

Fact Sheet

GST & Government Related Entity income

Income received by Federation University Australia may be classified as a Government Related Entity (GRE) payment and treated as GST-free where the income is a payment which meets the four GST-free GRE tests.

The GRE tests are:

1) Are both parties to the funding agreement a GRE?

The two principal entities involved in the funding arrangement must be GRE's or the test fails and the payment is not a GRE payment.

A Government Related Entity is:

- a) a department of state of the Commonwealth
- b) a department of the Commonwealth parliament established under the Parliamentary Service Act 1999
- c) an executive agency, or statutory agency, within the meaning of the Public Service Act 1999
- d) a department of state of a state or territory
- e) an organisation, whether or not it is an entity, that
 - i) is either established by the Commonwealth, a state or a territory (whether under a law or not) to carry on an enterprise or established for a public purpose by an Australian law; and
 - ii) can be separately identified by reference to the nature of the activities carried on through the organisation or the location of the organisation; whether or not the organisation is part of a department or branch described in the first four dot points above or of another organisation of the kind described in (i) or (ii)
- f) a local governing body established by or under a state law or territory law.

Federation University Australia meets the criteria of a GRE as it was established by the Victorian Government, Federation University Australia Act 2010, for the enrichment of the community through the promotion of higher and further education and research, GRE criteria d) i) & ii).

2) Is the payment made on or after 01 July 2012?

The payment must be made on or after 01 July 2012 or the test fails and the payment is not a GRE payment.

3) Is the payment made by a GRE to another GRE for the delivery of a good, service or thing?

The payment must be for the delivery of a good, a service or a thing from one party to another party, under the GST law this delivery is defined as a 'supply'.

If no supply is made then the test fails and the payment is not a GRE payment, however where it is determined that no supply is made for a payment by an entity, under the basic rules of the GST law there is no requirement to charge GST and the transaction is assessed as being GST-free.

Where a supply is made, it is not necessary that the supply is made to the GRE making the payment, it can be a related supply.

Related supplies

The supply in a GRE arrangement may be made either to the GRE making the payment or to a third party.

A supplier GRE may make a supply to a third party, or alternatively it may make supplies to both the GRE making the payment and a third party.

Where the arrangement involves the supplier GRE making a supply to the GRE that made the payment and also a supply to a third party, the supply made to the third party will be considered as having been made to the paying GRE.

Payments or any other thing that the supplier GRE receives from the third party under the arrangement, are included in the calculation to determine if the non-commercial test is satisfied.

4) Is the payment covered by an appropriation under Australian law or made under a specified intergovernmental health reform agreement?

The funding for the payment by the paying GRE must have originated from an appropriation or the National Health Reform Agreement or the test fails and the payment is not a GRE payment.

An 'appropriation under Australian law' means a segregation of funds from the consolidated revenue fund by:

- a statute of the Commonwealth Government
- a state or territory
- delegated legislation

An appropriation is not in itself a payment: it is the legislative segregation of funds from the consolidated revenue fund.

If the payment is not covered by an appropriation under an Australian law, the payment must be made under one of the following:

- the National Health Reform Agreement agreed by the Council of Australian Governments on 02 August 2011
- an agreement entered into to implement the National Health Reform Agreement.

5) Is the funding agreement a non-commercial arrangement?

To satisfy the non-commercial arrangement test, the amount of the funding payment must be calculated on the basis that the sum of the following does not exceed the anticipated or actual cost of making those supplies:

- i) the payments provided by the paying GRE relating to making of the supply; or
- ii) anything else the supplier receives from other entities in connection with, or in response to, or for the inducement of the supply or related supplies.

In this context, 'cost' includes the supplier's direct and indirect costs of making the supply, but does not include a return on capital or concepts of cost which are measured based on opportunity cost or forgone revenue.

If the payment is made in instalments, the total of the instalments is required to be tested against the anticipated or actual costs of making the supply, not the individual instalments.

If the payment is worked out before the supply is made, the test can be based on the anticipated cost of making the supply or supplies.

If the payment is worked out after the supply is made, the test is to be based on the actual costs of making the supply.

Where the test is based on anticipated costs, it is not necessary to subsequently review the test once the actual costs of making the supply or related supplies are known.