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Dear Colleague

Exposure Draft-GST Treatment of Appropriations

Thank you for the opportunity to comment on the draft legislation.

Brisbane City Council welcomes the move to restoring the policy intent that the non-commercial activities of government related entities are not subject to GST

The new provisions will enable government related entity suppliers such as Brisbane City Council to readily determine the GST status of payments without having to identify the specific appropriation. In the past this identification process has been difficult and time consuming with the information residing with the payer rather than the supplier.

According to the draft Explanatory Memorandum at paragraphs 1.20 and 1.21, where the price exceeds the actual cost of making the supply, then the supply is commercial. Council recommends that this commerciality test be consistent with National Competition Policy (NCP) requirements. For example, under the Queensland Local Government (Beneficial Enterprises and Business Activities) Regulation 2010 (Schedule 1), NCP business activities must incorporate a return on capital into their total costs. Presumably, NCP legislation in other states and territories has similar requirements. It is not clear from the Exposure Draft on appropriations that a return on capital is included in the definition of actual costs.

Many NCP activities of local government receive funding from State and Commonwealth Governments for disaster relief and under the new legislative provisions, that funding could attract GST. We do not believe that this is the intention the Commonwealth Government to apply GST to such funding arrangements.

**Organisational Services
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The Schedule to the bill notes that the amendments will apply to payments made or on after 1 July 2012. Existing funding arrangements that are not currently subject to GST may have payments past 1 July 2012 where GST would apply under the new provisions. We recommend that the new legislation only apply to funding arrangements made after 1 July 2012 to provide certainty on the quantum of payments and to avoid the need to renegotiate agreements.

Yours sincerely



Paul Oberle
Chief Financial Officer