

Case Study 1

Facts

The Department of Disability, Housing & Community Services (the Department) makes a grant to Anglicare Youth & Family Services (Anglicare).

Anglicare provides the following services:

- Crisis and transitional accommodation support for people (including youth);
- Tenancy management of the Supported Accommodation Assistance Program (SAAP V); and
- An outreach support service providing co-ordination of services to public and community housing tenants as part of the Community Linkages Program (CLP).

Part A

Assume the Department wishes to make a contribution to the local community and provides the grant to Anglicare irrespective of it continuing to provide the abovementioned services.

Is the Grant subject to GST? What factors should you consider in determining if GST is applicable?

Part B

Assume there is a Service Funding Agreement that provides that the Grantee is required to meet strict performance requirements including report on the following Qualitative Performance Indicators:

- qualitative evidence that client needs are being met in each output area;
- demonstrate that a range of mechanisms to receive user feedback are being implemented and provide evidence of such;
- evidence of strategies to ensure access by certain culturally diverse backgrounds; and
- provide 6 monthly output and performance statement detailing quality improvement activities

In addition, the Service Funding Agreement provides that the Grantee will only receive periodic funding if it continues to satisfy and, report on, the performance indicators.

Is the Grant subject to GST? What factors should you consider in determining if GST is applicable?

Case Study 2

Continuing the Facts in Case Study 1, assume the Department agrees to provide total funding in Year 1 of \$1,100,000 (GST-inclusive).

Part A

Assume Anglicare is registered for GST. What are the GST consequences for the Department and Anglicare?

Part B

Assume Anglicare is **not** registered for GST. What are the GST consequences for the Department and Anglicare?

Case Study 3

Continuing the Facts in Case Study 1, let's now assume Anglicare uses a portion of the grant funding to purchase fruit and vegetables to be available to clients at transition crisis accommodation sites.

Does this change the GST treatment of the Grant funding being provided by the Department to Anglicare?

Case Study 1 – Solution

Part A

No, the factors alone will not make the supply a taxable supply. The connection between the supply and the consideration is not certain. The supply does not appear to be binding on the parties. There does not appear to be a binding commitment by Anglicare that goes to the substance of the grant transaction. The Department is detached from the outcomes that may or may not be achieved.

The solution will not always be clear. All factors must be weighed and addressed.

Part B

Yes, the grant is clearly a taxable supply. There are defined tasks and deliverables that connect the supply with the consideration. There is a nexus between the activities to be carried out and the payment of the grant.

Milestones are a key driver in determining whether a grant will be subject to GST. The Service Funding Agreement specifically states that payment of the grant is conditional upon certain activities taking place.

Case Study 2 – solution

Part A

The Department

The Department pays Anglicare \$1,100,000. The Department will be entitled to an input tax credit of \$100,000. The net cost to the Department in providing the grant is \$1,000,000.

Anglicare

Anglicare will receive \$1,100,000 from the Department. Anglicare will remit \$100,000 to the ATO. The net amount received by Anglicare is \$1,000,000.

Part B

The Department

The Department pays Anglicare \$1,100,000. The Department will not be entitled to an input tax credit of \$100,000. The net cost to the Department in providing the grant is \$1,100,000*.

* Unless the Department alters the Funding Agreement so that the grant will be \$1,000,000 where the Grantee (Recipient) is not registered for GST.

Anglicare

Anglicare will receive the full \$1,100,000 from the Department. Anglicare now has an additional \$100,000 to spend on fulfilling its grant program objectives*.

*Anglicare may need the additional \$100,000 because it will not be entitled to any input tax credits on the acquisitions it makes.

Case Study 3 – solution

No, this does not change the GST treatment of the Grant funding being provided by the Department to Anglicare.

Even though the purchase of fruit and vegetables by Anglicare is GST-free, the supply Anglicare has with the fruit and vegetable provider is separate.

GST on one transaction is not dependent on GST applying to other transactions. As GST is transaction based, each transaction must be considered separately.