

GST Procedure - Appropriations

Section 1 - Background and Purpose

(1) The purpose of this procedure is to establish a framework in which staff can confidently apply the Goods and Services Tax (GST) legislative requirements to University operations to ensure the University complies with its obligations arising from [A New Tax System \(Goods and Services Tax\) Act 1999](#).

(2) An appropriation as defined by the ATO ruling GSTR 2006/11 Goods and Services Tax: Appropriations, as a payment of a funding nature made by a government related entity to another government related entity (or agency etc.) which is specifically covered by an appropriation under an Australian law. GST does not apply to appropriations.

Section 2 - Scope

(3) Refer to the [GST \(Goods and Services Tax\) Policy](#).

Section 3 - Policy Statement

(4) Refer to the [GST \(Goods and Services Tax\) Policy](#).

Section 4 - Procedures

What is an Appropriation

(5) An appropriation as defined by the ATO ruling GSTR 2006/11 Goods and Services Tax: Appropriations, as a payment of a funding nature made by a government related entity to another government related entity (or agency etc.) which is specifically covered by an appropriation under an Australian law. GST does not apply to appropriations because appropriations are technically out of scope, i.e. appropriations are not contemplated in the GST legislation.

(6) As such, where the grant is considered to be an appropriation from the Government to La Trobe it will not be subject to GST (per section 9-17 of the [GST Act](#)) This will be the reason why a GST clause may not be in the contract with the Government.

(7) There is general agreement between Universities that Collaboration Agreements between universities should not include GST clauses either unless there is a margin on the services provided in which case the commercial test would be satisfied and the receiving university should be charged GST (on that portion where there is a margin on the service).

(8) It follows then that in situations where services provided by La Trobe are commercial/non-core related La Trobe should charge GST. Likewise, La Trobe should ordinarily pay the GST if invoiced by another University for commercial/non-core services which La Trobe can claim it back through the BAS return.

(9) To be clear about the existence or otherwise in the agreement of commercial/non-core related services or services which include a profit margin,(i.e. services which are not cost recovery in nature), will require an examination of the contract.

(10) Despite the above rules, at times, La Trobe University is going to receive from other universities invoices for grant funding which include GST. Rather than going back to the other university and requesting a credit note, La Trobe will claim this GST through its BAS return.

(11) You should contact Corporate Finance if you are unsure about the services to be provided, if you would like the contract reviewed, or if you have any questions or issues.

Documentation Required for All Appropriations

(12) Where a granting body asks that an invoice be prepared with no GST because the payment is considered to be an appropriation, a copy of the relevant appropriation documentation (including the statute or delegated legislation that authorises the expenditure of money) must be obtained from the granting body and filed with the copy of the invoice.

(13) The details of an appropriation, such as particular information about its purpose, may not always be specified by the [Appropriation Act](#). In many cases, the purpose will be documented in very general terms in the [Appropriation Act](#), but explained further in relevant supporting documents.

(14) Other examples of supporting documentation include:

- a. budget papers that specify the purpose and amount of the payment;
- b. portfolio budget statements;
- c. agency budget statements;
- d. Ministerial Statements or Speeches related to the Budget, or Appropriation Act or policy to which the appropriation Act relates;
- e. Government released Budget overview documents;
- f. Ministerial media releases related to the Budget and/or policy to which the Appropriation Act relates;
- g. Budget documentation (background documents prepared at an agency level in the process of seeking funds to be included in that budget) related to the Appropriation Act;
- h. Written agreements such as Funding Deeds, Service Level Agreements, Deeds of Agreement or Memoranda of Understanding between government related entities;
- i. Computer records and accounts which link payments to appropriation sources through mechanisms such as cost codes; or
- j. Letters from a Minister to government related entities.

(15) The relevant supporting documents are on their own insufficient to establish whether the payment is specifically covered by an appropriation and must be used in conjunction with the relevant [Appropriation Act](#), to show how the payment is sourced from an appropriation and its purpose.

(16) Where it is determined that the income is an appropriation it should be coded to GZ in SAP. When the funds are spent for taxable supplies, the normal rules of GST apply.

(17) A copy of the invoice and the supporting documentation must be forwarded to Corporate Finance.

Section 5 - Definitions

(18) For the purpose of this Procedure:

- a. [Appropriation Act](#): An Act of Parliament to appropriate money out of the Consolidated Revenue Fund for the ordinary annual services of the Australian Government, and for related purposes
- b. ATO: Australian Taxation Office
- c. GST: Goods and Services Tax as defined in [A New Tax System \(Goods and Services Tax\) Act 1999](#)
- d. SAP: The University's Finance System

Status and Details

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