

# Taxation Update

## Does your organisation need to register for Goods and Services Tax (GST)?

May 2018

If your registered charity has a GST turnover of \$150,000 or more, it must register for GST. If your organisation has a GST turnover of less than \$150,000, it can choose to register for GST. The decision to voluntarily register for GST should be made based on the administrative needs of your organisation.

Generally, an organisation that registers for GST must then stay registered for at least 12 months, even if its GST turnover is less than \$150,000.

### Calculating your organisation's GST turnover

An organisation's GST turnover is its gross income, excluding all of the following:

- GST included in sales
- input taxed sales
- sales not connected with an enterprise that your organisation carries on
- sales not connected with Australia.

### Are fundraising activities 'input taxed' sales for the purpose of determining whether the GST threshold has been breached?

Provided your entity is a registered charity, certain supplies can be classified as 'input taxed'. If the supply is classified as an input taxed supply it doesn't get included when determining whether you have exceeded the \$150,000 GST turnover threshold.

A registered charity, gift deductible entity 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 remit 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 below example has been taken from the ATO website:

#### Annual turnover

XYZ Charity has total annual sales of \$150,000, which includes \$80,000 from sales made at five input-taxed fundraising dinners. As input-taxed sales are not included in annual turnover for GST purposes, XYZ Charity has an annual turnover below \$150,000 for GST purposes and therefore does not need to register for GST.

A sale will be input taxed if all of the following criteria are met:

- the organisation conducting the event is a charity, gift deductible entity or government school
- the sale is made in connection with the fundraising event
- the organisation chooses to treat all sales in connection with the fundraising event as input taxed before any transactions take place
- the event is referred to in the organisation's records as an event that is treated as input taxed.

If your organisation chooses to treat a fundraising event as input taxed you:

- must keep records containing details of its choice (for example, in accounts or meeting minutes)
- do not need to notify us of this choice.



The following fundraising events may be treated as input taxed:

- a fete, ball, gala show, dinner, performance or similar event
- 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 the ATO 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 the ATO and ask for approval to treat the event as an input taxed fundraising event. The ATO 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
  - the proceeds from the event are for the direct benefit of the organisation's purposes.

The sale of alcohol and tobacco at a fete, ball, gala show, dinner, performance or similar event will not prevent the event from being treated as an input taxed fundraising event.

An organisation cannot choose to treat an event as input taxed unless the event is held for the purpose of fundraising. For example, if an organisation holds a dinner for its next AGM, the dinner is not being held for the purpose of fundraising and therefore the sale of tickets to the dinner and other sales it makes cannot be treated as input taxed.

An endorsed charity, gift deductible entity or government school can conduct a particular fundraising event **up to 15 times in a financial year** and choose to treat each event as input taxed.

If an organisation holds more than 15 of the same type of events in a financial year, none of the events can be treated as input taxed fundraising events. For example, if an organisation holds 16 fundraising dinners in a financial year, none of the dinners can be treated as input taxed and the organisation must account for GST for each of the earlier 15 dinners by revising the related activity statement.

The above is general information only and should not be considered taxation advice. If you require assistance with determining whether your organisation has a requirement to register for GST, please contact one of our taxation specialists for more information.

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