IRAS e-Tax Guide

GST: Guide For Charities and Non-profit Organisations

(Sixth Edition)

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1 INTRODUCTION

This Guide explains the application of GST on the activities carried out by charities and non-profit organisations. The Guide clarifies the distinction between business and non-business activities, the types of transactions on which GST is chargeable and the rules for claiming GST.

2 MEANING OF BUSINESS

2.1 What constitutes a business for GST purpose?

2.1.1 In general, a business is considered for GST purpose to exist, if it engages in activities that are:

- serious and earnestly pursued;
- actively pursued with reasonable continuity;
- conducted in a regular manner and measured by supplies made periodically;
- predominantly concerned with making taxable supplies to customers for a consideration; and
- commonly carried out by those who seek to profit by them.

2.1.2 Conversely, non-business activities for GST purpose are those for the public domain, and philanthropic, religious, political and patriotic in nature.

2.2 Why do you need to know whether your activities are business or non-business?

2.2.1 Charities and non-profit organisations typically engage in activities that constitute a business (business activities), and activities that do not constitute a business (non-business activities). They also engage in activities that have both business and non-business elements.

2.2.2 As a GST registered person, you need to know which activities are business activities for making taxable supplies and which are not. This distinction is necessary because you need to account for output tax on your taxable supplies and are able to claim input tax only for your business activities that make taxable supplies.

2.3 Are you in the business of making taxable supplies?

2.3.1 You are in the business of making taxable supplies if your activities are mainly that of making supplies to customers for a consideration. Such activities should not have any non-business purposes, i.e. philanthropic, religious, political and patriotic purposes and in public domain.

2.3.2 If you are a non-profit organisation, you can still be in the business of making taxable supplies, as long as you do not have free and subsidised activities for non-business causes. A charitable organisation may also have some commercial activities that are for business purposes and generate wholly taxable supplies.

2.4 What kinds of activities are non-business?

2.4.1 Free activities that you carry out for reasons other than a commercial one are non-business activities. They do not attract GST because no supply is made. Examples include the provision of free activities (such as free medical services and free talks) that benefit the public or a segment of the public and fund raising activities to solicit outright donations from the public for non-business causes.

2.5 What kinds of activities are partly business and partly non-business?

2.5.1 You could have activities that you charge nominal or subsidised fees. They are charged as such not because of commercial reasons but for non-business causes. Such activities have both business and non-business elements. The funding for the non-business elements often comes from outright donations and grants.

2.5.2 For example, you charge a nominal fee for a certain public performance you are organising for philanthropic purposes. However, the levy of a fee does not make the public performance a wholly business activity. The business element of such subsidised activities refers to the fees charged and the non-business element refers to the subsidised part of the fees not borne by the customers.

3 GST REGISTRATION

3.1 When should you register for GST?

3.1.1 You need to register for GST only if your annual taxable supplies[1] (i.e. taxable supplies in the current quarter and the past 3 quarters) exceed $1 million. Even though you are involved substantially in non-business activities, you are still liable for GST registration once your taxable supplies (i.e. gross revenue earned from supplying goods or services) reach $1 million.

3.1.2 If you have reasonable grounds to expect that your taxable supplies will exceed $1 million in the next 12 months, (e.g. you may be planning a fund raising campaign giving benefits where the proceeds will exceed $1 million), you should register early.

4 SUPPLIES

4.1 How do you know whether you are making a supply?

4.1.1 If you charge a fee in money or in kind for rendering something in return in the course of business, you are making a supply. In general, the sale of

[1] Taxable supplies are standard-rated supplies (GST at 7%) and zero-rated supplies (GST at 0%). Exports of goods and international services are generally subject to GST at 0%.

goods (including fixed assets) and provision of services for a consideration attract GST.

4.2 What are the types of supplies commonly made?

4.2.1 The following fees received are supplies that are subject to GST:

- Subscriptions
- School fees
- Programme fees
- Day care fees
- Training course fees
- Proceeds from sale of donated goods
- Sale proceeds from auction of goods
- Rental income from letting of non-residential properties
- Proceeds from sale of fixed assets (including non-residential properties)

5 WHETHER COMMON RECEIPTS (such as donations, grants or proceeds from fund raising activities) ATTRACT GST

5.1 Do you need to account GST on donations, grants or proceeds from fund raising events?

5.1.1 As a charity or a non-profit organisation, you may receive funding in the form of donations, grants, sponsorships, etc. You may also organise fund raising events to raise funds.

5.1.2 To determine whether you need to account GST on such monies received, the question is whether you provide any benefits to the giver in return for the monies received.

5.1.3 If you do not provide any benefits to the giver, the monies received do not attract GST. However, if you provide some benefits of tangible value to the giver, the monies received form a consideration for the supplies made. You need to account output tax on the monies received, at the tax fraction at prevailing tax rate (i.e. 7/107 x monies received).

5.1.4 From 01 May 2006, certain fund raising events organised by registered charities and institutions of a public character (IPCs) to solicit donations with benefits given to the donors will be regarded entirely as outright donations that do not attract GST. This is a concessionary tax treatment given to further encourage philanthropic giving. This concessionary treatment is applicable only to certain benefits deemed as having no commercial value with conditions as follows:

i) the benefit is given in acknowledgement of the donation; and
ii) the benefit has no resale value.

5.1.5 Please refer to IRAS Circular ‘Tax Treatment On Donations With Benefits’ for more details of the concessionary tax treatment and the list of such donation fund raising events deemed as having benefits with no commercial value.

5.1.6 Other fund raising activities (that do not qualify for the concessionary treatment) yielding benefits to the giver, for which you will be accounting output tax on whole fund raising proceeds, qualify as business activities for making taxable supplies. Input tax is fully claimable on such taxable fund raising activities.

5.2 Are donations received in cash or kind subject to GST?

5.2.1 Pure outright cash donations received fall outside the scope of GST. Cash donations or voluntary contributions of money from the public where the donor receives negligible or no tangible benefits (e.g. a flag or similar emblem) similarly do not attract GST.

5.2.2 Gift vouchers or gift of goods received by you where the giver does not receive anything in return from you are outright donations that do not attract GST.

5.2.3 However, if the donors are entitled to some form of benefits (e.g. chances to win in lucky draws when making contributions towards the charity event), the sums received are subject to GST. Please refer to paragraphs 5.3 and 5.4 below.

5.3 Are lotteries and donation / lucky draws subject to GST?

5.3.1 The ticket sales of lotteries and donation / lucky draws attract GST as the ticket holder gets a chance of winning. You have to account for GST at 7/107 on the total gross takings received less cash payouts to winners. If the payouts are not in cash but in the form of goods or services, output tax has to be accounted at 7/107 on the total gross takings received (i.e. the gross takings are considered to be inclusive of GST).

5.4 Are proceeds from charity fund raising events subject to GST?

5.4.1 You need to account for GST on the gross proceeds from fund raising events if you provide any benefits or rewards in return for the monies received.

5.4.2 The GST treatment for these fund raising activities is explained below.

(a) Charity TV shows for phone-in donations

- When you hold a charity TV show to solicit donations where the TV show does not result in prizes or rewards being given to the donors, the monies received will not be subject to GST.

- You may hold a TV show with lucky draws / rewards on TV media where the public can telephone or send SMS messages to make contributions. Such contributions for a chance to win prizes (in cash or in kind) are not outright donations and are subject to GST. You will need to account for GST at 7/107 on the gross contributions received less cash paid to the winners, falling within the accounting period of your GST return.

(b) Charity dinners, charity concerts / shows, charity golf tournaments

From May 2006
When registered charities and institutions of a public character (IPCs) hold charity dinners, charity concerts / shows or charity golf tournaments to solicit donations, a concession has been given to treat the benefits given for donations (i.e. the tickets to attend the events) as having no commercial value. Therefore, the donations received from these events are deemed as outright donations not subject to GST. No GST needs to be accounted by the recipient on such donations received from 01 May 2006. Please refer to IRAS Circular 'Tax Treatment On Donations With Benefits'.

Prior to May 2006
Before the concessionary treatment, GST has to be accounted on the GST-inclusive selling price of the admission tickets to the event. This is a standard-rated supply because the participants of the event derive a benefit in the form of dinner or entertainment provided at the function. If there are additional voluntary contributions on top of the ticket sales, they are considered as pure donations that do not attract GST.

(c) Charity auction sale of goods or artefacts

- When a charity or IPC holds a charity auction sale of goods or artefacts, the final auctioned price is usually above the market price of the auctioned item. GST is accounted at 7/107 on the GST-inclusive market value of the auctioned item. The excess of the gross auction proceeds and the GST-inclusive market value represents donations not subject to GST.

- If the goods or artefacts are donated to a charity, the charity needs to find out the market value of the auctioned item (i.e. based on selling price of similar item) to derive the amount of pure donation arising from the auction. In the event that the charity cannot determine the market value of the auctioned item, GST is accountable on the final auctioned price at 7/107.

- If the goods or artefacts have been purchased at arms length price, you can use the purchase price as the equivalent market value. However, if the items are not recent purchases and the purchase price is not reflective of market value, then you will need to ascertain the equivalent market value.

- If the goods or artefacts are purchased at a price much lower than its market value, GST is accountable on the market value. For example, the market price of the good could be $100. It was sold to you at $40 as it was for fund raising purpose. During the auction, it was sold for $250. In such a case, the amount to be treated as pure donation not subject to GST would be $150. You would have to account GST at 7/107 on the GST inclusive market price of $100.

5.5 Are sponsorships subject to GST?

5.5.1 Sponsorship refers to the support, either financial or in form of goods and services, given by businesses or members of public.

5.5.2 Sponsorship received in the form of monetary or non-monetary support (e.g. goods and services) will not attract GST if the sponsor:

- Provides the support voluntarily with no obligations; and
- Does not receive any tangible benefits in return.

5.5.3 This is so even if you merely provide an acknowledgement of the sponsor's contribution (e.g. naming the donors in the programme /booklet /banner, giving a small token of appreciation, etc).

5.5.4 However if the sponsor's contribution is made on certain conditions, based on written or verbal agreements; and these conditions confer benefits on the sponsor (e.g. the sponsor's name or its products are advertised or promoted), such benefits constitute taxable supplies that you make. Examples of such benefits include:

- naming of the event after the sponsor;
- displaying the sponsor's name on shirts worn by a team;
- advertising the sponsor's name or products in the programme booklet;
- providing the use of facilities to the sponsor.

5.5.5 In that case, you have to account output tax on the market value of the benefits. If the GST-inclusive market value of the benefits is lesser than the total sum sponsored, the difference represents outright non-taxable donations.

5.5.6 If the market value of the benefits cannot be determined, you then have to account output tax at 7/107 on the total sum sponsored.

5.6 Are grants received subject to GST?

5.6.1 Government grants that are outright payments and do not constitute a consideration for goods or services rendered to the grantor do not attract GST.

5.6.2 However, if you receive ‘grants’ in return for giving benefits directly to the grantor in the form of services or goods, you have to account output tax at 7/107 of the grant amount.

5.7 For a summary of the classification of supply for various income / receipts, please refer to Appendix 1.

6 GST OBLIGATIONS ON PRICE DISPLAY TO THE PUBLIC AND ISSUING TAX INVOICES / RECEIPTS

6.1 What is the requirement on the display of prices to the public?

6.1.1 Prices displayed to the public (i.e. end consumers who are generally not registered for GST) must be inclusive of GST. The GST inclusive price is applicable to all types of supplies, including fund raising events yielding benefits to the giver (such as lucky draw tickets). For example, a telepoll contribution of $8 from the public on charity TV show with lucky draw includes GST of $0.52 (7/107).

6.2 Should you issue any document for your supply?

6.2.1 As a GST registered person, you must issue a tax invoice or a receipt for every standard-rated sales transaction, depending on whether you are making a supply to a GST registered or non-GST registered customer. When you make a standard-rated supply to a GST registered customer, a tax invoice[2] / simplified tax invoice[3] (applicable where the total amount payable including GST does not exceed $1,000) has to be issued. When you make a supply to a non-GST registered customer, you can issue a serially printed receipt[4], unless you choose to issue a tax invoice instead.

7 ACCOUNTING OF OUTPUT TAX IN THE GST RETURN

7.1 When do you account for output tax?

7.1.1 Prior to 1 Jan 2011, , a supply is made at the earliest of the following events for GST reporting purposes:

(a) When the goods are delivered or when the services are performed;
(b) When a tax invoice is issued;
(c) When payment is received.

7.1.2 However, if the tax invoice is issued within 14 days after goods are delivered or services are performed [i.e. event (a)] and payment is not received, the time of supply is when the tax invoice is issued.

7.1.3 Based on the general time of supply rule, you must account for output tax in the accounting period of the GST return in which the supply takes place.

[2] For GST purpose, a tax invoice should contain these particulars: the words ‘tax invoice’, name, address & GST registration number of the supplier, invoice number, invoice date, customer’s name & address, value of supply before GST, GST amount and value of supply after GST.

[3] Where the value of supply including GST does not exceed $1,000, a simplified tax invoice containing lesser details can be issued. The particulars required on a simplified tax invoice are: name, address & GST registration number of the supplier, invoice date, an identifying number, e.g. invoice number and total amount payable including GST.

[4] For GST purpose, a receipt should show your name and GST registration number, date of receipt and total amount payable (inclusive of GST) for the supply.

7.1.4 With effect from 1 Jan 2011, the GST rule for time of supply will be changed to be in line with commercial practices. This is to help businesses comply with the rules easily. For most transactions, output tax will be accounted for based on the **earlier** of the following:

(a) When an invoice is issued
(b) When payment is received

Prior to 1 January 2011, the issuance of a tax invoice – and not any other type of invoice – is an event that will trigger the time of supply. With effect from 1 January 2011, the issuance of any type of invoice will be an event that triggers the time of supply. This includes a tax invoice as well as any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example of such document would be a debit note.

In general, documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims are not considered as invoices for GST time of supply purposes. This is because these documents are often not billing for payments and would therefore not be treated as invoices based on normal commercial practices.

7.1.5 However, for fund raising events that involve lucky draws, lotteries, fruit machines or games of chance, you account for output tax at 7/107 in the accounting period you receive the monies less any cash payouts[5] to the winners. This rule would remain the same before, as well as with effect from 1 Jan 2011.

8 RULES FOR CLAIMING INPUT TAX

8.1 What are the basic rules in claiming input tax?

8.1.1 The following are the basic rules in claiming input tax.

(a) Input tax can be claimed if it is incurred for business purposes to make wholly taxable supplies. The input tax claims have to be supported by tax invoices and import payment permits in your name. The amount of input tax is the actual GST amount shown on the suppliers' tax invoices and import payment permits.

(b) Input tax incurred for exempt supplies cannot be claimed.
(c) Input tax incurred for wholly non-business activities (e.g. free activities) cannot be claimed.

(d) Input tax incurred for subsidised activities that are partly business and partly non-business cannot be claimed in full. You can only claim the portion of input tax applicable to taxable supplies. Basis of apportionment is:

[5] Special supply rules for the value of betting and gaming transactions are stated in Regulations 91, 92 & 93.

$$\text{Input tax for subsidised activities} \times \frac{\text{Taxable supplies of the subsidised activities}}{\text{Taxable supplies of the subsidised activities + Non-business receipts *}}$$

[* Non-business receipts comprise non-taxable receipts of donations, sponsorships, grants that finance the subsidised activities.]

8.2 What are the disallowed input taxes?

8.2.1 Input tax incurred for the following expenses cannot be claimed[6], even though they are incurred for business purposes:

- Club subscription fees including joining fees, membership fees, transfer fees and other consideration charged by clubs established principally for recreational or sporting purposes;
- Medical expenses, medical and accident insurance premiums for employees not covered under the Work Injury Compensation Act[+] or Industrial Relations Act;
- Benefits provided to the family members and relatives of any person employed by the business;
- Purchase and running expenses of non Q-plated motor car;
- Purchase and running expenses of Q-plated motor car with COE issued on or after 01 Apr 1998;
- Rental and running expenses of SZ-plated motor car incurred on or after 01 Jul 1999.

8.3 When is input tax on exempt supplies allowed?

8.3.1 In general, input tax incurred for exempt supplies[7] cannot be claimed.

8.3.2 However, there are exceptions when exempt input tax can be claimed. The exceptions are as follows:

1) Input tax for exempt supplies[8] under Regulation 33 can be claimed.

2) Under the De minimis rule[9], exempt input tax can be claimed if in any accounting period of the return, the total value of exempt supplies does not exceed:

[6] Specifically disallowed under regulations 26 and 27 of the GST (General) Regulations.
[+] Work Injury Compensation Act replaces Workmen's Compensation Act with effect from 01 Apr 2008.
[7] Examples of exempt input tax include those incurred on purchase or sale of shares, purchase or sale or lease of residential properties.
[8] These exempt supplies include interest from bank deposits, foreign exchange gain/loss etc. Please refer to e-Tax Guide on Partially Exempt Traders and Input Tax Recovery.
[9] The De minimis rule is specified in regulation 28 of the GST (General) Regulations.

Before 1 Apr 2008

- $20,000 per month on average and
- 5% of the value of total supplies (i.e. standard-rated, zero-rated and exempt).

On /After 1 Apr 2008

- $40,000 per month on average and
- 5% of the value of total supplies (i.e. standard-rated, zero-rated and exempt).

9 INPUT TAX APPORTIONMENT FOR ORGANISATIONS HAVING BUSINESS AND NON-BUSINESS ACTIVITIES

9.1 What should you do to comply with the input tax rules?

9.1.1 You have to identify and attribute the GST incurred to these categories of activities:

- Wholly taxable activities (e.g. fund raising activities yielding benefits to the giver and other business activities that generate taxable supplies)
- Wholly non-business activities (e.g. provision of free services)
- Exempt activities
- Subsidised activities that are partly for making taxable supplies and partly for non-business purposes.

9.2 What do you do if you are unable to attribute input tax to business and non-business activities?

9.2.1 You are substantially involved in non-business activities comprising a mixture of free and subsidised activities. You may face difficulties to attribute and apportion the input tax to various activities, based on paragraph 9.1.

9.2.2 As an administrative concession, a simpler basis of apportionment in each accounting period of the GST return is allowed in the following situations.

Situation 1

1) Where you are unable to attribute the input tax to the various taxable and non-taxable activities, all the input tax claims (excluding exempt input tax and disallowed input tax under regulations 26 & 27) have to be apportioned, using the apportionment formula.

Amount of input tax claimable in the situation where input tax cannot be attributed to the various activities

Before 1 Apr 2008

$$\text{Total input tax [but exclude disallowed exempt input tax (when De-minimis rule is not met) and Regulations 26 \& 27 input tax]} \times \frac{\text{Taxable supplies}}{\text{Taxable supplies + Non-business receipts (i.e. grants, donations, sponsorship, etc) + Exempt supplies}^{10}\text{ - Incidental Exempt supplies}}$$

On / After 1 Apr 2008

$$\text{Total input tax [but exclude disallowed exempt input tax (when De-minimis rule is not met) and Regulations 26 \& 27 input tax]} \times \frac{\text{Taxable supplies + Regulation 33 Exempt Supplies}}{\text{Taxable supplies + Non-business receipts (i.e. grants, donations, sponsorship, etc) + Exempt supplies}^{10}}$$

[Note: The figures in the apportionment formula are those applicable for each accounting period of the GST return. The non-business receipts in the denominator refers to those that finance the operating activities. You can exclude the funding (i.e. capital grants or donations reflected in balance sheet) for big capital projects.]

Situation 2

(i) Where you can identify the input tax for wholly taxable activities (including taxable fund raising activities yielding benefits), such input tax[11] is fully claimable. [For example, you hold a charity show with lucky draws on TV media. The TV media and telecommunication service providers charge you a fee for their services in connection with the charity show. You can claim the input tax incurred for taxable fund raising activity.]

(ii) The remaining input tax (excluding input tax disallowed under regulations 26 & 27 and exempt input tax) for subsidised and free activities has to be apportioned as follows:

[10] If the charities & non-profit organisations engage fund managers to carry out investment activities on their behalf, the exempt supplies generated from such investment activities managed by the fund manager need not be included in the denominator only if the direct input tax attributable to the exempt activities (such as fund manager's fees) is not claimed at all.

[11] Excluding disallowed input tax under Regulations 26 & 27.

Amount of input tax claimable for subsidised & free activities where only the input tax for wholly taxable activities can be determined

Remaining input tax for subsidised & free activities [but exclude disallowed exempt input tax (when De-minimis rule is not met) and regulations 26 & 27 input tax]	X	Taxable supplies for subsidised & free activities ――――――――― Taxable supplies for subsidised & free activities + Non-business receipts (i.e. grants, donations, sponsorship, etc) + Exempt supplies - Incidental exempt supplies

Before 1 Apr 2008

Remaining input tax for subsidised & free activities [but exclude disallowed exempt input tax (when De-minimis rule is not met) and Regulations 26 & 27 input tax]	X	Taxable supplies for subsidised & free activities ――――――――― Taxable supplies for subsidised & free activities + Non-business receipts (i.e. grants, donations, sponsorship, etc) + Exempt supplies – Incidental Exempt supplies

On / After 1 Apr 2008

Remaining input tax for subsidised & free activities [but exclude disallowed exempt input tax (when De-minimis rule is not met) and regulations 26 & 27 input tax]	X	Taxable supplies for subsidised & free activities + Regulation 33 Exempt supplies ――――――――― Taxable supplies for subsidised & free activities + Non-business receipts (i.e. grants, donations, sponsorship, etc) + Exempt supplies

9.3 What do you do if you are unable to determine the non-business receipt in applying the apportionment formula for each period?

9.3.1 You are allowed to provisionally claim input tax in each accounting period of the GST return using a provisional fixed rate. The provisional fixed rate is the actual percentage of the input tax allowable for the preceding financial year, using the apportionment formula.

9.3.2 After the end of each financial year when the annual financial statements are finalised, you need to compute the actual yearly input tax recovery rate, as follows:

Before 1 Apr 2008

Actual yearly input tax recovery rate	=	$\dfrac{\text{Yearly taxable supplies (summation of taxable supplies per GST returns)}}{\text{Yearly taxable supplies + Yearly non-business receipts}^{12}\text{ (extracted from your financial statements) + Exempt supplies - Incidental Exempt supplies}}$

On / After 1 Apr 2008

Actual yearly input tax recovery rate	=	$\dfrac{\text{Yearly taxable supplies (summation of taxable supplies per GST returns) + Regulations 33 Exempt supplies}}{\text{Yearly taxable supplies + Yearly non-business receipts}^{12}\text{ (extracted from your financial statements) + Exempt supplies}}$

You will then compare the actual amount of input tax claimable with the input tax provisionally claimed for that financial year. The difference in over-claiming or under-claiming of input tax must be adjusted in the next GST F5 return of the new financial year, following the finalisation of the financial statements. For an illustration on this simplified approach of computing allowable input tax claim, please refer to Appendix 2.

What do you do if you incur input tax on big capital projects (e.g. constructing a new building) that will be used for both business and non-business activities?

9.3.3 You need to determine the proportion of usage of the capital project towards taxable activities using a direct basis (for example by floor area, activity base costing, time utilisation, subsidy rate, etc) or a proxy based on the percentage applicable for your operations. You can only claim the portion of input tax applicable to taxable activities for business purpose.

Example 1
You are constructing a new building. 40% of the building will be rented out commercially while 60% of the building will be used for carrying out subsidised activities. In this case, you can claim in full 40% of input tax incurred on construction cost. As for 60% of input tax on construction cost, you may be able to directly determine the proportion of the subsidised activities (for example using activity base costing or subsidy rate) that relates partly for business purpose of making taxable supplies and partly for

[12] For the yearly non-business receipts, you include operating grants, donations and other non-business receipts reflected in the profit and loss account. You need not include capital grants amortised, capital grants & donations (reflected in balance sheet) that fund capital projects.

non-business purpose. If so, you can only claim a portion of 60% of input tax applicable to taxable activities. If you are not able to directly apportion 60% of input tax into business and non-business purposes, you can use the same apportionment percentage applicable for your operations (in paragraphs 9.2 and 9.3) to apportion 60% of input tax on construction cost.

Example 2
To expand your provision of free and subsidised activities, you construct a new building to carry out more free and subsidised activities. Based on the apportionment formula for your operating activities, you can claim 48% of the input tax for your operating activities. As you are unable to directly attribute the proportion of capital project that is partly used for business element of subsidised activities (i.e. subsidised fees charged) and non-business element of free and subsidised activities, you can use the same rate of 48% to claim the capital input tax for the construction cost.

10 Contact Information

For enquiries on this e-Tax guide, please contact :

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Appendix 1

Table on classification of supply for various income / receipts

INCOME / RECEIPTS	CLASSIFICATION OF SUPPLY
Charity donation drives with charity dinners, charity concerts / shows, charity golf tournaments	Standard-rated supply for ticket sales to attend the function (prior to 01 May 2006) Out-of-scope (concessionary tax treatment from 01 May 2006)
Proceeds from charity auction of goods	Standard-rated supply on the market value of the auctioned goods
Subscription fees	Standard-rated supply
Course fees, school fees, programme fees	Standard-rated supply
Day care fees	Standard-rated supply
Advertising fees in brochures, programmes, magazines	Standard-rated supply
Sale / lease of non-residential properties	Standard-rated supply
Sale / lease of residential properties	Exempt supply
Interest income	Exempt supply
Sale of lottery, big sweep, lucky draw tickets – Donor wins a chance	Standard-rated supply Output tax accounted at 7/107 on the gross takings less cash payouts to winners.
Sponsorship (given on condition to confer benefits) • Can determine the market value of the benefits -- • Cannot determine market value of the benefits	Standard-rated supply • Account output tax at 7/107 on GST-inclusive market value of the benefits. • Amount sponsored is greater than GST-inclusive market value of the benefits, difference = pure donations with no GST -- • Account output tax at 7/107 of the total sum sponsored
Cash donations (with no tangible benefits to donor)	Out-of-scope
Dividend income	Out-of-scope
Grants (with no benefits to grantor)	Out-of-scope
Grants (with benefits to grantor)	Standard-rated supply

Appendix 2

Before 1 Apr 2008

Illustration of the simplified approach in claiming provisional input tax and making adjustments after the financial year end

If your organisation is carrying out business and non-business activities, this appendix illustrates the simplified approach to claim input tax provisionally, and how to adjust the provisional input tax claims after the end of the financial year.

In this illustration, your financial year-end is 31 Dec. You wish to claim input tax provisionally in your quarterly GST returns for the financial year 2006 (i.e. 1 Jan 2006 – 31 Dec 2006). Your provisional claim of input tax in financial year 2006 is based on the preceding year's input tax recovery rate, i.e. financial year 2005.

Step 1:
You need to calculate the actual input tax recovery rate for the preceding financial year 2005.

Based on the annual financial statements for year ended 31/12/2005 and the GST returns declared for periods covering 1/1/2005 to 31/12/2005, the following actual figures were recorded.

Year 1/1/2005 – 31/12/2005

Total Taxable Supplies	=	$4,000,000

Total Non-Business Receipts (per profit & loss statement)

- Grants (gross amount)	=	$4,000,000
- Donations (gross amount)	=	$1,200,000
		$5,200,000
- Incidental Exempt supplies	=	$ 100,000
- Non Regulation 33 Exempt Supplies	=	$ 20,000
- Total Exempt Supplies	=	$ 120,000

Calculate input tax recovery rate for the financial year 2005.

$$\text{Actual yearly input tax recovery rate} = \frac{\text{Yearly taxable supplies}}{\text{Yearly taxable supplies} + \text{Yearly non-business receipts}^{13} + \text{Total Exempt supplies} - \text{Incidental Exempt supplies}}$$

$$= \frac{4{,}000{,}000}{4{,}000{,}000 + 5{,}200{,}000 + 120{,}000 - 100{,}000}$$

$$= 43.38\%$$

[13] The value of non-business receipts include gross receipts of non-taxable grants, subsidies, donations and other non-business receipts that finance your activities.

Step 2:
In your GST returns covering the financial year 2006, you can provisionally claim input tax (excluding exempt input tax and disallowed input tax under regulations 26 & 27) based on 43.48%.

Quarterly Filing of GST Return	**Actual input tax incurred ($)**	**Provisional input tax recovery rate ($)**	**Provisional claim of input tax ($)**
1/1/2006 – 31/3/2006	75,000	43.38%	32,535
1/4/2006 – 30/6/2006	125,000	43.38%	54,225
1/7/2006 – 30/9/2006	85,000	43.38%	36,873
1/10/2006 – 31/12/2006	100,000	43.38%	43,380
Total:	**385,000**		**167,013**

Total input tax provisionally claimed in financial year 2006 is $167,013.

Step 3:
After the end of the financial year 2006, you need to calculate the actual input tax recovery rate for financial year 2006 using the apportionment formula.

You will then compare the actual amount of input tax claimable with the input tax provisionally claimed for the financial year 2006 to determine the amount of input tax over-claimed or under-claimed. After you have determined the amount of input tax over-claimed or under-claimed, this amount needs to be adjusted in the next GST F5 return of the new financial year 2007.

Year 1/1/2006 – 31/12/2006
Applying the apportionment formula (in step 1) using actual non-business receipts (per profit & loss in the financial statements) and total taxable and exempt supplies for the year, the actual input tax recovery rate for financial year 2006 is **38.50%.**

Amount of input tax claimable for the financial year 2006:
= Actual input tax incurred X Actual input tax recovery rate
= $ 385,000 (per step 2) X 38.5%
= $ 148,225

Compare actual input tax claimable with input tax provisionally claimed
If actual input tax claimable < input tax provisionally claimed → over-claiming of input tax
If actual input tax claimable > input tax provisionally claimed → under-claiming of input tax

Input tax provisionally claimed (per step 2) – Actual input tax claimable
= $ 167,013 - $148,225
= $ 18,788

Here, there is over-claiming of input tax of $18,788 for financial year 2006.

On / After 1 Apr 2008

Continuing from the previous illustration, you should be claiming the input tax provisionally in your quarterly GST returns for the financial year 2008 (i.e. 1 Jan 2008 – 31 Dec 2008) using the input tax recovery rate for the preceding financial year 2007. After the end of financial year 2008, you will need to calculate the actual input tax recovery rate.

As a concession for financial year ended 31 Dec 08, you are allowed to use the revised apportionment formula for the entire year.

Using the previous example as an illustration on the revised apportionment formula, the actual input tax recovery rate for financial year 2008 is determined as follows.

Based on the annual financial statements for year ended 31/12/2008 and the GST returns declared for periods covering 1/1/2008 to 31/12/2008, the following actual figures were recorded.

Year 1/1/2008 – 31/12/2008

Total Taxable Supplies	=	$4,000,000

Total Non-Business Receipts (per profit & loss statement)

- Grants (gross amount)	=	$4,000,000
- Donations (gross amount)	=	$1,200,000
		$5,200,000
- Regulation 33 Exempt supplies	=	$ 100,000
- Non-Regulation 33 Exempt Supplies	=	$ 20,000
- Total Exempt Supplies	=	$ 120,000

Calculate input tax recovery rate for the financial year 2008.

$$\text{Actual yearly input tax recovery rate} = \frac{\text{Yearly taxable supplies + Regulation 33 Exempt Supplies}}{\text{Yearly taxable supplies + Yearly non-business receipts + Total Exempt supplies}}$$

$$= \frac{4,000,000 + 100,000}{4,000,000 + 5,200,000 + 120,000}$$

$$= 43.99\%$$