

GST guidelines for Grant programs

The information contained in this sheet aims to inform you, as a potential funding applicant, of the processes NAVA has adopted and the information you will need to provide in relation to tax.

The information presented here is not enough for you to gain a thorough understanding of your obligations as an artist under the New Tax System. You will need to access other information for this. A reading and contact list is provided at the end of this document. To simplify the information in this sheet we have categorized artists into four broad groups:

- 1. professional artists who are GST registered and therefore have an ABN – see A below;**
 - 2. professional artists who have an ABN but are not GST registered – see B below;**
 - 3. professional artists who are running their business without an ABN who may be considered by the Australian Tax Office (ATO) to be conducting a hobby or private recreational pursuit.** This ATO definition does not however automatically accord with NAVA's definition of a professional- see C below;
 - 4. individuals who undertake some artwork production but are not professionals – see the definition provided on the grant application form.**
- If you fall into any of the first **three** categories you are eligible to apply for the grants administered by NAVA. How the tax system will impact on your grant depends on which of the three categories you fall into.

**** If you are not GST registered it is illegal for you to claim the GST component.***

A. If your enterprise is GST registered

GST registered enterprises will need to provide NAVA with a Tax Invoice. The Tax Invoice must be in the format prescribed by the ATO. It must include the heading "tax invoice", the date of issue, your name, address and ABN, be addressed to the National Association for the Visual Arts, and state the item supplied (name of grant program) & amount, GST amount, and total amount payable. You should ask for the amount of funds you require plus the 10% GST component (which you will include in your next Business Activity Statement). If you don't ask for the additional GST component you will have to deduct the 10% from the amount of money you receive. NAVA will not make additional payments to cover the GST because you did not request it on the original Tax Invoice.

**** Providing an incorrect Tax Invoice will make your application incomplete. If you are uncertain what information needs to be on a tax invoice, please phone the Australian Taxation Office (ATO).***

Any unsuccessful applicants who have provided a Tax Invoice will have their invoice returned with their notice of the outcomes of the grant round. You can then cancel it. This should not cause difficulties (in having claimed income that you don't then receive) if you are operating on a cash basis. If you are operating on an accrual basis please speak to your tax adviser.

B. ABN Registration

If an artist is not GST registered but has an ABN they should provide an invoice not including GST with the ABN. Under the PAYG legislation, if an artist in business applies for a grant of \$500 and is successful, but doesn't have an ABN, they will receive only \$258 in hand. The funding body will withhold tax at the top marginal rate (currently 48.5%) and remit this to the ATO. The artist can claim this withheld amount in their next income tax return. Therefore, if you have an ABN you need to provide it on your grant application.

C. Artists who don't have an ABN.

If your art practice doesn't qualify for an ABN then you have the option of claiming you are not in business if you don't want the withholding tax applied to your grant. *
To be able to claim that tax should not be withheld

because you are not in business under category 3 above, you will need to fill out and attach the ATO's form "Statement by a Supplier: Reason for not quoting an ABN to an enterprise". You should speak to your tax adviser about what impact making this statement may have on your income tax position.

** If you do not provide your ABN or the above statement with your grant application any money awarded to you will have 48.5% of the total withheld and sent to the ATO on your behalf. This is a legal obligation and is not negotiable.*

D. Applications made by a group

Any group applications will be limited to two people from the group, regardless of how many people may be involved in the project. The amount awarded will be up to \$1,250 per person plus GST if applicable and each of the two people must provide their individual tax details as outlined above.

If, after reading this information, you are still unsure of what to do in relation to a NAVA grant application, please phone NAVA. However, whilst we will be able to explain our process, we will not be able to alter it to suit your individual circumstances or give a more thorough explanation of the tax system.

If you require an Australian Business Number, or GST registration, it will be your responsibility to approach the Australian Tax Office or your tax adviser and have the required documentation before the closing date of the round in which you are applying.

FURTHER INFORMATION

- Australian Tax Office www.ato.gov.au
- Business Entry Point www.business.gov.au
- Arts law Centre of Australia www.artslaw.com.au
- Visual Arts Net www.visualarts.net.au
- From NAVA, phone 02 9368 1900 *Taxation and the Visual Arts & Craft*