



GSTA TPP 063 - Goods and services tax: Is a partner who receives more than \$50,000 in profit distributed by the partnership required to be registered for GST?

 This cover sheet is provided for information only. It does not form part of *GSTA TPP 063 - Goods and services tax: Is a partner who receives more than \$50,000 in profit distributed by the partnership required to be registered for GST?*

 This document has changed over time. This is a consolidated version of the ruling which was published on *14 June 2005*



Goods and Services Tax Advice

Goods and services tax: Is a partner who receives more than \$50,000 in profit distributed by the partnership required to be registered for GST?

Preamble

*This document is a ruling for the purposes of section 37 of the Taxation Administration Act 1953. It illustrates the principles contained in **Goods and Services Tax Rulings GSTR 2001/7 on annual turnover and GSTR 2004/6 on tax law partnerships**. You can rely on the information presented in this document, which provides advice on the operation of the GST system.*

Answer

No, the partner is not required to be registered for GST. The partner is not carrying on an enterprise or making supplies. Annual turnover for GST purposes does not meet the registration turnover threshold.

Background

A person is a partner in a partnership. The partnership carries on an enterprise. The partners do not make supplies or carry on an enterprise in their own right. The partnership distributes \$60,000 profit to the partner during the financial year. The partnership made the profit by making taxable supplies in the course of its enterprise.

Explanation

Under section 23-5 of the *A New Tax System (Goods and Services Tax) Act 1999* (GST Act), you are required to be registered if you are carrying on an enterprise and your annual turnover meets the registration turnover threshold. The question of enterprise in relation to the registration of partnerships is discussed in paragraphs 109 and 110 of Goods and Service Tax Ruling GSTR 2004/6 on tax law partnerships.

109. An enterprise partnership may register for GST. It is required to register if it meets the registration turnover threshold. The registration turnover threshold is \$50,000 (or a higher amount as specified in the GST regulations). A tax law partnership that does not carry on an enterprise cannot be registered for GST.

110. The partners of an enterprise partnership cannot register for GST, nor can they acquire an ABN in relation to the enterprise carried on by the partnership. However, they may be registered in relation to a separate enterprise that they carry on in their own right.

Note: Annual turnover is defined in section 195-1 of the GST Act and has the meaning given in subsections 188-10(1) and 188-10(2) of the GST Act. It consists of the value of supplies made in a twelve-month period. It does not include distributions of profit.

Application of this GST Advice

This Advice is based on GSTR 2001/7 and GSTR 2004/6. It explains our view of the law as it applied from 1 July 2000. You can rely on this Advice on and from its date of issue for the purposes of section 37 of the *Taxation Administration Act 1953*. Goods and Services Tax Ruling GSTR 1999/1 explains the GST rulings system and our view of when you can rely on our interpretation of the law in GST public and private rulings.

If this Advice conflicts with a previous private ruling that you have obtained, this public ruling prevails. However, if you have relied on a private ruling, you are protected in respect of what you have done up to the date of issue of this public ruling. This means that if you have underpaid an amount of GST, you are not liable for the shortfall prior to the date of issue of this later ruling. Similarly, you are not liable to repay an amount overpaid by the Commissioner as a refund.

Commissioner of Taxation

Date

Related Rulings/Determinations/GST Advice:

GSTR 2004/6
GSTR 2003/13

Subject references:

partnership
net income
supply
annual turnover threshold

Legislative references:

ANTS(GST)A 1999 23-5
ANTS(GST)A 1999 9-10
ANTS(GST)A 1999 188-10
ANTS(GST)A 1999 195-1
TAA 1953 37

ATO references

NO:	05/3095
ISSN:	1833-0053