



GST on Rental Properties (including manses occupied by a minister)

Fact Sheet

Uniting Church SA ABN 25 068 897 781

Summary: Congregations may receive rental income from either or both residential and commercial properties. The treatment of these supplies will vary in each case.

Residential property

Residential properties rented to lay persons/the public

Residential rent is generally an input taxed supply. That means, you cannot charge GST on residential rent and you cannot claim back GST inputs for things like agent's management fees and GST charged for maintenance by tradespeople or GST on materials for maintaining the property.

The exception to this rule is where the rent you charge is less than 75% of the local market rate for a similar property. For example, as part of their mission some UCA organisations and congregations make available low cost accommodation for marginalised families or other special purposes at rents well below local market rents. In such cases if the rent charged is less than 75% of the market rate for a similar property you can claim back all your GST inputs and you will not need to charge GST in the rent received (GST-free). You need to be able to provide evidence (a letter from a local real estate agent will do) that the rent you are charging is less than 75% of the local market rent to qualify for this concession.

Example – Residential Rent

A congregation rents a four-bedroom ex-manse for \$150 a week. The market value of this supply is \$225 a week. Since the supply of accommodation is made by the church for less than 75% of its market value, it will be GST-free. Therefore the congregation will not include GST in the price charged. To supply this housing, the congregation repairs the roof for \$11,000, including \$1,000 GST. Because the supply is GST-free, the church *can* claim input tax credits for the \$1,000 GST.

However, if the congregation rents the same ex-manse for \$225 per week (the market rate), this is an input taxed residential rent. The congregation does not charge GST on the rental income, and it CANNOT claim back the GST on any of the related expenses.

Manses Occupied by a Minister

As of the 1st of July 2003 Manses are to be treated the same as any other residential accommodation which means that GST incurred on expenses cannot be claimed nor is GST charged on rent.

In the case of a manse provided to a minister rent free, the ATO deems part of the minister's work equates to payment for the accommodation in the Manse.

The ATO will allow the GST to be claimed where the amount of accommodation allowance that would be paid by the church, if the minister was living in their own home is less than 75% of the market value of the Manse provided and in which the minister lives.

As a guide, the current Accommodation allowance equates to a \$316.85 weekly allowance (for 2017). To be able to claim the GST this must be less than 75% of the market rental value of that specific residence.

To calculate, take the weekly allowance and divide it by 0.75, which for 2017 rates is \$422.47. If the manse would rent out at market rates for more than \$422.47 per week then you can claim the GST incurred on any expenses related to the manse. If the market rent for the property is under this figure you cannot. It is recommended to have regular (annual) rental appraisals and keep them on file if you are using this concession.

Commercial properties

Rental income from commercial property income is taxable unless specifically excluded as GST-free under one of the GST-free non-commercial provisions.

Provided it is not GST-free under the above, the supply of commercial premises, e.g. office space for lease, hire or license, is a taxable supply and therefore congregations will be required to charge GST at 10%. However the congregation will be able to claim credits for any GST paid on associated acquisitions.

Where GST is charged, congregations will be required to provide a tax invoice to a GST-registered recipient, upon request by that recipient, within 28 days of the request. Recipients registered for GST require a tax invoice to enable them to claim a tax credit for the GST paid.

Example - Commercial rent

The congregation receives from Mr Smith rent of \$220 per week for a shop built on church property. This is the full market value. The supply is not GST-free as it does not fall under the 'less than 75% of the market value or 75% of the cost of supply' rule. It will therefore be a taxed supply and the congregation will need to forward to the ATO 1/11th of the rental. The congregation can claim back the GST paid on expenses associated with the property.

Staff contact details

GST questions	Marie-Ann Ellis	8236 4215	cbu@sa.uca.org.au
Finance Manager	Diane Hughes	8236 4219	finance@sa.uca.org.au

Financial Services, GPO Box 2145, Adelaide SA 5001 Level 2, 212 Pirie St, Adelaide

Phone: (08) 8236 4200 (Synod Office) Fax: (08) 8236 4280

Uniting Church in Australia – Presbytery and Synod of South Australia

www.sa.uca.org.au