



GST

Non-Profit Sub-Entities

Fact Sheet

Uniting Church SA ABN 25 068 897 781

Answering some of the questions regularly asked about GST in relation to Non-Profit sub-entities.

What is a non-profit sub-entity?

Certain organisations may choose to have some (or all) of their separately identifiable branches or units treated as separate entities for GST purposes. The separate units are called non-profit sub-entities. A unit cannot be a non-profit sub-entity if its activities are related to the main purpose of the organisation. For example, an organisation cannot treat its membership activities as the activities of a non-profit sub-entity. Where the unit's GST turnover is less than \$150,000, the unit can choose whether or not it registers for GST.

What use is a non-profit sub-entity?

If your congregation is registered for GST, you may have certain activities of the congregation that you don't want to have subject to GST (e.g. fundraising). In order to avoid having to charge GST on supplies (sales) you make, a non-profit sub-entity can be set up. However you will need to also remember that a non-profit sub-entity cannot claim GST credits (for expenses).

Another major reason for setting up a non-profit sub-entity is that you may have groups within your congregation (e.g. fellowship group or youth group) that have their own bank account and you do not want to have to chase up the treasurer of that group for all their financial transactions, which would otherwise need to be reported on your BAS.

My congregation is not registered for GST. Can I set up a non-profit sub-entity?

No. Non-profit sub-entities are for congregations registered for GST only. If your congregation isn't registered for GST, there is no need to set up a non-profit sub-entity.

My congregation has set up a non-profit sub-entity and that entity has made a supply to another organization who says they need an ABN on the invoice. What ABN do I use?

You use the same ABN as the parent entity (i.e. your congregation).

What are the criteria for setting up a non-profit sub-entity?

The parent entity must be registered for GST.

The parent entity must be a not for profit organisation. (Churches are considered not for profit organisations).

The sub-entity must be a separately identifiable activity of the parent entity.

The sub-entity must keep a separate set of financial accounts to the parent entity.

The sub-entity must be officially recorded.

How do I officially record a non-profit sub-entity?

If you have an activity of the congregation that you wish to set up as a non-profit sub-entity and it meets the criteria listed above then you need to pass a motion at a church council meeting to the effect that the activity concerned be recorded as a non-profit sub-entity of the congregation. The parent entity is also required to keep a "register" of non-profit sub-entities. The easiest way to do this is to keep a copy of minutes of meetings approving a non-profit sub-entity in a folder and call that your "register". This has the added advantage of having immediate access to proof that the sub-entity was legally set up.

We have already set up a non-profit sub-entity but now wish to charge GST and claim GST credits for that entity. How do we do it?

There are two ways you can achieve this. Firstly, you could dissolve the sub-entity and bring its accounts back under the congregation's accounts. This can only be done if the non-profit sub-entity has been in existence for 12 months or more. It requires that you pass a resolution at a church council meeting to dissolve the non-profit sub-entity and it is removed from the "register" of non-profit sub-entities.

The second way of achieving this is for the non-profit sub-entity to apply for its own ABN and GST registration.

Our congregation is registered for GST and hence is part of the Uniting Church GST Religious Group. Are our non-profit sub-entities also part of this group?

No. Criteria for membership to a GST Religious Group requires that the entity is registered for GST. As your non-profit sub-entities are not registered for GST they are not eligible for membership of the group.

We have a non-profit sub-entity and the congregation makes supplies to it. Do we need to charge GST?

Yes. With membership of the GST Religious Group you do not have to charge GST to other members of the group (e.g. other congregations registered for GST), but as your non-profit sub-entity is not part of the group you will need to charge GST for any taxable supplies made to the sub-entity.

We have a non-profit sub-entity and it makes reimbursements to the congregation for expenses. Do I need to include an amount for GST in the reimbursement?

Yes. When the non-profit sub-entity reimburses the congregation for expenses, the congregation has made a taxable supply as a reseller of the expense and as the sub-entity is not part of the GST Religious Group then GST is payable.

We have a non-profit sub-entity that makes a donation to the congregation. Is GST payable on the donation?

If it is a true donation, with no strings attached and not a required payment (i.e. reimbursement or payment for services) then no GST is payable. For it to be considered a donation for GST purposes the entity making the donation must not receive a material benefit in return.

This point is very important to keep in mind if you have set up a non-profit sub-entity for fundraising purposes.

This is all too confusing for me. My congregation is registered for GST. Are there any particular activities that I should be setting up as non-profit sub-entities?

There are a few types of activity that are common to most congregations that generally should be set up as non-profit sub-entities. If your congregation has a fellowship group, a youth group or something similar where any income and expenditure is being handled by someone other than the congregation treasurer, then you should consider setting that activity up as a non-profit sub-entity unless that person is handing over all the documentation relating to their income and expenditure. The reason for this is that you are required to include all taxable supplies made by the congregation on your BAS unless they are made by a legally set up non-profit sub-entity.

If you are intending to set up a fundraising scheme you could consider setting up a non-profit sub-entity for the scheme. However, please note that it may not be necessary to set up a non-profit sub-entity for all fundraising activities as the type of fundraising you do may not attract GST. Also if the fundraiser is a one off event then there is another option potentially available to you in the form of an Input Taxed Fundraising Event. Contact Marie-Ann Ellis in the Presbytery and Synod office for further details

I still have further queries. Where can I get further information?

https://www.ato.gov.au/uploadedFiles/Content/SME/downloads/Nonprofit16966Tax_basics_for_non_profit_organisations.pdf

If you have any further queries, please contact one of the staff members below.

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