

# Charities Consultative Committee Resolved Issues Document

## Part 3 - Non-Commercial Activities of Charities, Cost of Supply and Market Value Tests

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### C. Benchmark Market Values for Charities

#### Purpose

The purpose of this document is to provide a basis or benchmark of the market value of a range of supplies for the types of **charities listed** to use as a reference point. It will also provide certainty as to the Tax Office's view of suitable market values for these supplies.

These guidelines will enable organisations to make a comparison of the benchmark market value and the consideration they receive for the supply provided to determine whether the supplies they make are taxable, GST-free or input taxed. Specifically, charities will be able to easily determine whether a supply is for consideration less than 50% or 75% (whichever is applicable) of the GST-inclusive market value.

These guidelines will be updated annually to take effect from 1 January each year.

What organisations may use these guidelines

The use of the benchmarks (accommodation and meals) as an alternative to the general rules provided in the 'Market Value Guidelines' document is **limited to the following** types of organisations (and supplies by those organisations):

- supported accommodation and community housing (long-term accommodation rates)
- crisis care (short-term and long-term accommodation as appropriate)
- retirement villages not meeting the definition of 'retirement village' in [section 195-1 of the GST Act](#) (long-term accommodation)
- residential housing (long-term accommodation),
- 'Meals on Wheels', charity 'soup kitchens' and organisations that prepare and supply meals to the frail, homeless or needy (food guidelines).

The accommodation benchmarks are not for use by organisations where there is a market value that can be established using the first two tests described in Part B, that is, actual market value for a supply or a market value of a similar supply. That is, the **benchmarks do not apply** to the following types of organisations or supplies:

- campsite accommodation
- university halls and colleges
- boarding schools,
- non-residential buildings like halls and offices.

## **Tax Office position**

The GST law provides that the commercial activities of charities will be taxable but the non-commercial supplies provided by charities will be GST-free. Thus, supplies for nominal consideration made by a charity are GST-free. Nominal consideration means less than 50% of the GST-inclusive market value for supplies other than accommodation and less than 75% for supply of supported accommodation and community housing.

Where a charity uses the benchmark market values provided in these guidelines as the basis to determine whether the supplies they are making are taxable, input taxed or GST-free because of the application of s38-250(1) that market value will be accepted by the Tax Office.

Where these benchmark market values do not satisfy or are not suitable to the needs of an organisation of the types listed above, that organisation may undertake their own market valuation to meet their individual situation. In these circumstances the organisation should retain appropriate documentation to support alternative market values.

## **Application of the benchmark market values**

The benchmark market values listed below are effective from 1 April 2005 and will apply to supplies made from that date. The benchmark market values will be updated next to operate from 1 January 2006.

To view previous benchmark market values please go to [view history](#).

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

- short-term accommodation (see table 1)
- meals (see table 4)
- board and quarters (see table 5)
- long-term accommodation (see table 5),
- employment services (see table 6).

Also, there are examples provided to demonstrate the application of the benchmark values.

### **1. Short-term accommodation**

The rates provided in table 1 are the appropriate market value for short-term accommodation per night for the locations listed. Where a location is not specifically listed the 'Other country centre' rate, at table 1, or an appropriate individual valuation should be used.

Short-term crisis and emergency accommodation is for periods up to twenty-eight days.

### **2. Meals**

Benchmark market values for meals are provided in table 4. The meal rates also vary by location.

Please note, where an organisation purchases food and then provides it to someone else then the market value is the cost of the food.

### **3. Short-term board and quarters**

Where short-term full board is supplied the benchmark market value would be the appropriate short term accommodation rate, plus the meal and incidental rates per day (refer to table 1).

For example, these rates may be used as the value for emergency or crisis accommodation where the supply is a combination of accommodation and meals.

Please note, where an organisation purchases food and then provides it to someone else then the market value is the cost of the food.

### **4. Long-term accommodation**

The temporary accommodation weekly rates in table 5 are an acceptable basis for determining the market value for the supply of long-term residential accommodation.

For supplies of supported accommodation and community housing, nominal consideration is less than 75% of the GST-inclusive market value.

The benchmarks provided allow for:

- differing standards of accommodation
- other locations and regional areas, or
- seasonality of market rates.

The capital city rate provided may be used as the appropriate rate across all regions for the relevant State.

### **5. Long-term board and quarters**

When full board is provided in long-term accommodation the market value would be the composite rate of the one bedroom rate applicable to the location (displayed at table 5), plus the applicable meal rate (displayed at table 4).

### **6. Employment service fees**

The benchmarks for employment service fees are displayed in table 6.

Examples of the application of the values provided

The following examples are provided to demonstrate the application of the benchmark market values. The client contribution or consideration for the supplies made may not be realistic in some of the cases but they are provided for demonstration purposes only.

#### **Short-term accommodation - supported accommodation**

Parramatta Community Care provides emergency housing in their Parramatta Hostel. In addition to the accommodation they provide breakfast and dinner. Their clients

make a contribution of \$100.00 per day. Using these guidelines the market value for this supply is as follows:

Sydney accommodation rate	\$157.00
Breakfast and dinner (\$18.40 + \$35.40)	<u>53.80</u>
Market value/day	<u>\$210.80</u>

In this example the supplies (food and accommodation) by Parramatta Community Care would be GST-free because the consideration for the supply of the accommodation component (\$74.50) is less than 75% of the market value and for the supply of the meals component (\$25.50) is less than 50% of the market value.

Similar supplies (food and accommodation) by the same organisation for the same contribution of \$100.00 in their Hostel located in Dubbo, NSW (an 'other' country centre rate):

Dubbo accommodation rate	\$70.00
Breakfast and dinner (\$16.40 + \$32.40)	<u>48.80</u>
Market value/day	<u>\$118.80</u>

In this case the supplies (food and accommodation) by Parramatta Community Care would be taxable supplies because the consideration for the supply of the accommodation component (\$58.90) is greater than 75% of the market value and for the supply of the meals component (\$41.10) is greater than 50% of the market value.

### **Long-term community housing accommodation**

The WA Community Housing Group provides a two bedroom flat in Cannington to a single parent and two children. The client makes a contribution of 25% of their income, which is \$140.00 per week. Using these guidelines the market value for this supply is:

Market value \$218.75/week

In this example the supply by WA Community Housing Group would be GST-free because the consideration for the supply is less than 75% of the market value.

The Queensland Community Housing Group provide a one bedroom apartment to a single pensioner on Centrelink payments plus a small other income. The client makes a contribution of 25% of their income of \$150.00. Using these guidelines for the market value the market value for this supply is as follows:

Market value \$187.50/week

This supply would be input taxed because the consideration is 80% of the market value.

## Meals

A charity in Katherine NT, provides home cooked midday meals to aged persons at the Community Centre. The clients make a contribution of \$8.50 per meal. Using these guidelines the market value for this supply is as follows:

Country centre meal rate (lunch)	\$18.75
Market value	\$18.75

In this example the supply of the midday meal would be GST-free because the consideration for the supply is less than 50% of the GST inclusive market value

### Specific issues

- These guidelines provide a benchmark market value for the supplies and locations specified.
- These guidelines will be updated annually and will be effective from 1 January.
- The benchmark market value provided is based on the GST-inclusive market value.
- These guidelines can be relied upon as appropriate market values for use in considering the market value test in s38-250(1).
- Where an organisation provides services across a range of locations covered specifically by these guidelines it is not acceptable to average the market value. For example it is not acceptable to average short term accommodation market values for Sydney (\$157.00) and NSW other country centres (\$70.00).

**Table 1: short-term accommodation – supported accommodation**

Place	Accomm	Breakfast	Lunch	Dinner	Incidentals
	\$	\$	\$	\$	\$
Adelaide	131.00	18.40	20.55	35.40	14.20
Brisbane	126.00	18.40	20.55	35.40	14.20
Canberra	103.00	18.40	20.55	35.40	14.20
Darwin	122.00	18.40	20.55	35.40	14.20
Hobart	104.00	18.40	20.55	35.40	14.20
Melbourne	150.00	18.40	20.55	35.40	14.20
Perth	117.00	18.40	20.55	35.40	14.20
Sydney	157.00	18.40	20.55	35.40	14.20
High cost* country centres	See note below	18.40	20.55	35.40	14.20
Tier 2 ** country centres	85.00	16.40	18.75	32.40	14.20
Other country centres	70.00	16.40	18.75	32.40	14.20

\* **Note:** High cost country centres accommodation expenses as listed at table 2.

\*\* **Note:** Tier 2 country centres as listed at table 3.

Table 2: high cost country centres – accommodation expenses

Country centre	\$	Country centre	\$
Ballarat (Vic)	95.00	Karratha (WA)	135.00
Broome (WA)	116.00	Kununurra (WA)	104.00
Burnie (TAS)	93.50	Newcastle (NSW)	108.00
Carnarvon (WA)	92.00	Newman (WA)	115.00
Christmas Island (WA)	100.00	Northam (WA)	100.00
Cocos (Keeling) Islands	90.00	Pt Hedland (WA)	117.00
Dampier (WA)	95.00	Pt Lincoln (SA)	99.00
Devonport (TAS)	92.00	Thursday Island (QLD)	130.00
Gold Coast (QLD)	104.00	Tom Price (WA)	92.00
Horn Island	108.00	Weipa (QLD)	115.00
Jabiru (NT)	170.00	Wollongong (NSW)	100.00

\* **Changes have been made to table 2 and table 3, please [view history](#) to compare these tables with the previous version.**

Table 3: tier 2 country centres

Albany (WA)	Kalgoorlie (WA)
Alice Springs (NT)	Katherine (NT)
Ararat (VIC)	Launceston (TAS)
Bathurst (NSW)	Halls Creek (WA)
Bendigo (VIC)	Maitland (NSW)
Bunbury (WA)	Wagga Wagga (NSW)
Cairns (QLD)	Warrnambool (VIC)

**Rate: \$85.00**

Table 4: 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 **
	\$	\$
Breakfast	18.40	16.40
Lunch	20.55	18.75
Dinner	35.40	32.40

\* High cost country centres as listed at table 2.

\*\* Includes all tier 2 country centres as listed at table 3 and all other country centres.

**Table 5: temporary accommodation – weekly\***

Type of temporary accommodation.				
Locality	4 or more bedrooms \$	3 bedrooms \$	2 bedrooms \$	1 bedroom * \$
Adelaide	381.25	262.50	206.25	137.50
Brisbane	368.75	281.25	243.75	187.50
Canberra	487.50	312.50	281.25	193.75
Darwin	437.50	306.25	268.75	187.50
Hobart	268.75	206.25	187.50	125.00
Melbourne	568.75	431.25	331.25	231.25
Perth	350.00	237.50	218.75	131.25
Sydney	818.75	637.50	493.75	362.50

\* includes boarding house rooms.