



Addendum 3 - Non-commercial activities of charities, cost of supply and market value tests -

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Addendum

Charities Consultative Committee

Non-commercial activities of charities, cost of supply and market value tests

This Addendum is a public ruling for the purposes of the *Taxation Administration Act 1953*. It amends Goods and Services Tax Industry Issue GSTII CC2 *Non-commercial activities of charities, cost of supply and market value tests* to make minor style changes.

GSTIICC2 *Non-commercial activities of charities, cost of supply and market value tests* is amended as follows:

1. Paragraphs 5, 40 and 122

- (a) Omit 'in the fact sheet titled *GST and non-commercial rules-benchmark market values*'; substitute '*GST and non-commercial rules - benchmark values*'.
- (b) Update link underneath '*GST and non-commercial rules – benchmark values*' to <https://www.ato.gov.au/Business/Bus/GST-and-supplies-by-charities---benchmark-market-values/>

2. Paragraph 62

- (a) At the end of the sixth dot point, insert ', packaging or surrounding'.
- (b) Omit the seventh dot point.

3. Paragraph 83

After 'activities', insert 'in order'.

4. Paragraph 121

Omit 'fund-raising'; substitute 'fundraising'.

5. Paragraph 125

Omit 'Business'; substitute 'business'.

6. Paragraph 128

(a) Omit:

Note: Section C, dealing with Benchmark market values for charities was replaced with the fact sheet titled [GST and non-commercial rules-benchmark market values](#) on and from 15 May 2013. This fact sheet is updated annually to reflect changes in the benchmark market values. New benchmark market values take effect from 1 January each year.

(b) After the paragraph, insert new headings and new paragraph 128A:

Section C. Benchmark mark values for charities

128A. On and from 15 May 2013, [GST and non-commercial rules-benchmark market values](#) replaced Section C. Benchmark values for charities. This fact sheet is updated annually to reflect changes in the benchmark market values. New benchmark market values take effect from 1 January each year. To view benchmark market values prior to the issue of the fact sheet view history.

Section D. GST treatment of newsletters, magazines and journals provided by charitable institutions

7. Paragraph 177

Omit 'Issue 2'; substitute 'issue 2'.

8. Paragraphs 185 and 186

Omit 'market value guidelines – Section B'; substitute 'Market value guidelines – section B'.

9. Paragraph 190

In the heading, omit 'Issue 2'; substitute 'issue 2'.

10. Paragraph 201

Omit the wording of the first dot point; substitute:

- the GST concession available for non-profit organisation, and

11. Paragraphs 229, 267 and 314

Omit the wording of the first dot point; substitute:

- the GST concessions available for non-profit organisations, and
- Update the link under 'GST concessions' to <https://www.ato.gov.au/Non-profit/Your-organisation/GST-for-not-for-profits/GST-concessions-for-not-for-profits/>

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12. Paragraph 232

Omit the wording of the heading; substitute '**Step 1: working out the cost of making a supply**'.

13. Paragraph 236

Omit the wording of the paragraph; substitute:

If public museums or public art galleries hold special exhibitions in addition to their general operations (of exhibiting their collections), they may apply step 1 to calculate the cost of supplying an admission to the special exhibitions by using the following options.

Option 1: treat the general operations and special exhibition together when estimating the projected costs and the total number of admissions. The cost of supplying an admission to the general operations is the same as the cost of supplying an admission to the special exhibition.

Option 2: treat the general operations and the special exhibition separately. If a public museum or public art gallery chooses this option, they will be required to isolate the projected costs and admissions for the special exhibition in working out a separate cost of supplying an admission to the special exhibition. In allocating costs to the special exhibition, both direct costs and an appropriate proportion of indirect costs must be taken into account. To the extent that projected costs and number of admissions have been included in the calculation of the cost of supplying an admission for the special exhibition, they will not be included in the calculation of the cost of supplying an admission for the general operations. Therefore, the cost of supplying an admission to the special exhibition may not be the same as the cost of supplying an admission to the general operations.

14. Paragraph 237

Omit the wording of the heading; substitute '**Step 2: working out whether a supply is GST-free**'.

15. Paragraph 241

Omit the wording of the heading; substitute '**Example 3: applying the methodology to supplies of admissions**'.

16. Paragraph 243

Omit both dot points; substitute:

- **General operations:** 165,000 admissions
- **Special exhibition:** 15,000 admissions

17. Paragraph 244

Omit the wording of the paragraph; substitute:

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The museum receives several government grants to help fund their activities. These grants are consideration for an agreement to supply services, and are not used in the calculation of the cost of supplying an admission.

Option 1: treating the general operations and special exhibition together

The estimated costs are \$4,200,000.

The estimated total number of admissions to the general operations and special exhibition is 180,000 (165,000 + 15,000).

The cost of supplying an admission is \$23.33 (\$4,200,000/180,000).

75% of the cost of supply is \$17.50 (\$23.33 x 75%).

Admissions for less than \$17.50 will be GST-free.

Looking at the different classes of admissions:

- All admissions to the general operations will be GST-free as the admission fees of \$5 and \$12 are less than 75% of the cost of supplying an admission.
- The concessional admissions to the special exhibition will be GST-free as the admission fee of \$10 is less than 75% of the cost of supplying an admission.
- The general admissions to the special exhibition will be taxable because the admission fee of \$25 is greater than 75% of the cost of supplying an admission ($(25/23.33) \times 100\% = 107\%$).

Option 2: treating the general operations and special exhibition separately

General operations

Estimated costs associated with general operations are \$3,800,000 (\$4,200,000 – \$600,000).

The estimated total number of admissions to the general operations is 165,000.

The cost of supplying an admission to the general operations is \$23.03 (\$3,800,000/165,000).

75% of the cost of supply is \$17.30 (\$23.03 x 75%)

All admissions to the general operations will be GST-free as the admission fees of \$5 and \$12 are less than

75% of the cost of supplying an admission.

Special exhibition

Estimated costs associated with the special exhibition are \$600,000.

The estimated total number of admissions to the special exhibition is 15,000.

The cost of supplying an admission to the special exhibition is \$40 (\$600,000/15,000).

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75% of the cost of supply is \$30 (\$40 x 75%).

All admissions to the special exhibition will be GST-free as the admission fees of \$10 and \$25 are less than 75% of the cost of supplying an admission.

18. Paragraph 250

(a) Omit the wording of the last 2 dot points; substitute:

- the cost of supplying a book on the protection and enhancement of natural environment, and
- the cost of supplying a book on endangered wildlife and native vegetation.

(b) After the paragraph, insert new heading '**Find out more**'.

19. Paragraph 252

Omit the wording of the heading; substitute '*Example 7: a university residential college supplying meals*'.

20. Paragraph 253

After the paragraph, insert new heading '**Find out more**'.

21. Paragraph 258

After the paragraph, insert new heading '**Find out more**'.

22. Paragraph 275

Omit the wording of the paragraph; substitute:

If a supplier holds a special 'one-off' function, such as a valedictory dinner, the supplier may use Step 1 to work out the cost of supplying a meal in the function by using the following options

Option 1: treat the general operations and the special function together in estimating the projected costs and the total number of all meals. The cost of supplying a meal in the general operations is the same as the cost of supplying a meal in the special function.

Option 2: treat the general operations and the special 'one-off' function separately. If the supplier chooses this option, it must isolate the projected costs and the number of meals provided at the special function when working out a separate cost of supplying a meal at the special function.

23. Paragraph 277

Omit 'Step 1'; substitute 'step 1'.

24. Paragraph 278

Omit '(see Working out the payment (consideration) for the supply)'; substitute '(see 'Working out the consideration for the supply')'.

25. Paragraph 317

Omit the 3 dot points; substitute:

- the charity must work out whether the same supply exists in the market it operates in. This is referred to as the 'same supply test'. If the same supply exists in the market, the price of the supply as defined by the market is the market value that the charity should use.
- if no 'same supply' exists, the charity must then work out whether a similar supply exists in the market it operates in. This is referred to as the 'similar supply test'. If a similar supply exists in the market, the price of the supply as defined by the market is the market value that the charity should use.
- if no same or similar supply exists, the charity may seek approval from the Commissioner of Taxation to use a methodology to work out the market value of the supply. This is referred to as the 'third test'.

26. Paragraph 330

- (a) After 'MSV 2005/5' insert 'and'.
- (b) After the last dot point omit the empty pilcrow.

27. Paragraph 332

- (a) Omit the wording of the paragraph; substitute:

In working out whether a supply of supported accommodation or crisis accommodation is GST-free, , charities can use the daily or weekly Benchmark market values of accommodation (refer to [GST and non-commercial rules – benchmark market values](#)) instead of using the Market value guidelines.

- (b) Update link underneath '*GST and non-commercial rules – benchmark values*' to <https://www.ato.gov.au/Business/Bus/GST-and-supplies-by-charities---benchmark-market-values/>

28. Paragraph 343

Omit 'Churches'; substitute 'churches'.

29. Paragraph 344

Omit all instances of 'Church'; substitute 'church'.

30. Paragraph 360

Omit the wording of the paragraph; substitute 'For more information, refer to GST and the application of the non-commercial activity rules for charities to the provision of fringe benefits (NAT 7633).'

31. Paragraph 361

In the heading, omit the wording of the second sentence; substitute:

A fact sheet GST and the application of the non-commercial activity rules for charities to the provision of fringe benefits (NAT 7633) provides further information on the application of section 38-250 to the provision of fringe benefits. Religious institutions had until 30 June 2003 to put in place procedures to ensure that these supplies are treated correctly for GST purposes.

32. Paragraph 366

In the heading omit 'Church'; substitute 'church'.

This Addendum applies from 21 December 2020.

Commissioner of Taxation
21 December 2020

ATO references

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