

Community Housing Guide to Benchmarks for Determining Market Rents - 2005

Community Housing Federation of Australia (CHFA)



Introduction

After requests by the Community Housing Federation of Australia (CHFA) and other non-government bodies, the Australian Tax Office (ATO) has prepared new Market Rent Benchmarks. The benchmarks will help community housing organisations to work out what rents can be charged while still maintaining their GST-free charitable status.

The Benchmarks also provide guidelines on charges for meals, which will be useful for some services such as boarding houses.

The guidelines came into effect 1 April 2005, and will be updated at the beginning of each calendar year.

The Community Housing Federation of Australia has prepared this brochure about the benchmarks, as the full ATO version contains some information that is not relevant to our members. You can however get a full version of the guidelines from the ATO.

If you provide short-term SAAP accommodation you will need additional information and some tables that are not included in this brochure, and you will need to get the full version of these guidelines from the ATO.

These guidelines can be found at:

<http://ato.gov.au/nonprofit/content.asp?doc=/content/16250.htm&page=4&H4=&pc=001/004/043/001&mnu=5111&mfp=001/004&st=&cy=1>

Why these Benchmarks are needed

As you may know, GST tax law says that generally the commercial activities of charities are taxable, but non-commercial goods or services provided by charities are GST-free.

These benchmarks will help you find the line between charging what are considered to be commercial and non-

commercial rates for accommodation and where relevant, for meals.

GST tax law says that goods and services are GST-free when they are provided by a charity at a “discount” or subsidised rate (you may have heard the ATO using the term nominal consideration rather than discounted or subsidised).

The ATO defines discounted/subsidised or “nominal consideration” as:

- ▶ 50% of the (GST inclusive) market value for supplies other than accommodation (eg, meals in boarding houses); and,
- ▶ 75% of the market value for the supply of supported accommodation and community housing.

The tables in this document will show you clearly what the ATO has determined to be the market value of supplies other than accommodation, and the market value for the supply of accommodation/housing. CHFA has calculated the discounted rates and included these figures in the tables in brackets, ie 50% of the market value of supplies other than accommodation and 75% of the market value for the supply of accommodation.

Where a charitable organisation uses the benchmark market values in these guidelines as the basis for deciding if goods or services provided are taxable, input taxed or GST-free, then that market value will be accepted by the Tax Office.

What Organisations can use this Guide?

This guide will be useful for:

Supported accommodation and community housing (note that SAAP agencies and organisations providing short term accommodation will need the full ATO version and not just this edited version).

Crisis care (short term and long term accommodation as appropriate). If you provide short term crisis or emergency accommodation (defined by the ATO as periods up to 28 days), you need to consult the tables in the full version of these guidelines.

Retirement villages (long term accommodation).

Residential housing (long term accommodation).

How the Tables work and how to apply them

The tables in this guide will give you the market value rates for accommodation and meals as well as the discounted or nominal consideration rates. This means that at a glance, you can see the market value rate, and a rate showing 75% of the benchmark market rent, or 50% of the benchmark market meal rate.

These figures will enable you to readily see if your rent or meal charges should attract GST or not.

The benchmark table for meals (Table 1) sets different rates for different areas, ie capital cities and high cost country centres have one rate, other country centres have a different rate. You will need to look at Table 2 to see which rate applies to your organisation.

The benchmark table for long term accommodation (Table 3) uses capital cities. These capital city rates apply as the appropriate rate throughout the relevant State or Territory. For example, a service provider in rural or remote NSW should use the Sydney benchmark rate.

If the benchmark market values given are not suitable for your situation, your organisation can do its own market valuation or analysis. In this situation, organisations

should make sure they keep the documentation to support their alternative market valuation.

Where an organisation provides services across a range of locations, it is not acceptable to the ATO to average the market value. For example, organisations operating across rural and city areas cannot create new benchmark values by averaging short-term accommodation market values for Sydney (\$157.00) and NSW country centres (\$70.00).

The benchmark market values provided in the tables are based on GST inclusive market values.

This guide provides benchmark market values for the following types of supplies:

(a) Meals (see Table 1)

The benchmark meal rates vary by location. Where an organisation purchases food and then provides it to someone else, then the market value is the actual cost of the food.

(b) Long Term Board and Quarters (see Tables 1 and 3)

When full board is provided in long-term accommodation, the market value is the composite rate of the one bedroom rate (at Table 3), plus the applicable meal rate (at Table 1). You need to apportion the fee between an amount for accommodation and an amount for food. This is done by looking at what portion of the market value is accommodation and what portion is food.

To determine if the supply of accommodation is GST-free, you need to calculate 75% of the benchmark market rent. If the portion of the fee for accommodation is less than that amount, the accommodation is GST-free. To determine if the supply of food is GST-free, you need to calculate 50% of the benchmark meal rates totalled for the number of meals in the period. If the portion of the fee for food is less than that amount, the food is GST-free.

(c) Long Term Accommodation (see Table 3)

The rates in Table 3 can be used as the basis for determining the market value of the supply of long term community housing.

5. Examples

Long term accommodation

Example 1

The WA Community Housing Group provides a two bedroom flat in Cannington. The tenant pays rent at 25% of their income, which is \$140.00 per week. Using Table 3 for Perth, the market value for this housing is \$218.75 per week and the discounted rate is \$164.06.

In this example the accommodation supplied by WA Community Housing Group would be GST-free because the “consideration for the supply” (rent paid) is less than 75% of the market value.

Example 2

The Queensland Community Housing Group provides a one bedroom apartment to a single pensioner in Rockhampton. The tenant pays rent at 25% of their income, which is \$150.00 per week. Using Table 3 for Brisbane, the market value for this housing is \$187.50 per week and the discounted rate is \$140.63.

In this example the accommodation would be input taxed because the rent paid is 80% of the market value and above the 75% discount threshold.

Long term board and quarters

Example 3

The Adelaide Disability Housing Coop provides full board to single tenants. The weekly fee charged is 75% of their income of \$150, which is \$113 per week. Using Table 3 for Adelaide, the market value of this accommodation is \$137.50 per week. Using Table 1, the market value of the food is $(\$18.40 + \$20.55 + \$35.40) \times 7 = \520.45 per week. The total market value of the composite supply is $\$137.50 + \$520.45 = \$657.95$. The portion of the fee for accommodation is $(\$137.50 \times \$113.00) \div \$657.95 = \23.62 . The discounted rate for accommodation is \$103.13. The portion of the fee for accommodation is less than \$103.13, so the supply of accommodation is GST-free.

The portion of the fee for food is what remains of the fee, $\$113.00 - \$23.62 = \$89.38$ per week. The discounted rate for food is \$260.23. The portion of the fee for food is less than \$260.23, so the supply of food is GST-free.

Table 1: *Meal Rates*

Amounts Payable In Respect Of Meals Not Purchased At Board and Lodging Establishment

Meal	Amount for capital cities and High Cost Country Centres *	Amount for centres other than capital cities and High Cost Country Centres **
	Market value (50% discounted rate)	Market value (50% discounted rate)
Breakfast	\$18.40 (\$9.20)	\$16.40 (\$8.20)
Lunch	\$20.55 (\$10.28)	\$18.75 (\$9.38)
Dinner	\$35.40 (\$17.70)	\$32.40 (\$16.20)

* High Cost Country Centres as listed at Table 2

** Includes all Tier 2 Country Centres as listed at Table 2 and all Other Country Centres

Table 2: *High cost and other country centres*

<i>High cost country centres</i>		<i>Other country centres</i>	
Ballarat (VIC)	Karratha (WA)	Albany (WA)	Maitland (NSW)
Broome (WA)	Kununurra (WA)	Alice Springs (NT)	Wagga Wagga (NSW)
Burnie (TAS)	Newcastle (NSW)	Ararat (VIC)	Warrnambool (VIC)
Carnarvon (WA)	Newman (WA)	Bathurst (NSW)	
Christmas Island (WA)	Northam (WA)	Bendigo (VIC)	
Cocos (Keeling) Islands	Pt Hedland (WA)	Bunbury (WA)	
Dampier (WA)	Pt Lincoln (SA)	Cairns (QLD)	
Devonport (TAS)	Thursday Island (QLD)	Kalgoorlie (WA)	
Gold Coast (QLD)	Tome Price (WA)	Katherine (NT)	
Horn Island (QLD)	Weipa (QLD)	Launceston (TAS)	
Jabiru (NT)	Wollongong (NSW)	Halls Creek (WA)	

Table 3: *Long Term Accommodation - Weekly**

	Type of accommodation.			
Locality	4 or more bedrooms	3 bedrooms	2 bedrooms	1 bedroom**
	Market value (75% discounted rate)	Market value (75% discounted rate)	Market value (75% discounted rate)	Market value (75% discounted rate)
Adelaide	\$381.25 (\$285.94)	\$262.50 (\$196.88)	\$206.25 (\$154.69)	\$137.50 (\$103.13)
Brisbane	\$368.75 (\$276.56)	\$281.25 (\$210.94)	\$243.75 (\$182.81)	\$187.50 (\$140.63)
Canberra	\$487.50 (\$365.63)	\$312.50 (\$234.38)	\$281.25 (\$210.94)	\$193.75 (\$145.31)
Darwin	\$437.50 (\$328.13)	\$306.25 (\$229.69)	\$268.75 (\$201.56)	\$187.50 (\$140.63)
Hobart	\$268.75 (\$201.56)	\$206.25 (\$154.69)	\$187.50 (\$140.63)	\$125.00 (\$93.75)
Melbourne	\$568.75 (\$426.56)	\$431.25 (\$323.44)	\$331.25 (\$248.44)	\$231.25 (\$173.44)
Perth	\$350.00 (\$262.50)	\$237.50 (\$178.13)	\$218.75 (\$164.06)	\$131.25 (\$98.44)
Sydney	\$818.75 (\$614.06)	\$637.50 (\$478.13)	\$493.75 (\$370.31)	\$362.50 (\$271.88)

* also known as “Temporary Accommodation-Weekly” for ATO purposes ** includes boarding house rooms

For more information: If you have questions you can contact the ATO Non-Profit Information Line on 1300 130 248. These people are specifically trained to deal with non-profit issues.