

Evea Lousick

From: Felicity Heading
Sent: Thursday, 8 June 2017 2:24 PM
To: Evea Lousick
Subject: FW: GST on Community Grants

For your information.

Regards

Felicity Heading
Coordinator Financial Operations

SHIRE of WYNDHAM | EAST KIMBERLEY

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From: The WALGATax Team [mailto:walgatax@moorestephens.com.au]
Sent: Wednesday, 7 June 2017 8:36 AM
To: Felicity Heading <Felicity.Heading@swek.wa.gov.au>
Subject: RE: GST on Community Grants

Hi Felicity,

Thank you for submitting your support request to the WALGA tax service.

GSTR 2006/9 applies to grant made to non-government entity:

(1) A **supply** is any form of supply whatsoever.

(2) Without limiting subsection (1), **supply** includes any of these:

- (a)** a supply of goods;
- (b)** a supply of services;
- (c)** a provision of advice or information;
- (d)** a grant, assignment or surrender of real property;
- (e)** a creation, grant, transfer, assignment or surrender of any right;
- (f)** a financial supply;
- (g)** an entry into, or release from, an obligation:
 - (i)** to do anything;
 - (ii)** to refrain from an act;
 - (iii)** to tolerate an act or situation;
- (h)** any combination of any 2 or more of the matters referred to in paragraphs (a) to (g).

The GST treatment would first depend upon whether the individuals and organisations are registered or required to be registered for GST. If they are not registered or required to be registered for GST, they would not be required to charge GST on the grant funding.

If they are registered for GST, you would need to consider whether they are making a taxable supply. The contribution will be subject to GST if it is consideration for a supply made by the entity and there is a sufficient nexus between the contribution and the supply. In general, if there is a legal binding obligation to use the funds in a certain way, there would be consideration for a taxable supply and GST would apply to the transaction.

These principals are outlined in GSTR 2012/2 and the following examples:

Example 10 - no supply - mere expectation

58. A local tennis club is seeking funding to enable them to resurface their privately owned tennis courts. The local council provides financial assistance to the tennis club on the basis that the money is only used for the resurfacing of the tennis courts .

59. The local council has an expectation that the works will be carried out. However, as there is no binding obligation on the tennis club to actually carry out the resurfacing of the courts, and there are no other goods or services passing between the parties there is no supply to the local council .

60. There are no GST consequences arising from the arrangement for either party .

Example 11 - no supply - mere expectation (where the thing is done)

61. Continuing with the last example .

62. Even if the payment is ultimately used to resurface the tennis courts, this does not change the fact that the tennis club has not made any supply to the local council. Transactions that are neither based in an agreement that binds the parties in some way nor involve the supply of goods, services or, some other thing to the payer, do not establish a supply . In this example, the mere doing of the thing that was expected does not amount to a supply to the local council because it does not involve some good, service or other supply being provided to the local council by the tennis club for which the payment is consideration . Rather, the payment has facilitated the acquisition of services by the tennis club in having its courts resurfaced. This is not a supply made to the local council.

We hope that this general information meets your needs. If your issue requires comprehensive tax advice, a private ruling or a tax compliance review; subscribers can access these services by contacting the WALGA Tax Team at Moore Stephens direct.

Regards,

From: Felicity Heading [<mailto:Felicity.Heading@swek.wa.gov.au>]
Sent: Friday, 2 June 2017 9:11 AM
To: 'The WALGATax Team' <walgatax@moorestephens.com.au>
Subject: GST on Community Grants

Good morning,

Are you able to clarify whether Grants that our Shire pays to community groups should attract GST:

- If the organisation receiving the grant is registered for GST
- If the organisation receiving the grant is not registered for GST

Thanks for your assistance.

Regards

Felicity Heading

Coordinator Financial Operations

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