

What is GST?

In Australia, the Goods and Services Tax (GST) is a broad base single rate indirect tax charged at the rate of 10%, it is payable on most goods and services sold or consumed in Australia.

The tax can also be described as a Value Added Tax or VAT, the University's computerised accounting system, myFinance, refers to GST as VAT.

In general, GST is payable on the value added by businesses and other organisations at each stage of the commercial chain of transactions of goods and services that is carried on between businesses and their clients. The GST Act describes these dealings as 'supplies'.

Who pays GST?

The end user in the commercial chain of transactions is the party which ultimately incurs the tax as a cost.

Generally, businesses do not incur GST as a cost, this is because businesses which are registered with the Australian Taxation Office (ATO) for GST purposes, in the main, are entitled to claim back from the ATO the GST paid by them on their business purchases.

For GST purposes, a business purchase is termed an 'acquisition' and includes the purchase of goods and services such as trading stock, leases, equipment, consumables, operating expenses and importations.

The GST paid by a business on its 'acquisitions' is described as 'input tax'.

Is the University a business?

The University is regarded as a business for GST purposes and is registered with the ATO for GST purposes.

The University can claim back from the ATO the 'input tax' paid on 'acquisitions' it makes.

The University must add GST to the price of its 'supplies', unless the product or service meets one of the exemptions for GST-free goods and services or is out-of-scope of the GST Act or is an input-taxed 'supply'.

What income is not subject to GST?

A business registered for GST must add GST onto the price of its 'supplies', unless the product or service is meets the criteria of a GST-free exemption, is out-of-scope of the GST Act or is an input-taxed supply.

Products and services which meet a GST-free exemption criteria are:

- most basic food items
- some education courses
- some course materials
- some elements of course related excursions or field trips
- some medical, health and care services
- some medical aids and appliances
- some medicines
- some childcare services
- some religious services and charitable activities
- supplies of accommodation and meals to residents of retirement villages by certain operators
- cars for disabled people to use, as long as certain requirements are met
- water, sewerage and drainage
- international transport and related matters
- sales of precious metals
- sales through duty-free shops

- grants of land by government
- sale of farmland where the land will continue as farmland
- international mail charges
- rent for long-term residential accommodation, provided by a charity
- sales to locations outside of Australia's tax zone, meeting the GST export tests
- sales of businesses as going concerns
- some telecommunications supplies
- eligible emissions units

Products and services which are classified as out-of-scope of the GST Act are:

- parliamentary appropriations made by Government of Australia
- some grants, where there is no 'supply' or the grant is a donation
- gifts and donations which meet the ATO criteria of a genuine gift
- sales made between locations outside of the Australian tax zone
- government charges for a permission, an exemption, an authority or a licence
- insurance claim settlements
- the payment of salaries and wages to an employee by an employer
- financial deposits received e.g. dividends, share investments and bank interest

Products and services which are classified as input-taxed are:

- rent for long-term residential accommodation, not provided by a charity
- re-sale of residential premises
- financial supplies, such as charges to provide
 - a bank, building society or credit union account
 - credit, a loan or borrowings
 - a charge or mortgage over real or personal property
 - superannuation
 - an annuity or allocated pensions
 - life insurance
 - a guarantee or an indemnity
 - credit under a hire purchase agreement
 - currency or exchange currency
 - securities, such as shares
 - derivatives, swaps and futures contracts
 - services incidental to any of the above
- some transactions in precious metals

Input taxed 'supplies' are sales of goods and services which are not required to include GST in the price because the seller is prohibited from claiming 'input tax' credits on 'acquisitions' made to provide those goods or services.

When is GST a cost to a business?

Generally, businesses do not incur GST as a cost, this is because businesses which are registered with the ATO for GST purposes, in the main, are entitled to claim back from the ATO the GST paid by them on their business purchases.

There are some instances where a business will incur GST it pays on 'acquisitions' as a cost, these situations include:

- Where the business is not registered for GST and cannot claim an 'input tax' credit
 - Where the business does not hold a valid tax invoice for acquisitions it has made
 - Where food and drink entertainment is provided by the business to third parties
 - Where funding is provided to the business and the funding has not included GST
 - Where an 'acquisition' is made as part of providing an input taxed supply
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