THE UNIVERSITY OF QUEENSLAND

GST Guide

Issue: 1/2017

1 Introduction

The goods and services tax (GST) was introduced in 2000 and is a broad-based consumption tax of 10% on most goods, services and other items sold or consumed in Australia.

The University is required to:

- Include GST in the price of sales to customers (where GST is applicable); and
- Claim credits for the GST included in the price of purchased goods and services (where GST is applicable).

This GST Guide has been developed specifically for the University of Queensland. It outlines the University's policies in relation to compliance with the GST legislation.

2 University's Status

2.1 Charitable Institution and Australian Business Number

The University is an income tax exempt body and holds an endorsement as an income tax charitable entity under Subdivision 50-B of the *Income Tax Assessment Act 1997*. The details are summarised as follows:

Name:	The University of Queensland
Australian Business Number:	63 942 912 684
Endorsement date of effect:	1st July 2000
Item (s) in Subdivision 50-5 of the *Income Tax Assessment Act 1997*	Item 1.1 – Charitable Institution

The University is required to retain GST documentation for five (5) years.

2.2 Deductible Gift Recipient

The University holds an endorsement as a deductible gift recipient under Sub-division 30-BA of the *Income Tax Assessment Act 1997*.

The law provides that a donor may be eligible to claim a tax deduction for an amount exceeding $2 provided certain conditions are met. A bona fide donation can never be subject to GST.

2.3 Business Activity Statement (BAS)

As the University has a GST turnover of greater than $20m, we must report monthly and lodge our activity statement electronically.

The due date for lodging our activity statement and paying any amount owed is 21 days after the end of each month.

The Group Accounting and Taxation Section within Finance and Business Services (FBS) administer the preparation and lodgement of the monthly activity statement.

2.4 Deferred GST Scheme (DGST)

For imports, the GST is payable by the importer (the University) as opposed to the overseas supplier. GST is calculated as 10% of the value of the importation. Generally, the imported goods are not released by the Australian Customs and Border Protection Service until all GST, customs duty or other charges have been paid.

The University participates in the deferred GST (DGST) scheme. This scheme allows the University to defer the payment of GST on all taxable importations into Australia. In this instance, Australian Customs and Border Protection Service will release good prior to the GST being paid.

The Australian Taxation Office (ATO) includes the total amount of GST that was deferred during the previous month on the University's next Business Activity Statement (BAS) as a payable. As the large majority of the University's acquisitions are creditable importations, an input tax credit is claimed in the same BAS which effectively offsets the deferred GST liability.

3 Supply of Goods and Services

With regards to the University, there are four types of supply transactions:

- Taxable supplies
- GST-free supplies (including exports)
- Input taxed supplies
- Out of scope transactions

GST is only paid on taxable supplies.

Some supplies may be a mixture of transaction types and must be separated into identifiable components.

3.1 Taxable supplies

The University must pay GST on taxable supplies and can claim GST credits for purchases used to make these taxable supplies.

The University makes a taxable supply if:

- the supply is made for payment;
- the supply is made in the course of operating the University's business; and
- the supply is connected with Australia.

If the University has made a taxable supply, it is obligated to issue a tax invoice. More information can be found in section 5 of this policy.

However, a supply is not a taxable supply if it is a GST-free supply, input taxed supply or out of scope transaction (see sections below).

Supplies for payment

Payment is usually monetary, but can be some other form of payment, such as:

- goods and services provided instead of money, as in barter transactions; or
- payment in the form of refraining from doing something.

Supplies in the course of operating our business

This will be the case for all transactions and includes the supply of assets.

Supplies connected with Australia

A supply of goods is connected with Australia if the goods are any of the following:

- delivered or made available in Australia to the purchaser;
- removed from Australia; or
- brought into Australia, provided the seller either imports the goods into Australia or installs or assembles the goods in Australia.

A supply of property (e.g. land, buildings) is connected with Australia if the property is in Australia.

A supply of something other than goods or property (e.g. services, rights) is connected with Australia if any of the following apply:
- the thing is done in Australia;
- the seller makes the supply through a business they carry on in Australia; or
- the supply is of a right to purchase or acquire something that would be connected with Australia.

Section 8 of this policy contains examples of exports – those transactions not considered to be connected with Australia and which are therefore classed as GST-free.

Example1: UQ is billing external party for contribution towards a maintenance cost as part of a joint venture project

School of Biology is in a joint venture with Royal Brisbane Hospital (RBH). Every quarter, the school invoices RBH for the contribution towards the maintenance cost of the premises that the joint venture uses which is maintained by UQ. Should UQ charge GST in this invoice?

Yes, the contribution is a part of a payment of a service provided by UQ for maintenance of the premises – which is a taxable supply.

Example2: UQ is charging a registration fee for a conference to international attendees

UQ is holding a Global Annual Mathematic Conference in Hyatt Brisbane with notable international mathematician coming as guest speakers. University of California asks UQ to send a collective invoice for the registration fee for 5 UC math professors who want to attend. Should UQ charge GST in this invoice?

Yes, the registration fee is a taxable supply and the conference is connected to Australia (held in Australia). The country of origin of the conference participant does not change the GST treatment in this instance. Tips: Imagine if you were a tourist in USA, you will have to pay VAT for anything you purchased in US.

3.2 GST-free supplies

The University does not include GST in the price of GST-free supplies but can still claim credits for GST included in the price of taxable purchases used to make GST-free supplies.

Items which are GST-free which relate to the University include:
- course fees for most tertiary courses, masters courses and doctoral courses;
- course fees for ELICOS approved English language courses;

- educational course materials (provided certain conditions are met);
- student administration service fees directly related to a GST-free course;
- compulsory excursions relating to an educational course which are not predominantly recreational;
- health services provided by general practitioners;
- other health services including counselling and dental services; and
- some exports.

See section 6 of this policy for more details and examples on the GST treatment of education and related goods and services.

3.3 Input-taxed supplies

The University does not include GST in the price of input taxed supplies and cannot claim GST credits for purchases used to make input taxed supplies.

Items which are input taxed which relate to the University include:
- financial supplies (e.g. bank interest, consideration on the sale of investments); and
- renting residential premises for residential accommodation.

3.4 Out of scope transactions

An out of scope transaction is one which does not relate to a "supply".

A supply for GST purposes is very broadly defined and includes the sale of goods (e.g. trading stock and capital equipment), the supply of services (e.g. repair services), the hiring out of equipment and the giving of advice (e.g. legal advice).

Items which do not constitute a supply include:

- Commonwealth Government appropriations;
- other appropriations where the monies received are not consideration for any supply;
- research grants from the National Health and Medical Research Council (NHMRC) and the Australian Research Council (ARC);
- donations, bequests, prizes, sponsorships and scholarships (provided they are made voluntarily, there is no expectation of receiving anything in return, and there is no material benefit to the donor).
- dividends;
- parking fines; and
- internal transactions between operational units within the University.

See section 9 of this policy for more details and examples on whether a particular research grant constitutes a supply.

3.5 Adjusting event

An adjusting event can occur in relation to supplies in the following instances:

- When the price of a supply changes after the tax invoice has been raised and issued;
- When a taxable supply is cancelled;
- When a bad debt is written off; or
- When a previously written off bad debt is recovered.

When an adjusting event occurs, this may result in an increase or decrease in the GST liability of the University and care should be taken to ensure that the GST is correctly accounted for.

The UniFi GST codes applicable to sale transactions are contained in UQ GST Treatment Table in the FBS – GST website.

4 Acquisition of Goods and Services

4.1 Claiming GST credits for purchases

If you make taxable purchases for **business purposes**, you can use the tax invoices you receive to claim the correct amount of GST credits for those purchases.

If you buy taxable goods or services that cost more than $82.50 (including GST), your supplier must provide you with a tax invoice within 28 days after you request one.

To claim a GST credit for purchases that **cost more than $82.50** (including GST), you **<u>must</u>** have a valid tax invoice or recipient created tax invoice (RCTI). Use Tax Treatment ID "AO/AC" in UniFi. See section 5 for a valid tax invoice requirements.

To claim GST credits for purchases that **cost $82.50 or less** (including GST), you must keep documents to support your claims such as:

- cash register dockets
- receipts
- a credit card statement from a corporate card provider that meets certain requirements. These requirements are currently met for all purchasing cards and corporate credit cards held by the University.

See section 5 for more information on documentations when claiming GST credits.

You must also keep your tax invoices and other GST records for five years.

4.2 Exceptions where GST credits cannot be claimed

There are a number of instances in which GST credits cannot be claimed and these are explained below.

Input taxed supplies

We cannot claim a GST credit for any portion of a purchase used to make input taxed supplies (see section 3.3).

Private use and non-deductible expenses

The University is prohibited from claiming a GST credit for goods and services purchased for private use and certain non-deductible expenses (e.g. entertainment for visitors). Further information is contained in section 13 of this policy.

Motor vehicles

If a car is purchased which exceeds the luxury car tax threshold, the University can generally only claim an amount of GST equal to one-eleventh of that limit.

Other special rules

There are other special rules for claiming GST credits which relate to such items as:

- periodic or progressive supplies, such as lease payments or service contracts;
- second hand goods; and
- purchases of land under standard land contracts.

Further information can be obtained from the ATO website or from the Group Accounting & Taxation Section with FBS if required.

4.3 No Tax Invoice Provided - Withholding Tax

If a supplier does not quote a valid ABN and the total payment for the goods or services is more than $75 excluding any GST, the University must withhold 46.5% of the payment and remit to the ATO.

However, an ABN is not required if any of the following exceptions apply:
- The supply is made in the supplier's private capacity, or as their hobby;
- The payment is exempt income for the supplier (for example, the supplier is a non-profit body);
- The payment is to a non-resident who is not carrying on a business in Australia or through an agent in Australia; or
- The supplier is not an enterprise because they have no reasonable expectation of profit or gain.

When an exception applies to providing a valid tax invoice, the supplier must complete a "Statement by a Supplier" form which is available from the ATO website and provide this form to the Accounts Payable section before payment can occur.

When an exception does not apply, the University will withhold 46.5% of the payment and submit it to the ATO (as part of the monthly BAS). The remaining 53.5% will be paid to the supplier and they will be provided an original and a copy of an ATO payment summary. This process, including the issue of a payment summary, is handled by Finance & Business Services.

4.4 Adjusting event

An adjusting event can occur in relation to supplies in the following instances:
- When the price of a purchase changes after the tax invoice has been received;
- When a purchase for which we can claim a GST credit is cancelled;
- When the actual use of a purchase for private purposes or to make input taxed supplies differs from our intended use (this only applies if the GST-exclusive value of the purchase is more than $1,000).

When an adjusting event occurs, this may result in an increase or decrease in the GST liability of the University and care should be taken to ensure that the GST is correctly accounted for.

The UniFi GST codes applicable to expense transactions are contained in UQ GST Treatment Table in the FBS – GST website.

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5 Tax Invoices

5.1 What is a valid tax invoice?

Please refer to the Taxes Procedures on the PPL for information.

5.2 Issuing tax invoices for supplies

If the University has made a taxable supply, it is obligated to issue a tax invoice.

The UniFi system has been set up to ensure that the ATO requirements are complied with when the system generates an invoice or a receipt is generated through OneStop. Care must be taken however to ensure that the details are entered correctly and the correct Tax Treatment ID is used.

5.3 Receiving tax invoices for acquisitions

Refer to section 4.1 for a background details.

5.3.1 What if a document does not contain all of the required information?

If a document issued by a supplier does not contain all of the required information, you may treat that document as a valid tax invoice if the missing information can be clearly identified from other documents provided by the supplier that are attached together with the invoice..

Terms such as 'total price includes GST' or similar wording are not sufficient for invoices for both taxable sales and either a GST-free or input taxed sales.

Tax invoices that contain incorrect or incomplete information, where you cannot work out the missing information from other documents issued by the supplier are not considered to be valid. You should ask your supplier to replace it with a complete and correct tax invoice.

If you do not have a correct or complete tax invoice or if you do not receive a tax invoice from a supplier, you must wait until you have received one before you can claim the GST credit. In this situation, use Tax Treatment ID “FREE” in UniFi. Contact TAX in FBS once you receive a tax invoice to make the GST adjustments.

5.4 Recipient Created Tax Invoice (RCTI)

Usually, the supplier of a taxable supply gives the recipient a tax invoice for the supply. However, commercially, invoices are also created by recipients of supplies in certain circumstances.

RCTI can only be issued by a recipient if:

- the recipient and the supplier are both registered for GST
- the sales for which the recipient can issue an RCTI are agreed to in writing by the recipient and the supplier either in a separate written agreement specifying the supplies to

which each agreement relates or embedding this information or specific terms, as outlined in the legislative instrument, in the tax invoices they issue
- the agreement is current and effective when the RCTI is issued
- the goods or services being sold under the agreement are of the type that we have determined can be invoiced using RCTIs.

Generally, RCTI can only be issued in the following three circumstances:
- it relates to a taxable supply of agricultural products, the recipient meets the requirements for issuing a recipient created tax invoice (RCTI), and the value of the agricultural products is dependent upon quantitative and qualitative analysis of the supply being undertaken subsequent to the sale;
- it relates to a taxable supply made to a registered government related entity that satisfies the requirements for issuing a RCTI, or
- it relates to a taxable supply made to registered recipients who satisfy the requirements for issuing a RCTI, and have a GST turnover of at least $20m annually (either the entity in its own right or the group of entities that it is a part of).

The requirements referred to above are outlined in taxation ruling GST 2000/10 which is available on the ATO website.

One important requirement is that an agreement must be in place between the supplier and the recipient with regards to the issue of RCTIs. This agreement can be embedded in an RCTI or it can be a separate written agreement.

It is the University's policy that such agreements can only be entered into following advice from:
- the Contract & Grants Section within Finance & Business Services;
- the Group Accounting & Tax Section within Finance & Business Services; or
- the Legal Office.

5.4.1 What is a valid RCTI?

To be valid, a RCTI must contain sufficient information to enable the following to be clearly identified:
- that the document was intended to be an RCTI
- the identity and ABN of the supplier
- the identity or ABN of the recipient
- what is sold, including the quantity (if applicable) and the price
- the extent to which each sale is a taxable sale
- the date of issue of the document
- the amount of GST (if any) payable for each sale
- if GST is payable for any sale - that the GST is payable by the supplier.

The recipient must:
- issue the original or a copy of the RCTI to the supplier within 28 days of when the sale is made or when the value of the sale is determined
- retain the original or a copy of the RCTI
- reasonably comply with its obligations under the taxation laws

- not issue a document that would otherwise be an RCTI, on or after the date when they or the supplier has failed to comply with any of the requirements of RCTIs.

Generally we recommend that the words "Recipient Created Tax Invoice" and the ABN of the supplier and the recipient must also be prominently stated.

6 Supplies Of Education

The supply of an "education course" is GST-free. No GST is payable on the supply and the University is entitled to an input tax credit for credible acquisitions relating to the supply.

The definition of an "education course" includes:
- a tertiary course; or
- a Masters or Doctoral course.

6.1 Tertiary courses

The definition of a tertiary course for higher educational institutions is determined by the Commonwealth Government's Minister for Education.

The current list includes the following accredited undergraduate or postgraduate courses:
- associate degrees;
- associate diplomas;
- diplomas;
- advance diplomas;
- Bachelor degrees;
- bridging study for overseas students;
- graduate entry Bachelor degrees;
- graduate certificates;
- graduate diplomas; and
- Masters qualifying courses.

The current list also includes:
- English as a second language (ESL) courses; and
- Vocational education and training programs.

6.2 Associated supplies

Where the fee is for the supply for an education course that consists of tuition and facilities and curriculum related activities, the fee is consideration for a GST-free supply.

However, a single fee charged for the supply of an education course will need to be apportioned between its taxable, input taxed and GST-free components if it includes:
- A supply of membership to a student organisation;
- A supply by way of sale, lease or hire of goods other than course materials;
- A supply of any food as part of an excursion or field trip;
- A supply of accommodation as part of an excursion or field trip;
- A supply of accommodation to tertiary students; or
- A supply of food as part of accommodation provided to tertiary students.

6.3 Miscellaneous fees and charges

The University charges miscellaneous fees of various descriptions. A fee will only be GST-free if it is charged in respect of the provision of facilities and/or the supply of administration services directly related to the supply of a GST-free education course.

The provision of facilities which would be GST-free include:
- the provision and maintenance of plant, equipment, buildings and grounds;
- access to libraries including the access to library books, periodicals and manuals;
- access to computer and science laboratories; and
- access to computers and other on line resources including off-campus dial up internet services.

Administration fees which would be GST-free include:
- program changes and late enrolments;
- late issue or replacement of student cards;
- printing academic transcripts, certificates and statements;
- overdue charges or late payments; and
- administration of the library.

Administration fees which would not be GST-free include:
- student hall application fees;
- graduation dinners; and
- hire of academic dress.

Example:

Luke is an international student who enrols at the University to undertake an accredited Bachelor of Commerce. Before the census date of his first semester of study, Luke withdraws from the entire course. He is refunded the full fee less a $1,000 cancellation charge which is retained by the University.

The cancellation fee is GST-free as it is directly related to a GST-free education course.

Example:

Megan is undertaking a Bachelor of Engineering. The University makes available lectures and tutorials in the form of audiotapes throughout the course. Megan is charged a tutorial fee which includes the supply of these audiotapes.

The supply of taped lectures is GST-free as it is directly related to a GST-free education course.

Example:

The University organises social and recreational activities during Orientation Week. These activities are designed to familiarise students with the campus and help them meet other students before the academic year commences. These activities are not considered to be part of an education course and any charge made is taxable.

6.4 Course materials

If the University charges a fee for the supply of course materials as part of subjects undertaken then the supply is GST-free.

Course materials are defined as materials provided that are consumed or transformed by the students undertaking the course for the purposes of the course.

The following are examples of course materials which would be GST-free if supplied by the University to students:

- photocopied or printed educational materials that specifically relate to the course;
- course notes for a specific subject outlining the course contents, reading list, tutorial and seminar topics, assignment and essay questions;
- consumable art supplies such as paint, sketch pads and chalk;
- ingredients used in a hospitality course; or
- chemicals used in chemistry and related courses.

The following are not considered to be course materials if supplied by the University to students and would be taxable:

- textbooks;
- musical instruments;
- computers and calculators; and
- sporting equipment.

Although these items may be used in undertaking courses, they retain their generic application for other purposes and are not consumed or transformed in a manner for the purpose of the course.

Example:

First year students studying a Bachelor of Economics are required to purchase a study guide which has been recommended by the lecturer. The guide is a collection of previously published works from journals and other resource materials and includes the lecturer’s own contributions. Its effective life is limited to the duration of the course.

As the study guide is a collation of materials extracted from various textbooks and its useful life is limited to the duration of the course, the study guide is GST-free provided it is purchased from the University.

Example:

Daniel is enrolled in a Bachelor of Science. As part of an assignment, he is required to provide four duplicate copies to his lecturer. Diane goes to the library and is charged $10 for the photocopying.

The photocopying service is not considered to be course materials and it would therefore be subject to GST.

6.5 Excursions & Field trips

If an excursion or field trip is directly related to the curriculum, and is not predominantly recreational in nature, the supply is GST-free, except for any food or accommodation supplied.

To determine whether an excursion or field trip is predominantly recreational, all the relevant factors relating to the activities in the excursion or field trip must be considered. For instance, the time, cost or purpose of the excursion or field trip would be relevant in determining whether the activities are predominantly recreational.

Any supply of food as part of the excursion or field trip, whether it be supplied by the supplier of the course or by another supplier, is not GST-free. It is subject to the normal GST rules relating to food.

Any supply of accommodation as part of the excursion or field trip, whether it be supplied by the supplier of the course or by another supplier, is not GST-free.

Example:

Students studying a Bachelor of Veterinary Science go to a local zoo. The students are charged $100 to cover the cost of the excursion. On their arrival, the students spend an hour with the zoo's employees observing and learning how to treat sick animals. They spend the next four hours walking around the zoo and observing the animals.

As the trip is predominantly recreational, it would be a taxable supply subject to GST.

6.6 Accommodation

A supply of accommodation to tertiary students provided at university colleges and halls or university sponsored flats is a supply of non-commercial residential accommodation.

Therefore, accommodation provided to tertiary students is an input taxed supply. Accordingly, no GST will be payable on the supply of accommodation provided to tertiary students and the University will not be entitled to input tax credits for an acquisitions that relate to the supply.

The only such accommodation owned by the University is the Halls of Residence at Gatton. All other colleges on the University's campuses are owned and managed by other entities.

Where food is supplied to students staying at accommodation provided to tertiary students, the supply is subject to the normal GST rules relating to food.

When entering transactions in UniFi, the GST codes applicable are contained in UQ GST Treatment Table in the FBS – GST website.

7 Appropriations

The University regularly enters into funding agreements with government entities.

The legislation prescribes that there is no GST on an “appropriation” as it is not a provision of consideration.

The following requirements must be met for a payment to be an appropriation for GST purposes:

- the appropriation must be made under Australian law;
- the payment must be made by one government related entity to another; and
- the payment must be specifically covered by the appropriation.

Generally, the payment will need to be referred to in an Appropriation Act or in the Budget Papers. It should specify the purpose and amount of the payment.

In practice, specific details may not always be provided in the Appropriation Act or Budget Papers. A payment may still meet the definition if further details are provided in other supporting documents.

The most common appropriations are the monies received from the Commonwealth Government under the Commonwealth Grant Scheme and other higher education programs. These are referred to each year in the annual Appropriations Act.

Other operational or capital funding may be classed as an appropriation provided it meets the above definition.

Example:

The *Appropriations Act 2008* allocates $300m to the Queensland Department of Employment, Economic Development and Innovation (DEEDI). Budget papers show that $50m of these monies are to be provided to the Institute of ABC which is operated by the University. The reason the funding is being provided is detailed in correspondence with the University and also on the DEEDI website.

The funding received would meet the definition of an “appropriation” for GST purposes and as a result, there would be no GST payable on the monies received by UQ.

When entering transactions in UniFi, the GST codes applicable are contained in UQ GST Treatment Table in the FBS – GST website.

As this can be a tricky area of legislation, we strongly advise that you consult the Group Accounting & Tax section within FBS if you believe a payment meets the GST definition of an appropriation.

8 Exports

Provided certain conditions are met, goods that are exported, or supplies of services that are for consumption outside Australia are GST-free.

8.1 Export of goods

A supply of goods is GST-free if the University exports the goods from Australia before, or within 60 days after:

- the day on which the University receives any of the consideration for the supply; or
- if, on an earlier day, the day on which the University gives an invoice for the supply.

However, the supply is not GST-free if the University reimports the goods into Australia.

8.2 Export of things other than goods or real property

Services not performed in Australia

A supply that is used or enjoyed outside Australia is GST-free provided that:

- it is made to a recipient who is not in Australia when the thing supplied is done; and
- the effective use or enjoyment of which takes place outside Australia.

However, the supply cannot be work physically performed on goods situated in Australia, or a supply directly connected with real property (e.g. land) situated in Australia.

Example:
An employee of the University flies to the United States and performs research services in that country. As the services are not performed in Australia, the supply is GST-free.

Services performed in Australia but consumed outside Australia

A supply that is made to a non-resident who is not in Australia when the thing supplied is done will also be GST-free provided that the non-resident is not registered, or required to be registered for GST.

However, the supply cannot be work physically performed on goods situated in Australia, or a supply directly connected with real property (e.g. land) situated in Australia.

Further, the agreement cannot require the service to be provided to another entity in Australia.

However, for tax periods starting on or after 1 October 2016, the above restriction does not apply to business to business transactions where the entity to which the services are provided:

- would be an Australian-based business recipient if the supply had been made directly to them, or
- is an individual employee or officer of such a business, or
- is an individual employee or officer of the non-resident whose acquisition is solely for a creditable (business) purpose and not a non-deductible expense.

An Australian-based business recipient is defined as an entity that is registered for GST, carries on an enterprise in Australia and does not acquire the service for a private or domestic purpose.

Provided that such supplies are not input taxed, they would be GST Free.

Example:

The University enters into an agreement with an overseas company to provide services to the Australian subsidiary of the overseas firm.

The supply may be treated as GST-free as the Australian subsidiary is likely to be an Australian-based business recipient.

Example:

The University provides research assistance to an IT company in London. The research assistance relates to providing information on IT trends with Australia. The research work is carried out at the University's St Lucia campus.

Whilst the supply is connected with Australia, the supply is GST-free as it has been made to a non-resident and the abovementioned exceptions do not apply.

Example:

The University has signed an agreement to provide research on molecular genetics to Megacorp Inc., a large company based in Switzerland. The agreement prescribes that the research be provided to Minicorp Pty Ltd, its Australian subsidiary. The research work is to be carried out at the University's St Lucia campus.

Whilst the agreement has been made with a non-resident, the supply is <u>not</u> GST-free as the service is being provided to another entity within Australia.

Supply of rights

A supply can be the creation, grant, transfer, assignment or surrender of any “right”.

Such a supply will be GST-free if:

- the rights are for use outside Australia; or
- the supply is to an entity that is not an Australian resident and is outside Australia when the right is supplied.

Example:

The University supplies a New Zealand company the right to use specialist medical software in New Zealand for a period of 5 years. The right is granted by way of a contract made in New Zealand.

The supply is considered not to be connected with Australia.

When entering transactions in UniFi, the GST codes applicable are contained in UQ GST Treatment Table in the FBS – GST website.

Please note that the “EXP” transaction type should only be used for the export of goods. For the export of other supplies (e.g. services, rights), the “FREE” transaction type should be used.

9 Imports

Goods and services tax (GST) is payable on most goods imported into Australia (taxable importations). Since UQ is a GST-registered business and import goods for a creditable purpose we are able to claim a GST credit for any GST paid on taxable importations (where sufficient documentation is available).

The Australian Customs and Border Protection Service (ACBPS) collects GST on taxable importations. The GST payable is 10% of the value of the taxable importation.

9.1 Paying GST on imported goods

For imports, the GST is payable by the importer (the University) as opposed to the overseas supplier. GST is calculated as 10% of the value of the importation. Generally, the imported goods are not released by the Australian Customs and Border Protection Service until all GST, customs duty or other charges have been paid.

The University participates in the deferred GST (DGST) scheme. This scheme allows the University to defer the payment of GST on all taxable importations into Australia. In this instance, Australian Customs and Border Protection Service will release good prior to the GST being paid.

The Australian Taxation Office (ATO) includes the total amount of GST that was deferred during the previous month on the University's next Business Activity Statement (BAS) as a payable. As the large majority of the University's acquisitions are creditable importations, an input tax credit is claimed in the same BAS which effectively offsets the deferred GST liability.

9.2 Claiming back GST on imported goods

Before you can claim a GST credit, you must have documentation showing the goods have been imported and GST was paid at the time the goods were entered for home consumption or deferred and paid at a later time. Goods are entered for home consumption by completing an import declaration and submitting it to ACBPS. When customs duty and GST have been paid, ACBPS release the goods for use in Australia (unless payment had been deferred in which case the goods are released early).

If you use an intermediary to complete the customs formalities (for example, a licensed customs broker), they can provide you with the documents from ACBPS or they may agree to keep the documents on your behalf and provide them when needed.

You must not claim a GST credit if you do not hold relevant documentation or have ready access to that documentation.

Processing in UniFi

Where an invoice is received which is GST only or the GST is not 10% please process the invoice GST FREE. A manual adjustment will need to be posted by TAX. Please email fbs-tax@uq.edu.au with the following information for a manual journal correction:

- the amount for adjustment
- full chartfield information for the adjustment to be posted
- extract from UQ Reportal/Unifi to show how the transaction was originally processed
- supporting documentation (e.g. invoice)

Example 1:

The University imports some laboratory equipment using a Customs Broker. The Customs Broker provides an invoice which totalled $384.07. Of the total amount $298.92 relates to GST. The Customs Broker provides a Tax Invoice and an Entry for Home Consumption form which demonstrates that UQ is the importer (owner) of the goods.

Billing Term	*Description*	*Non-Taxable Charges*	*Taxable Charges*	*Net Charges*
Prepai	CUSTOMS ENTRY FEE	55.20		55.20
	GST PAID TO CUSTOMS	298.92		298.92
	DUTY/TAX	20.00		20.00
	SECURITY FEE		9.95	9.95
Total Charges	**$**	**374.12**	**9.95**	**384.07**

Since there is adequate documentation UQ is able to claim the GST. The transaction should be processed GST FREE and a request for a manual adjustment sent to fbs-tax@uq.edu.au.

10 Financial Assistance Payments

This section provides guidance for the GST treatment of transactions between the University and external oganisations classified as financial assistance payments. Financial assistance payments are funding provided to assist the recipient of the payment to acquire goods or perform services, which cover a broad range of categories including, but not limited to, the following:

- Sponsorships;
- Research Grants;
- Gifts/Donations; and
- In Kind Contributions and Barter Transactions

The GST treatment of financial assistance payments varies. In general, the financial assistance payment will be subject to GST if it is a taxable supply where the following applies:

1. The recipient of the fund makes a supply for which the financial assistance payment is consideration.
2. A financial assistance payment is consideration for a supply if the payment is “in connection with”, “in response to” or “for the inducement of” a supply; there must be a sufficient connection between the supply and the payment.
3. A sufficient connection exists if the financial assistance payment is made to obtain a right that is a material benefit to the payer. The University will be subject to GST if there is a sufficient connection i.e. it is determined that a supply has been made in return for consideration.

10.1 Sponsorship

Funding is generally considered to be sponsorship if the University provides advertising and promotional activities in return for payment which is of material benefit to the payer.

Example 1:

The University enters into a formal agreement with ABC Bank. The bank agrees to provide the University with $75,000 each year for three years to complete a project. In return for the payment ABC Bank will receive the following benefits:

- The University is obliged to acknowledge the sponsorship on all advertisements, media and promotional material
- The University is obliged to feature the ABC Bank logo on staff uniforms
- The relationship between the University and ABC Bank is acknowledged on the program website
- The University is obliged to provide a guest speaker at promotional events and functions

ABC Bank is supplied material advertising and promotion in return for the payment. Therefore, the sponsorship is given in consideration of a supply and would be subject to GST. The tax code SALE should be used in Unifi.

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Example 2:

The University Art Gallery receives funding from a sponsor to purchase an artwork. The payment is provided under the understanding that artwork will be displayed in the University's art gallery. The artwork is purchased and out of appreciation the University installs a plaque below the artwork to acknowledge the supplier of the payment.

Mere acknowledgement of the sponsor is not a supply in return for consideration. The sponsor has not received a material benefit from the arrangement. Therefore, the payment would not be subject to GST and the tax code FREE should be used in Unifi.

Example 3:

UQ is organising a conference and XYZ Company agrees to make a contribution to cover conference expenses. XYZ has specified that the maximum amount they are willing to contribute is $5,000. There is nothing of value provided by UQ to XYZ Company in return for the payment.

The sponsor has not received a material benefit from the arrangement and the transaction is more of a donation in nature (refer to section 9.3). Therefore, the payment would not be subject to GST and UQ should invoice XYZ Company for $5,000 using the tax code FREE.

Example 4:

Assume the same facts as Example 3, however, there is something of value provided by UQ to XYZ Company in return for the payment (e.g. signage, naming rights, advertising or other benefits)

The sponsor has received a material benefit from the arrangement and the transaction is subject to GST. UQ should invoice XYZ Company for $4,545.45 plus $454.55 GST and use the tax code SALE in Unifi.

Example 5:

Assume the same facts as Example 4, however, the conference is held in Australia and XYZ Company is incorporated and conducts business in the U.S.

Since, the conference was held in Australia, therefore, the supply is connected with Australia and the sponsor has received a material benefit from the arrangement. The transaction will be subject to GST. UQ should invoice XYZ Company for $4,545.45 plus $454.55 GST and use the tax code SALE in Unifi.

Example 6:

Assume the same facts as Example 4, however, the conference is held in the U.S. and XYZ Company is incorporated in the U.S. and conducts its business in the U.S.

The supply is not connected with Australia because the conference is held overseas and the sponsor is an overseas entity. The transaction will be GST free. UQ should invoice XYZ Company for $$5,000 using the tax code FREE.

Example 7:

The University decides to sponsor an event which benefits the University community. In return for sponsorship the recipient acknowledges the support provided by the University in promotional materials. In addition, the recipient of the sponsorship may be asked to assist with marketing and promotional activities organised by the University. A written report on the outcome of the event has to be submitted on completion.

Mere acknowledgement of the sponsor is not a supply in return for consideration. The sponsor has not received a material benefit from the arrangement. Therefore, the payment would not be subject to GST and the tax code FREE should be used in Unifi.

10.2 Research Grants

Funding is provided to undertake research will be subject to GST if the findings of the research are of material benefit to the employee.

Example 1:

The University enters into a formal agreement with Farmers Coalition. Farmers agree to provide the University with $75,000 of funding to research better irrigation techniques for farming. In return for the funding, the Farmer Coalition receives the right to use the results of the findings on its own farms.

The Farmers Coalition receives a material benefit in the form of rights to research findings. Therefore, the research grant is given in consideration of a supply and would be subject to GST. The tax code SALE should be used in Unifi.

Example 2:

The University enters into a formal agreement with Cure Cancer Foundation. The agreement states that $75,000 of funding will be provided to UQ to research a cure for cancer. In return for the funding, Cure Cancer Foundation will receive notification of any patents or results that may be commercially developed.

Cure Cancer Foundation does not receive a material benefit. Therefore, the grant is not given in consideration of a supply and would not be subject to GST. The tax code FREE should be used in Unifi.

10.2.1 ARC & NHMRC grants

Information on specific research grants received on a regular basis by the University are as follows.

Australian Research Council (ARC) – Discovery Project grants are not subject to GST as they are considered to be an appropriation from one government entity to another (see section 7 for more details).

Australian Research Council (ARC) – Linkage Project grants are not subject to GST as the ARC receive no material benefit and hence it is not a supply.

National Health and Medical Research Council (NHMRC) grants are not subject to GST as the NHMRC receive no material benefit and hence it is not a supply.

10.3 Gifts/Donations

Funding is generally considered to be a gift if the following criteria are met:

- The funding is made voluntarily
- The funding is provided by way of benefaction
- There is no **material benefit** or advantage received by the payer in return for the gift. It does not matter if the advantage returned is of less or equal value to the gift.

A gift may have conditions attached to it that flow from the payer's right to regulate the use of the gift. For example, there may be an understanding that:

- the gift is to be used for a specific purpose;
- the payer is advised of any changes to the project content or schedule;
- the payer should be used within the time frame specified in the application;
- the University should keep detailed financial records to enable the use of gift funds to be checked readily;
- the gift is to be used only for projects undertaken in Australia; or
- a final financial report (to ensure accountability) is to be submitted by a set date.

Such conditions do not create a material benefit to the grantor and therefore would not create a supply which is subject to GST.

It should be noted that any additional requirements above and beyond those mentioned may result in the grant being subject to GST.

Example 1:

Zoe makes a gift of $3,000,000 to the University. The only condition is that it must be spent on building a new on-campus gymnasium. The University publishes a news article on its website about Zoe in recognition of her generosity.

The fact that public recognition is obtained by Zoe does not constitute a material benefit. Therefore, the gift is not a supply in return for consideration and would not be subject to GST. The tax code FREE should be used in Unifi.

Example 2:

Samuel makes a gift of $500,000 to the University. He asks that the money be used to perform research on breast cancer research and that the results be published publicly in academic journals.

The supply of information to the public does not constitute a material benefit. Therefore, the gift is not a supply and would not be subject to GST. The tax code FREE should be used in Unifi.

10.4 In Kind Contributions and Barter Transactions

An in kind contribution is made when a benefit is provided in a form that falls outside the definition of money, such as the use of staff or equipment. The benefit itself will still be subject to GST if it is deemed to be consideration in return for a supply.

A barter transaction is a direct exchange of goods or services in exchange for other goods or services without the exchange of money. When both supplies are taxable supplies each party will be liable for GST and both parties will still need to issue a tax invoice.

The amount of GST is based on the GST inclusive market value of the consideration. The market value of the supplies is assumed to be the same in an arm's length transaction. An arm's length transaction is defined as a transaction between independent, unrelated, and well informed parties looking out for their individual interests. A transaction involving related parties is deemed to be a arm's length transaction if the transaction is conducted as if the parties are independent, unrelated, and well informed and looking out for their individual interests. No net GST will be payable where the consideration for the relevant supplies are made in the same tax period and have the same GST inclusive market value. However, both parties will still need to issue a tax invoice.

Where there is an in kind transaction of taxable supplies please invoice the other party as per the usual process using 'SALE' as the GST code in Unifi. Upon receipt of the other parties invoice do not pay the invoice. Rather, please send a copy of the invoice, copy of the Unifi extract (showing coding in Unifi of the original sales invoice) along with the details of the transaction to fbs-tax@uq.edu.au to arrange for the GST adjustment.

Example 1:

A Foundation has agreed to give the Faculty of Science sponsorship in the form of scientific equipment worth $5,000. In return, the Foundation's employees get access to use the UQ labs for one year and it was an arm's length transaction.

This transaction is subject to GST because consideration (equipment) has been paid in return for a supply (the use of the labs). The University should issue a tax invoice for $5,500 inclusive of GST. The Foundation should also issue a tax invoice for the same amount. Where there is an in-kind transaction please invoice the supplier per the usual process. Upon receipt of the supplier invoice please send a copy of the invoice along with the details of the transaction to fbs-tax@uq.edu.au to arrange processing.

Example 2:

Engineering Technology Company has agreed to give the Faculty of Engineering some equipment which is worth $100,000. In return for the equipment, Engineering Technology Company receives the following benefits:

- Naming rights for the lab in which the equipment will be located
- Promotional rights
- Invitations to faculty events

This transaction is subject to GST because consideration (equipment) has been paid in return for a supply (naming and promotional rights and invitations). The University should issue a tax invoice for $110,000 inclusive of GST. Engineering Technology Company should also issue a tax invoice for the same amount. Where there is an in-kind transaction please invoice the supplier per the usual process. Upon receipt of the supplier invoice please send a copy of the invoice along with the details of the transaction to fbs-tax@uq.edu.au to arrange processing.

10.5 Summary

Supply	Example	Subject to GST (Y/N)
Rights	The payer provides the payee with funds to undertake a research project and the payer receives the right to commercially exploit the intellectual property resulting from the research.	Y
Advice or information	The payer pays the payee for the right to use research findings.	Y
Sponsorships	The payee provides advertising and promotional activities for the payer's sponsorship payment (does not include 'mere acknowledgement').	Y
Obligation to do something	Payee enters into an obligation with the payer, under which the payee is required to deliver specified services to the community. The payer makes the payment to the payee for the purpose of those services being delivered in pursuit of the payer's objects.	Y
Obligation to not do something	The payee enters into an obligation to exit their industry and to refrain from returning to their industry in return for a financial assistance payment from the payer in pursuit of the payer's objects.	Y
Supplies with insufficient nexus	The **only** supply the payee makes is acknowledging the payment received; submitting an application for the payment; agreeing to repay an amount not spent; and/or giving a report to the payer about how the monies were spent.	N
No supply	The payment is made in circumstances which create expectations without a binding agreement or anything else provided by the payee; settlement of trust or merely satisfying eligibility criteria.	N
Gift	The payee is a non-profit body and the payment is a 'gift' as defined in TR 2005/13.	N

10.6 Administration

All contracts and research agreements must include a GST clause. The payment schedule in any contract should be clear as to whether it is GST inclusive or exclusive. If unsure on the GST treatment of a particular contract, please contact Group Accounting and Tax.

11 Deposits

A security deposit is an assurance held as security for the performance of an obligation. It must also:

- be forfeitable by the payer if the payer defaults on the agreement; and
- not be unreasonably large (usually no greater than 10% of the purchase price), though each case must be individually assessed.

If it relates to a taxable supply, GST is not payable on a security deposit unless the deposit is:

- forfeited; or
- applied as a payment for a supply.

A part-payment is an amount that is paid to reduce the balance of the full amount due to be paid under a contract. It is not forfeited if the payer defaults on the contract. Such a payment is not a deposit held as security. If it relates to a taxable supply, GST is payable when the part-payment is received.

Example:

In March 2009, Blake enters into a contract to host a private function on the University's premises. The function will be held in September 2009 and the total cost is $11,000 (including GST). Blake pays a forfeitable deposit of $1,100 to the University at the time he signs the contract. He pays the balance of $9,900 on the date of the function.

The $1,100 payment in March 2009 meets the definition of a security deposit. The University is not required to charge GST at this point.

Following receipt of the remaining $9,900 in September 2009, the total GST on the transaction ($1,000) must now be charged by the University and remitted to the ATO. This is because both payments have been now been applied as payment for a supply.

When entering transactions in UniFi, the GST codes applicable are contained in UQ GST Treatment Table in the FBS – GST website.

Deposits received

For security deposits received which meet the above definition, the "FREE" transaction type (or S2 for OneStop) should be used when the deposit is initially received.

When the security deposit is to be applied as payment for a supply (or at a time when it is forfeited), an email should be sent to the Group Accounting & Tax Section who will then recognise a GST payable within UniFi in relation to the deposit.

Deposits paid

For security deposits paid which meet the above definition, the "FREE" transaction type should be used when the deposit is initially paid.

When the security deposit is to be applied as payment for a supply (or at a time when it is forfeited), an email should be sent to the Group Accounting & Tax Section who will then recognise a GST credit within UniFi in relation to the deposit.

12 Royalty Payments

The University will sometimes pay a portion of the proceeds from the commercialisation of intellectual property (IP) to staff, students or visitors who were responsible for its creation. These payments are known as royalties.

More information regarding the University's policy on patents may be found in the following sections of the Handbook of University Policies and Procedures:

- Section 4.15.1 – Intellectual Property Policy for Staff, Students and Visitors; and
- Section 4.15.2 – University Patents.

12.1 Royalty payments to current University employees

Royalty payments made to current University employees in relation to their contribution towards IP creation are classified as salaries and wages. This is because the payments are bonuses arising from services performed in the ordinary course of employment as part of the employment relationship.

These payments will be made through the Payroll Section and PAYG will be withheld at the employee's marginal rates at the time of payment.

As these payments are classed as salaries and wages, there is no GST payable.

It is worth noting that no payroll tax or superannuation guarantee charge (SGC) is required to be paid in respect of these payments.

12.2 Royalty payments to former University employees

Royalty payments made to former University employees in relation to their contribution towards IP creation are also classified as salaries and wages.

These payments will be made through the Payroll Section and PAYG will be withheld at the employee's marginal rates at the time of payment.

As these payments are classed as salaries and wages, there is no GST payable.

Again, no payroll tax or superannuation guarantee charge (SGC) is required to be paid in respect of these payments.

12.3 Royalty payments to persons other than University employees

Royalty payments made to persons other than University employees (either current or former) would <u>not</u> be classified as salaries and wages.

When the royalty amount has been determined, the University should liaise with the persons to whom it will paid and ask them to provide a tax invoice. The payment of the royalty can then be made by the Accounts Payable Section.

If a tax invoice is not provided, the payment made be subject to withholding tax. Further information on withholding tax is contained in section 4.3 of this policy.

It is likely that the payment of the royalty will be subject to GST. This can be determined following consultation with the payee to determine if it is a taxable supply.

Example:

Dominic is a current student who is also an Australian resident. He writes a book which is subsequently published by the University. Dominic signs an agreement which entitles him to a 10% royalty of all sales. This royalty is calculated and paid on an annual basis. The University has determined that the total royalty payable to Dominic for the 2008 year is $10,000.

The University must liaise with Dominic and ask him to provide a valid tax invoice for $10,000 of royalty income plus an additional $1,000 of GST. If he does not provide a tax invoice, the University must withhold 46.5% of the payment unless an exception applies (see section 4.3 for more information).

When an exception applies to providing a valid tax invoice, the supplier must complete a “Statement by a Supplier” form which is available from the ATO website and provide this form to the Accounts Payable section before payment can occur.

When entering transactions in UniFi, the GST codes applicable are contained in UQ GST Treatment Table in the FBS – GST website.

13 Private Use & Non-Deductible Acquisitions

The University cannot claim GST credits for GST paid in the price of goods and services which are used for private purposes.

In addition, the University cannot claim a GST credit for the following non-deductible expenses:

- entertainment, except where the expenses are incurred in providing a fringe benefit;
- travel expenses for associates (i.e. spouse, child), except where the expenses are incurred in providing a fringe benefit;
- uniforms (if they are not compulsory or protective clothing); and
- penalties.

Example:

Following the successful completion of a major research project with Globex Pty Ltd, the University hosts a small function on campus to celebrate. Alcohol and gourmet finger foods are served. In attendance are 20 employees from the University and 20 employees from Globex. The total cost of the function is $1,100 including GST.

As alcohol is served, this function constitutes entertainment (see FBT policy in the PPL or FBT – FBS website for more information). As we are providing a fringe benefit to University employees, we can claim a GST credit on the portion of the expense which relates to the University employees. This is calculated as 20 / 40 x $1,100 = $550 / 11 = $50.

A fringe benefit cannot be provided to persons who are not employees, or associates of employees. Therefore, we cannot claim a GST credit for the remaining portion of the expense.

A "Hospitality Calculator" can be found on the FBT-Related Forms and Useful Tools in FBT – FBS website. This form assists users in determining whether an expense constitutes entertainment and whether a GST credit can be claimed.

When entering transactions in UniFi, the GST codes applicable are contained in UQ GST Treatment Table in the FBS – GST website.

14 GST on Sale of University Assets (as second hand goods)

Normally the University would apply the following section when dealing with "non-commercial" sales.

A supply of a good by a charitable institution, a trustee of a charitable fund, a gift-deductible entity or a government school is GST-free if the consideration is:

- less than 50% of the GST-inclusive market value of the supply, or
- less than 75% of the consideration the supplier provided (or was liable to provide) for acquiring the item (this is generally the original cost of the item).
- In some circumstances you may be able to apply an adjustment reducing the amount of GST you pay to the Tax Office.

However, the Australian Taxation Office (ATO) has stated that consideration may include services provided by employees. The University must include the value of these services when applying the "non-commercial activity" rules where they represent consideration for a supply that is a fringe benefit. The provision of a fringe benefit, such as a property fringe benefit on the sale of an asset, can be a supply for GST purposes. The GST liability on a taxable supply is 1/11th of the price.

Therefore, the provision of goods or services by the University (an employer) to a staff member (an employee) or an associate of an employee is a taxable supply. Consequently as regards the tax treatment on the sale of University assets as second-hand goods (such as computers) to staff, GST will apply.

In these circumstances the GST liability is calculated with reference not just to the money received but to the money and/or property contributed by the recipient of the benefit.

Below is an example using the sale of computers to staff.

Example

A School buys a computer for $2,000. The School subsequently sells the computer, as second-hand, to a staff member (an employee) in return for payment of $200. The market value of the computer at the time of the sale is $1,600.

If the only consideration to be taken into account in applying the "non-commercial rules" was the cash payment, the supply of the computer by the University would be GST-free as the amount of cash paid is less than 75% of the original cost of the computer.

However, as the "non-commercial activity" rules include services provided by the employee, the total remuneration will include the reduced price and the value of the employee's services. The consideration for the supply of the computer will then be $1,600 ($200 cash + $1400 employee services). Therefore the consideration is greater than 75% of the original cost of acquiring the computer and 50% of the GST inclusive market value of the computer.

Consequently it is not GST-free. The University has made a taxable supply and is required to remit GST of $18.18 (being 1/11th of $200). The GST liability is calculated on the basis that the $200 represents the recipient's contribution in respect of a property fringe benefit.

This should only be an issue in those instances where items are not sold at their fair market value which is University policy. Schools should ensure that supporting documentation regarding the process undertaken to dispose of its assets (including the assessment of fair market value) is retained in the School records.