalls, and fundraising dinners. These options include:

(a) Inclusion in GST net

Congregations registered for GST can run these activities in their own name claiming GST credits on associated acquisitions and charging GST where appropriate.

Where there are GST credits that could be claimed, congregations should consider using this option when:

- income is GST-free (e.g. supply is basic food, non-commercial or donated second-hand goods),
or
- the recipient can claim GST credits.

In the above circumstances, the use of this option reduces costs and increases profits as GST credits can be claimed on associated acquisitions without adversely affecting the revenue received.

(b) Fundraising as input taxed

Congregations may choose to treat a fundraising event as an input taxed fundraising event, provided expected turnover is less than \$150,000. It will then treat all sales/income it makes in connection with this event as input taxed. The choice must be made before any sales take place and recorded in the Church Council minutes. Under this option congregations will not charge GST on income/receipts and cannot claim GST-credits on any associated acquisitions. Proceeds from these fundraising events will not need to be included as sales in the Activity Statement.

(c) Unregistered sub-entity

Congregations can also use sub-entities not registered for GST to remove fundraising activities from the GST net. Under this option congregations will not charge GST on revenue and cannot claim GST-credits on any associated acquisitions.

To the extent that GST credits cannot be claimed, the use of this option will increase costs. However, in line with general post-GST price increases, it should be possible to increase the surplus by increasing the prices charged.

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This option can only be used where:

- the total turnover of the sub-entity (i.e. the fundraising event) is less than \$150,000 p.a., and
- sub-entity activities can be separately identified by either location or activity, and
- separate accounts are maintained or can be separately identified within the congregation's accounts, and
- record of sub-entity is maintained by a Uniting Church entity. **It is important that Church Council record the creation of sub-entities and activities covered by those sub-entities. (for example a minute in the Church Council official minutes)**

An unregistered sub-entity can use the parent entities ABN (i.e. congregations ABN) when making business to business transactions to ensure that 45% is not withheld.

Gifts and donations excluded from consideration

The GST definition of consideration **specifically excludes genuine gifts**. The basic definition of gift as defined by case law must contain the following elements:

- be voluntary, with
 - no material benefit provided to the donor as a result of a gift.

GST Religious Group

Legislation was passed to enable the creation of a GST Religious Group (Division 49). To be part of this group every congregation or other entity within the group must be registered for GST, and be ITEC endorsed. (Income Tax Exempt Charity.) The benefit of this GST Religious Group is that transactions between members are exempt from GST.

A GST Religious Group has been created for the Uniting Church in Australia.

Entities

The Australian Taxation Office advised that their considered opinion was that congregations should be registered as entities in their own right.

Income Tax

To maintain our exemption from income tax, each congregation needs to be both registered with an ABN, and endorsed as an Income Tax Exempt Charity, (ITEC.)

Sub-entities and fundraising

It should be noted that because congregations are entities they have a responsibility to keep a register of any activities they take out of their GST records by creating unregistered sub-entities (i.e. fundraising activities). This may be as simple as the Church Council recording the creation of sub-entities and activities covered by those sub-entities (for example a minute in the Church Council official minutes). If required the sub-entity should quote the congregation's ABN.

A side benefit of this GST Religious Group status is that creditable acquisitions are based on the total group. This gives a benefit in relation to the operation of Investment Funds and overall Synod insurance.

GST Religious Group and Input taxed supplies

GST credits on acquisitions for input taxed supplies cannot be claimed even when the acquisitions are made by a different member than the member making the input taxed supply.

The benefits of the GST Religious Group means it is very important for all congregations to be registered for GST. Unregistered congregations will have GST charged.

GST and manse expenses

The ATO has determined that Manses provided to ministers are equivalent to rented residential accommodation, which means that GST incurred on expenses cannot be claimed, nor is GST charged on the rent. Unless the amount of Manse allowance, if the Minister was living in his/her own home, is less than 75% of the value of the Manse provided, and in which the Minister lives.

Please note that as the Manse is occupied by the Minister rent free, there is obviously no actual rent paid, nor is the Church paying Manse allowance. The questions that must be asked are;

- **What would that specific residence rent for, on the open market, to any other person or family, if it was available for rent? and,**
- **What is the amount of Manse allowance that the Church has indicated is appropriate to be paid where the Minister lives in their own home, not in a Church owned Manse?**

Making an Evaluation

The current Manse allowance for full time ministry to \$18,266 in Victoria and Tasmania, that equates to a weekly allowance of \$351.00. To be able to claim the GST, this must be less than 75% of the commercial rental value of that specific residence. It is therefore necessary to work out the "benchmark" rental value, and this can be done by taking 133% of the Manse allowance.

If the Manse therefore would rent for more than \$467 per week, (ie., 133% of \$351.00) then the congregation can continue to claim all GST incurred in relation to the Manse.

Where the rental value of the Manse, if it was rented out on the open market, is less than \$467, or less than 133% of the value of the standard Manse allowance, then GST should not be claimed on the expenses incurred in building, renovating, or maintaining the Manse.

Manse Allowance (weekly.) **351.00**

Benchmark weekly Rental **467.00**

If Manse rental value less than above benchmark - GST Not claimable, it is an input taxed purchase.

If Manse rental value more than above benchmark - GST is Claimable

Manse Allowance as a % of benchmark rental 75 %

Obtaining a commercial equivalent "rental" valuation of the Manse

Websites such as www.realestate.com.au have an option to track your property. This provides an estimated value of your property, sales history, market activity for similar properties and a medium rent.

This value can then be compared with the Benchmark weekly rental of \$467.00. If the decision is that the Manse would rent for more than the above figure, and GST can be claimed, it is strongly recommended the Treasurer print out copies of this information to support the decision. This exercise should be reviewed every year.

Accounting for GST

In order to claim GST credits or pay any GST owing, congregations registered for GST will need to complete an Activity Statement. In order to complete the Activity Statement, the church accounting system requires that congregations have the information necessary to:

- know how much GST it should charge on taxable supplies that it makes,
- claim GST credits for GST paid on creditable acquisitions, and
- complete Activity Statement statistical information.

It is easier to manage GST if you use a small business accounting software to produce tax invoices and automatically generate reports of your GST liabilities and credits.

Activity Statements

What is an Activity Statement?

An Activity Statement is the single form churches need to fill in and return to the ATO as a tax return on:

- Goods and Services Tax (GST)
- Income tax withheld either from employees' wages, (PAYG) or because the supplier did not quote an ABN (45%)
- Fringe benefits tax instalments.

How do you receive your activity statement?

The ATO will send the appropriate activity statement before you need to lodge it. Your activity statement is personalised to your congregation, with some parts already filled in to save you time and effort. Your activity statement indicates when you have to lodge and the tax period it covers.

How often do you need to lodge an activity statement?

Churches generally lodge the GST return either quarterly or annually. Small remitters may be given the option to remit annually.

When do you lodge an activity statement?

Your activity statement, together with any payment due, must be received by the ATO on or before the due date as specified on your BAS form. Generally quarterly lodgements are due on 28th day after the end of the quarter.

If you are lodging by mail, make sure you allow enough time for your activity statement and any payment to reach the ATO by the due date.

How do you lodge your activity statement?

Your completed activity statement can be mailed to the ATO. The ATO has also developed a facility to enable you to lodge your activity statement directly with the ATO via the Internet.

How do you work out how much you owe or are owed by the ATO?

Once you have filled in your activity statement, you will work out a net amount that you either owe to the ATO or are owed by the ATO.

An amount owing to you will be refunded if there are no other outstanding tax debts or outstanding notifications that may affect the amount to be refunded. When filling in your activity statement, cut off cents and show whole dollars only.

What if you're not going to be able to lodge the BAS on time?

If you have a genuine reason why it will not be possible for you to lodge your BAS return on time, and you would like to request a deferment of your lodgement date, contact the ATO by telephone on number 13 11 42, or facsimile on 1 300 139 045. Ensure you have your ABN number, and the document number of your Activity Statement with you when you telephone, or ensure they are clearly identified on your facsimile so the ATO is aware of the entity making the request, and the period for which the lodgement deferment is being requested.

Cash vs Accrual

Churches can account on a cash basis regardless of what their turnover is. The Uniting Church in Australia only requires congregations to report on a Cash Basis.

For the cash basis of accounting, input tax credits charged to you are claimed after you have paid for acquisitions. In other words, you cannot claim an input tax credit until you have paid for the goods and services, and you do not have to pay the ATO the GST included in the price of a sale you have made (a 'supply') until you receive payment for that supply. You must hold a 'Tax Invoice' or 'Adjustment Note' when submitting your return. Where these are not held the claim is delayed until the invoice/adjustment note is obtained.

How to complete Activity Statement

The Activity Statement is sent to the contact address nominated by you to the ATO when registration occurs, or when the address is subsequently altered. This will be either an electronic lodgement address, or a postal address, and the BAS will be sent monthly or quarterly as required.

Instructions for simplified Activity Statements

From 1 July 2017 the ATO introduced simpler Activity Statement for small businesses. Congregations will have less GST information to report with only the following:

- G1 Total Sales
- 1A GST on sales
- 1B GST on purchases

The Activity Statement form for manual lodgement must be completed using a black pen. It must be completed irrespective of whether you need to remit tax, claim a refund or submit a nil return. It must be completed in whole dollars only.

G1 – Total sales

Total Sales includes

- Taxable Sales,
- GST Free Sales and
- Input Tax Sales

Calculate total sales and income and other supplies as follows (manual system):

	Amount
Start with total receipts in cash-book (1)	
Less total receipts for prior period	
Sub total – receipts for this quarter	
Less donations and offerings received	
Less GST refund received from ATO	
Less loans received	
Less unrealised capital gain on UCA funds investment	
Less any UCA GST Religious Group transactions	
Less any sub-entity transactions	
Plus/minus other adjustments	
TOTAL (Record this amount at G1)	

*(1) Total cash-book values (not the total of GST column).

For example:

	Amount
Start with total receipts in cash-book (1)	53,050.00
Less total receipts for prior period	-
Sub total – receipts for this quarter	53,050.00
Less donations and offerings received	- 36,000.00
Less GST refund received from ATO	- 120.00
Less unrealised gain on investments	- 1,000.00
Less loans received	-
Less any UCA GST Religious Group transactions	- 1,000.00
Less any sub-entity transactions	- 2,700.00
Less GST	- 100.00
TOTAL (Record this amount at G1)	12,130.00

Balance above includes the following:

Description	Balance	GST category	G1 Total	
			Sales	1A GST on sales
Offerings Envelopes & Direct Offering	34,000.00	Not reportable	-	-
Offerings Open plate	2,000.00	Not reportable	-	-
ATO - GST refund	120.00	Not reportable	-	-
MBA - GST refund	1,000.00	Not reportable - GST religious Group	-	-
Interest and Investment income	115.00	Input taxed	115.00	-
Gain on investments	1,000.00	Unrealised gain - Not reportable	-	-
Fetes, Fundraising events	2,700.00	Unregistered sub-entity	-	-
Rent Received - hall	1,000.00	GST Free - Non commercial	1,000.00	-
Rent Received - hall 2	1,100.00	GST Taxable	1,000.00	100.00
Manse rental	10,000.00	Input taxed - commercially rented	10,000.00	-
Miscellaneous Income	15.00	GST Free	15.00	-
	53,050.00		12,130.00	100.00

1A – GST on sales

This is the amount of GST you need to pay the ATO. It's the amount of GST on your income/receipts, that is the value of GST you have or should have charged on congregation supplies (income/receipts). To calculate this figure, total the value for current period entries in the GST column in the cash receipts book plus or minus any adjustments.

Adjustments could include GST in:

- GST refunds received from the ATO and recorded in this column
- value from barter transactions
- trade-in values
- sponsorships
- non-market value transactions with associates (discuss with Synod if you think this applies)
- adjustments for refundable deposits

Record the whole dollars at 1A. Do not include balance carried forward from previous tax period.

1B - GST on Purchases

This is the amount of GST that you can claim as a refund. It is the amount of GST included in purchases/expenses. To calculate this figure, total the value of current period entries in the GST column of the cash payments book plus or minus any adjustments.

Adjustments could include GST in:

- GST paid to ATO and recorded in this column
- exclude payments without 'tax invoices'
(If a 'tax invoice' is subsequently received, it should then be added back in)
- value from barter transactions:
- **trade-ins**
- **sponsorships**
- delays on second-hand goods for resale purchased from unregistered individuals and where cost exceeds \$300.00.
- adjustment for refundable deposits

Remember you cannot claim GST paid on input-taxed properties. (i.e A commercially rented out Manse).

Example of GST on purchases

Description	Total paid	GST category	1B GST on purchases
Stipends & allowances	12,300.00	Not reportable	-
Visiting preachers	150.00	Not reportable	-
GST paid	120.00	Not reportable	-
Stationery-General	122.00	GST	11.09
Rep & Maint	1,900.00	GST	172.73
Rep & Maint	700.00	GST Free - supplier not registered for GST	-
Cleaning	1,080.00	GST Free - supplier not registered for GST	-
Audit and accounting fees	660.00	GST	60.00
Miscellaneous Expenses	28.00	GST	2.55
Mission and Service Giving	5,000.00	Not reportable	-
Sunday School/local UCA Org	70.00	GST	6.36
Postage & Freight	130.00	GST	11.82
Telephone	240.00	GST	21.82
Insurance-Building	6,100.00	Not reportable	-
Power,Light,Gas & Water	700.00	Part GST	63.64
Water	500.00	GST Free	-
			350.00

Frequently Asked Questions

1. Can I claim GST on amounts reimbursed to a congregation member?

If registered for GST you may be entitled to claim GST credit for purchase made by a volunteer/minister for expenses they have incurred. If the purchase or expense is more than \$82.50 (including GST) you need a tax invoice to claim a GST Credit., even if the tax invoice is in the name of the volunteer.

If the amount is less than \$82.50 (including GST) you only need some documentary evidence of the expense, such as a case receipt, cheque butt or bank statement.

2. Can I claim GST credits on a commercially rented residence (ex manse)?

Residential rent is generally an input taxed supply. That means, you cannot charge GST on residential rent and you cannot claim back GST inputs for things like agent's management fees and GST charged for maintenance by tradespeople or GST on materials for maintaining the property.