

Account	Description	Data Entry Status
8201	Grants to Other Commonwealth Departments	Active
8202	Grant Payments to Portfolio Entities (Treasury Team only)	Active
8203	Other Government Entities	Active
8301	Grants to Local Government	Active
8302	Grants to State and Territory Governments	Active
8303	Grants Through State and Territory Governments	Active
8401	Non-profit Organisations Not for Profit Organisations	Active
8501	Grants to Commercial Entities	Active
8502	Grants to the Multi-jurisdictional Sector	Active
8503	Other Grants to Private Sector	Active
8601	Grants - Other	Active

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Australian Government
**Department of Industry,
Innovation and Science**



Goods and Services Tax (GST) basics for grant programs

Fact sheet

1. *What is the GST?*

The GST is a broad-based tax of 10 per cent on taxable supplies, which includes most goods, services and other items sold or consumed in Australia. In the GST legislation, ‘supply’ is a very broad term and is any form of supply, including the supply of goods, the supply of services and the provision of advice or information.

2. *When do we pay GST?*

We pay GST in addition to the grant funding for taxable supplies.

An entity undertaking an agreed project (or prescribed activities) is making a taxable supply in the following circumstances:

- the grant is payment for the conduct of the project or prescribed activities, and
- the project is directly related to the business activities of the grantee, and
- the grantee is registered (or required to be registered) for the GST, and
- the project is connected with Australia (such as where the grantee is established in Australia).

The GST we pay is remitted by the grantee to the Australian Taxation Office (ATO).

3. *When don't we pay GST?*

If the grantee is not registered (or required to be registered) for the GST, undertaking the project is not a taxable supply and we do not pay GST.

If the grantee is a government related entity, the grant is covered by an appropriation, and the grant is for a non-commercial purpose - ie only covers the direct and indirect costs of the project - we do not pay GST regardless of whether the grantee is registered for GST or not.

In this context, government related entities include:

- Commonwealth departments or agencies

- State/Territory departments
- Other organisations established by the Commonwealth, a State or a Territory (whether under a law or not) to carry on an enterprise or established for a public purpose by an Australian law
 - This includes CSIRO, government schools and public universities
- Local government bodies established by or under a State or Territory law.

4. Do we include GST when calculating eligible expenditure?

When a grantee that is registered for GST incurs a business expense that was subject to the GST, they can claim a GST credit (also known as an input tax credit) for the GST they paid.

Where the grantee can claim GST credits from the ATO, we do not allow them to also claim the GST paid as part of eligible expenditure.

When a grantee is not registered for GST, they cannot claim GST credits for any GST component of their business expenses. As they are not able to claim GST credits, they can include GST paid as part of eligible expenditure.

To cover both scenarios we describe eligible expenditure as the GST inclusive amount less any GST credits that can be claimed in relation to that expenditure.

5. How do I calculate the grant amount to be paid?

The following scenarios show how to calculate the grant funding in different circumstances.

5.1 Grantee is not a government related entity and is registered for GST

Grantee incurs expenditure of \$2,200 including GST.

Grant percentage = 50 per cent

Total Expenditure \$2,200

Less GST credits - \$200

Eligible expenditure \$2,000

Grant funding = \$1,000 + GST

5.2 Grantee is not a government related entity and is not registered for GST

Grantee incurs expenditure of \$2,200 including GST.

Grant percentage = 50 per cent

Total Expenditure \$2,200

Eligible expenditure \$2,200

Grant funding = \$1,100

5.3 Grantee is a government related entity registered for GST

Grantee incurs expenditure of \$2,200 including GST.

Grant percentage = 50 per cent

Total Expenditure \$2,200

Less GST credits - \$200

Eligible expenditure \$2,000

Grant funding = \$1,000

5.4 Grantee is a government related entity not registered for GST

Grantee incurs expenditure of \$2,200 including GST.

Grant percentage = 50 per cent

Total Expenditure \$2,200

Eligible expenditure \$2,200

Grant funding = \$1,100

6. How do I ensure that a grantee is correctly paid for GST?

The Strategic Grants Management System (SGMS) has a range of fields related to GST on the Organisation screen. These fields are used to determine the GST treatment for a particular entity. You need to make sure that the information in these fields is accurate in order for the grantee to be correctly paid for GST. These include:

- Registered for GST – a yes/no field depending on whether the organisation is registered for GST or GST or not
- Organisation Type – a field that enables you to identify the type of organisation, such as incorporated company or State/Territory Government
- GST Applicable – a yes/no display which will be set by the system based on the organisation type and whether the organisation is registered for GST.

SGMS will automatically add GST to the grant amount in financial transactions where the grantee is registered for GST unless the GST Applicable field is set to no.

7. Who do I go to for more information?

This fact sheet is intended to be general guidance only. If you want to confirm arrangements for a specific scenario, please contact the AusIndustry Assurance Manager to discuss.