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GST on the costs of accommodation supplied to ministry staff

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Background

Since GST was introduced in July 2000 there has been uncertainty about whether GST paid on invoices for work done on the rectory or other accommodation supplied to ministry staff can be claimed back.

While the general position is that the owner of residential accommodation cannot claim back GST paid for the supply of that accommodation, in December 2000 we obtained a private ruling from the Australian Tax Office (ATO) that parishes could claim GST on the costs associated with providing accommodation to ministers. However, more recently, the ATO has issued a public statement and published some very specific guidelines which create doubt about whether GST can continue to be claimed back.

Unfortunately, the ATO public statement and guidelines take precedence over our ruling. The Standing Committee therefore considers that a conservative approach to the issue is best at this stage.

Recommendation

Accordingly, the Standing Committee recommends that **as from 1 January 2005 parishes should NOT claim back the GST paid in any invoice for the construction, renovation, repair, maintenance or running costs for the rectory or other accommodation for ministry staff.** Rather, parishes should keep a record of the GST paid so that it can be claimed back later if the matter is resolved in a way which clearly allows us to do so.

Effect

This recommendation will increase the cost to the parish of providing the rectory or other accommodation since the GST paid in invoices relating to the construction, renovation, repair, maintenance or running costs (including electricity) should no longer be claimed back.

It also means that the Property Trust will not claim back the GST in any invoices it pays after 1 January 2005 under contracts for the construction, renovation or repair of the rectory or other accommodation for ministry staff.

Action

Parishes should consider how they will separately identify GST in payments relating to the rectory or other accommodation to ensure that these amounts are not included amongst the claim for GST credits in the parish's Business Activity Statements (BAS) for the Jan-Mar quarter 2005 and beyond. However, as noted, records of the GST paid but not claimed back should be kept in case a claim can be made in future.

Parishes using the Sydney Anglican Parish Accounting System (SAPAS) should ensure that invoices relating to their parish residences are given the tax code 'RPE' (residential property expense) or 'Free' to ensure the information for their BAS is correct. A detailed description of recommended changes to SAPAS (including some new accounts for this purpose) will be available by contacting me early January 2005.

A document summarising the tax issues in more detail and setting out a more detailed description of the circumstances relating to the supply of accommodation by parishes can be obtained from me on request.

The Standing Committee regrets the additional cost its recommendation will place on parishes, and will advise parishes of any further developments as they arise.

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