

GST Bulletin

GSTB 2001/2



**Australian
Taxation
Office**

Accommodation in caravan parks and camping grounds

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This Bulletin will apply on and from 1 July 2000.

*This document was published prior to 1 July 2010 and was a public ruling for the purposes of former section 37 of the **Taxation Administration Act 1953** and former section 105-60 of Schedule 1 to the **Taxation Administration Act 1953**.*

*From 1 July 2010, this document is taken to be a public ruling under Division 358 of Schedule 1 to the **Taxation Administration Act 1953**.*

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you - provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

Operators of caravan parks and camping grounds usually offer serviced and un serviced sites to accommodate their guests' caravans, campervans, manufactured homes, relocatable homes, mobile homes and tents. They may also rent on-site accommodation in caravans, cabins, manufactured homes, relocatable homes, mobile homes or demountables to guests who prefer to have their accommodation provided.

All of these types of supplies are supplies of commercial residential premises. They may be for either short-term or long-term stays. The expressions 'long-term stays' and 'long-term accommodation' are used interchangeably throughout this Bulletin.

Short term stays

For the purposes of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act) and this Bulletin short-term stays are those that are for periods of 27 days or less. Every short-term stay you provide is taxed at the normal GST rate of 10% of its value. It does not matter how many of your stays fall into this category.

Example

GST on short-term accommodation provided to a tenant for a stay of 10 days at the normal site rate of \$20.00 per day (excluding GST) is calculated as follows.

<i>Normal site rate 10 days @ \$20 per day</i>	<i>\$200.00</i>
<i>GST @ 10%</i>	<i><u>\$ 20.00</u></i>
<i>GST inclusive price</i>	<i><u>\$220.00</u></i>

Long term stays

Long term stays for the purposes of the GST Act and this Bulletin are those that are for 28 days or more.

Section 87-20 of the GST Act defines long-term accommodation as commercial accommodation (explained in section 87-15) provided to an individual for a continuous period of 28 days or more, in the same premises to:

- (a) that individual alone; or
- (b) that individual, together with one or more other individuals who:
 - (i) are also provided with that commercial accommodation; and
 - (ii) are not provided with it at their own expense (whether incurred directly or indirectly).

To work out the number of days in the period for which an individual is provided with commercial accommodation:

- (a) count the day on which he or she is first provided with the commercial accommodation; and
- (b) disregard the day on which he or she ceases to be provided with commercial accommodation.

With your long-term stays you have a choice on how to apply the GST. Your choice depends on whether you provide *predominantly* long-term accommodation or not. A further alternative is to treat such long-term accommodation as residential rental under Division 40. If you make a choice to not use the concessional treatment in Division 87 your long-term stays must be input taxed under Division 40. Each of these alternatives are explained below.

Predominantly long-term accommodation (Division 87)

Predominantly long-term accommodation for the purposes of the GST Act and this Bulletin applies where 70% or more of your stays are made for a continuous period of 28 days or more.

If your park or camping ground provides predominantly long-term accommodation you can choose to treat your long-term stays by either:

- charging GST on a reduced value (that is, 50% of the GST inclusive price of the long-term accommodation) for the supply of accommodation for the guest's *entire* stay; or
- treating all of these supplies as input taxed in the same way as residential rent.

How do you work out if your premises provides 'predominantly long-term accommodation'?

If all of your sites are normally used to provide both long-term and short-term stays, then you calculate the number of long-term stays (that is, stays of 28 days or more) for all of your sites as a proportion of total stays. If the proportion of long-term stays to total stays is 70% or more, then you provide predominantly long-term accommodation in your premises.

However, some operators designate areas or zones in their premises that they normally use to provide long-term stays and other areas or zones for short-term stays. These zones or areas are usually referred to in the industry as 'permanent stays' or 'holiday stays' respectively. If you set aside these zones or areas you may calculate whether you provide predominantly long-term accommodation by taking the proportion of long-term stays (for GST purposes) to total stays in the designated 'permanent stays' zone or area.

The GST law does not tell you how to work out whether you provide predominantly long-term accommodation. This means that the method you use must be reasonable. For example, you may use:

- (a) your actual occupancy for all of your sites or designated zone sites for the 12 months preceding the month for which the booking is made; or
- (b) your projected occupancy for all of your sites or designated zone sites for the 12 months following the month in which the booking is made.

If it is not appropriate to use either of these methods, then you may use a reasonable commercial alternative.

Not predominantly long-term accommodation (Division 87)

You do not provide 'predominantly long-term' accommodation if the proportion of long-term stays to total stays calculated for either all of your sites or your designated zone sites (whichever method you choose) is less than 70%.

If you do not meet the predominantly long-term accommodation test, you can choose to:

- charge GST on:
 - the full value of the supply for the first 27 days of continuous accommodation of long-term guests; plus
 - a reduced value (that is, 50% of the GST inclusive price of the long-term accommodation) from the 28th day of the stay; or
- treat all of these supplies as input taxed in the same way as residential rent.

Input taxed supplies (Division 40)

If you choose not to apply the reduced value to your eligible long-term stays, these supplies of long-term stays must be input taxed. This means you do not charge GST, but you cannot claim back any GST included in your business inputs that relate to these supplies. However, you may still claim GST included in your business inputs that are for short-term stays.

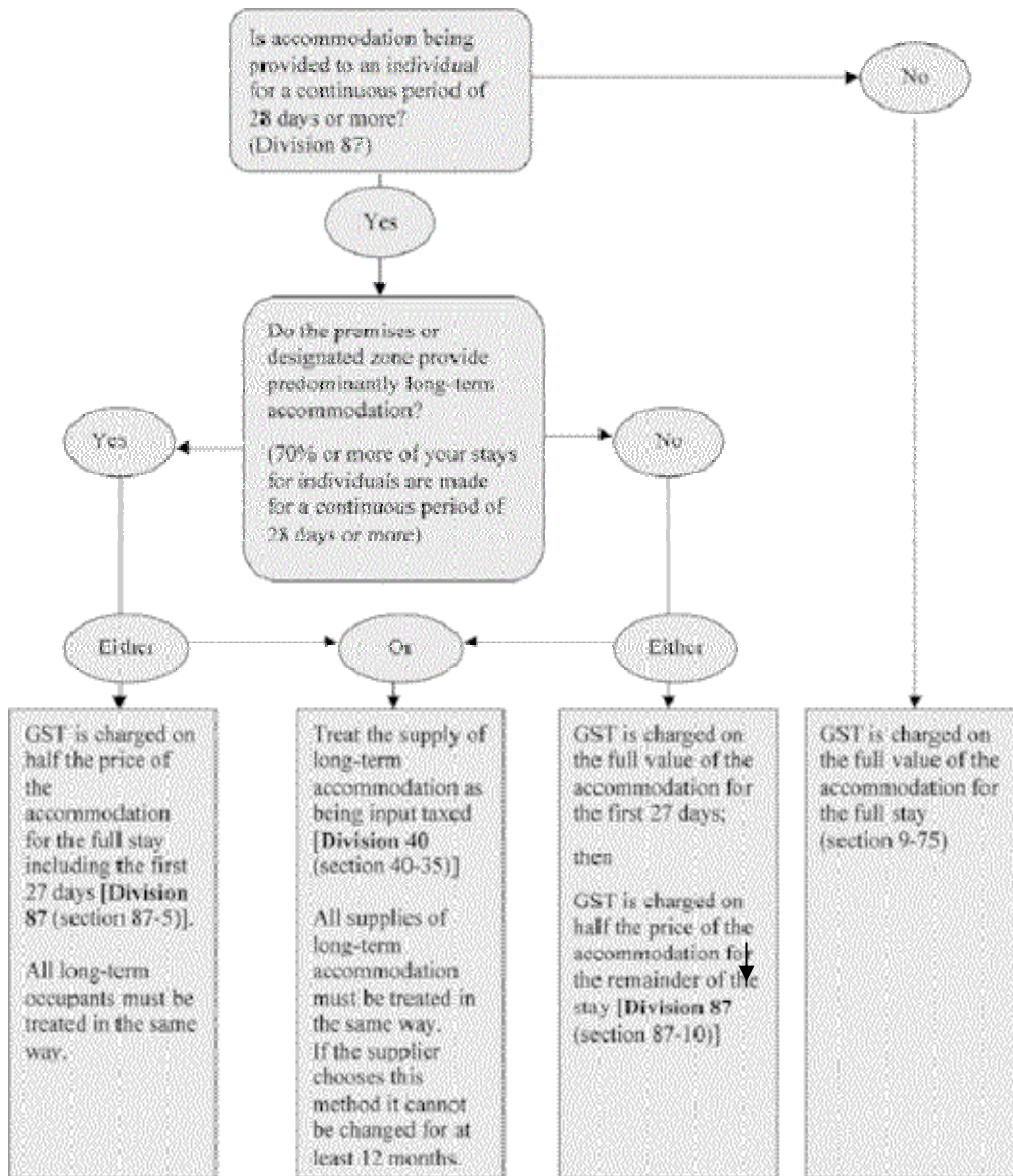
If you choose to input tax your supplies of long-term stays:

- (a) your choice of treatment applies to all these stays. You cannot change your choice for 12 months;
- (b) you must apportion your business input tax credits between those supplies and other taxable supplies you make which could include taxable short-term stays. Goods and Services Tax Ruling GSTR 2000/15 provides details of apportionment methods that may be used;
- (c) you will have to review your claim for input tax credits if the actual usage of your business inputs with a value of more than \$1000 varies from the estimated usage you have worked out using your apportionment basis (see Division 129 and Goods and Services Tax Ruling GSTR 2000/24).

Flowchart

The flow-chart shows the options that are available.

Long-Term Accommodation in Commercial Residential Premises



Examples of how GST is calculated using the Division 87 'concessional treatment'

Accommodation provided in commercial residential premises to a guest for a stay of 10 weeks at the normal site rate of \$140.00 per week (\$20.00 per day) excluding GST is the provision of long-term accommodation. You calculate GST on the method that applies to your premises as follows:

Method 1: If your premises ARE NOT providing predominantly long-term accommodation**First 27 days**

Non-Division 87 Value	\$540.00
+ GST at 10%	<u>\$ 54.00</u>
Normal price (27 days @ \$22 per day)	<u>\$594.00</u>
GST	\$ 54.00

28th to 70th days

Non-Division 87 Value	\$860.00
+ GST at 10%	<u>\$ 86.00</u>
Actual price (43 days @ \$22 per day)	<u>\$946.00</u>

Division 87 Value (50% of normal price)	\$473.00
GST at 10%	\$ 47.30
Actual price (site fee \$860 + \$47.30)	<u>\$907.30</u>

GST	<u>\$ 47.30</u>
Total GST (\$54 + \$47.30)	<u>\$101.30</u>

If it were not for the above 'concessional treatment', the normal GST on the total stay would have been \$140 (that is, 1/11th of \$1540).

Method 2: If either all of the sites or a designated zone in your premises ARE providing predominantly long-term accommodation

Non-Division 87 Value	\$1400.00
+ GST at 10%	<u>\$ 140.00</u>
Normal price but for Division 87	<u>\$1540.00</u>
Division 87 Value (50% of Price but for Division 87)	\$ 770.00
GST at 10%	\$ 77.00
Actual price (site fee \$1400 + \$77)	<u>\$1477.00</u>
GST	\$ 77.00

The difference between Method 1 and Method 2 is the treatment of the first 27 days of long-term accommodation. If it were not for the above ‘concessional treatment’ the normal GST on the total stay would have been \$140 (that is, 1/11th of \$1540).

How do I choose not to use Division 87 but to use Division 40 instead?

The decision not to use Division 87 for supplies of long-term accommodation is a normal business decision. It will be evidenced in your Business Activity Statement. Businesses may also document their decision and retain a copy of the document in their business records. It is not necessary to lodge a formal election with the Commissioner.

If you use Division 87, you can claim 100% of your input tax credits in relation to those Division 87 supplies even though GST is calculated on a reduced value.

How does Division 40 work?

Where a business that supplies long-term accommodation in commercial residential premises chooses not to use Division 87, supplies of long-term accommodation will be input taxed under Division 40. Under Division 40, businesses cannot claim input tax credits on business inputs and do not charge GST on the supply of long-term accommodation. If a business makes both taxable supplies and input taxed supplies it must apportion business input tax credits based on those supplies it makes.

GST will apply to all supplies of short-term accommodation.

How do I apportion input tax credits where I use Division 40?

The business will therefore be required to apportion input tax credits on business inputs between the supplies of taxable short-term accommodation and supplies of input taxed long-term accommodation.

An example of a method that may be used to apportion your business inputs to work out your input tax credits is:

Where an acquisition of goods and services is made ***directly*** in respect of:

- ***short-term accommodation***, the GST component of the business inputs is ***fully creditable***; or
- ***long-term accommodation***, the GST content of the business inputs is ***not creditable***.

Some capital business inputs will fall into this ‘direct’ category (for example, new accommodation sites may be directly in respect of short-term or long-term accommodation).

Where an acquisition of goods or services *indirectly* applies to both *short-term* and *long-term accommodation* (that is, it does not fall wholly into either of the above categories) the GST content of the business inputs is *partly creditable* and should be apportioned. Most overhead business inputs will fall into this category.

One method that may be used to apportion your business inputs is the ‘output based’ method. That is, you claim input tax credits on your acquisitions in the same proportion as your income from taxable supplies of short-term accommodation has to your total income from both long-term and short-term accommodation.

Example of how input tax credits are apportioned using Division 40

Where you supply long-term accommodation that you choose to input tax and you also supply taxable short-term accommodation supplies you will need to apportion some of your business input costs. These may be overhead costs which you cannot directly allocate to either input taxed or taxable supplies. You can use the output based method as follows:

Inputs

Overheads (electricity and cleaning charges)	\$4400
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Outputs

Income from:

Taxable supplies of short-term accommodation	\$3000	
Taxable supplies from non-accommodation sources	\$ 500	
Input taxed supplies of long-term accommodation	<u>\$1000</u>	
	<u>\$4500</u>	
Input tax credit ($\$3500/\$4500 \times \$4400 \times 1/11^{\text{th}}$)		\$311.11

NB: Income from non-accommodation sources includes, for example, income from kiosk trading, telephones and amusement machines.

If it is not appropriate to use this ‘output’ apportionment method, Goods and Services Tax Ruling GSTR 2000/15 provides an alternative ‘input based’ apportionment method that may be used.

What are the administrative differences between Division 40 and Division 87?

If you do not use the concessional treatment in Division 87, Division 40 will apply and you will be required to apportion input tax credits on business inputs between the supplies of taxable short-term accommodation and supplies of input taxed long-term accommodation.

You will also have to review your claim for input tax credits if the actual usage of your business inputs varies from the estimated usage you have worked out using your apportionment basis (see Division 129 and Goods and Services Tax Ruling GSTR 2000/24)

This apportionment and review is not necessary if you use the concessional treatment in Division 87.

Commissioner of Taxation

16 May 2001

ATO References:

NO:

FOI: I 1024418