

Goods and Services Tax (GST) can be confusing for any business, but as the business of a Superannuation Fund is the provision of “financial supplies”, it is made even more difficult by specific rules that relate to the application and claiming of GST in relation to these supplies.

This is further complicated in that most providers of “financial services” are only entitled to claim “reduced input tax credits” (RITCs) that equate to 75% of the GST paid in relation to financial supplies.

Basic Rules

For a superannuation fund to be able to claim a credit for GST paid they must be:

- Carrying on an Enterprise
- Registered for GST
- A supply must be made (not GST free or input taxed).

The GST legislation has specifically included an activity or series of activities done by a trustee of a complying superannuation fund in the definition of an ‘enterprise’.

Where GST supplies made by an enterprise exceed \$75,000 per annum, the enterprise must be registered for GST, otherwise registration is optional.

GST Supplies by a Superannuation Fund

To have GST apply to a transaction there must be a ‘supply’. The supply must not be GST free or input taxed.

Supplies of benefits by a superannuation fund to its members are not considered to constitute a ‘supply’ and therefore do not attract GST.

Income from equities and deposits do not fit the definition of ‘supplies’ and consequently no GST is charged/remitted on these items.

The activity of providing residential property (residential rent) is an ‘input taxed’ activity and consequently no GST is required to be charged on residential rent.

The most common situation for funds which does constitute a taxable supply is rental of commercial premises. Therefore, if registered, funds need to charge GST on this rent.

If the fund’s taxable supplies (e.g. commercial rent) exceed \$75,000 per annum, the fund must be registered for GST.

Disclaimer

The information provided in this information sheet does not constitute advice. The information is of a general nature only and does not take into account your individual financial situation. It should not be used, relied upon, or treated as a substitute for specific professional advice. We recommend that you contact Brentnalls SA before making any decision to discuss your particular requirements or circumstances.

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GST Supplies to a Superannuation Fund

When a fund acquires goods or services in relation to making taxable supplies, they will generally be entitled to claim back GST on those costs.

However, where those supplies are “financial supplies” only a “reduced input tax credit” (RITC) of 75% can be claimed.

The ATO released a GST ruling which clarifies what supplies are eligible for RITC claims (GSTR 2004/1). Some of the clarifications that have arisen from this ruling are that:

- Fees paid to financial planners for simply creating a financial strategy or plan would not generally be eligible for an RITC. Provision of financial advice is not considered to be ‘investment management services’ and therefore not eligible for a RITC. Only if that financial planner or advisor then undertook the transactions required to implement the plan would the GST be able to be claimed (at 75%).
- Administration services or functions would usually include; maintaining member, employer and trustee records and associated accounting; processing of applications, contributions, benefits and distributions; processing transfers between funds and trusts; production and distribution of reports, statements and forms to member, employers and trustees; handling of enquiries and complaints made by members; archives storage, retrieval and destruction services; statement processing and bulk mailing; and compliance with industry regulatory requirements (excluding taxation and auditing services)
- Where the provision of taxation services is ancillary, incidental or integral to the function performed by an accountant (in administration of the fund), then the taxation services are considered part of that function and need not be excluded when calculating the RITC.
- Where audit or taxation services are separate and distinct functions then they are not eligible for a RITC claim.

The following table shows the percentage of GST claimable for common expenses in a self managed superannuation fund.

EXPENSE	100% Claimable	75% Claimable	NIL Claimable
Commercial property expenses	<input type="checkbox"/>		
Residential property expenses			<input type="checkbox"/>
Administration and accounting fees (except audit and tax return fees)		<input type="checkbox"/>	
Investment management fees		<input type="checkbox"/>	
Actuarial fees		<input type="checkbox"/>	
Brokerage		<input type="checkbox"/>	
Option clearance fees		<input type="checkbox"/>	
Bank charges			<input type="checkbox"/>
Audit fees			<input type="checkbox"/>
Fees to prepare tax returns and activity statements			<input type="checkbox"/>

How can Brentnalls SA help?

If you would like to discuss GST for your superannuation please contact our office and ask to speak to one of our superannuation advisors. Our objective is to see your business thrive now and into the future.

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