



# Appropriation Note and Goods and Services Tax (GST)

## What You Need to Know

This information sheet addresses frequently asked questions about Appropriation Receipts under section 74 (s74) and section 74A (s74A) of the *Public Governance, Performance and Accountability (PGPA) Act 2013* (PGPA Act) and section 27 (s27) of *Public Governance, Performance and Accountability Rule 2014* (PGPA Rule).

### Key Rules:

- Appropriations are deemed material by nature. Appropriation notes are prepared on both a cash basis and a recoverable GST-exclusive basis, as per section 35 and section 48 of the *Public Governance, Performance and Accountability (Financial Reporting Rule) 2015* (FRR).
- 'Recoverable GST' refers to GST amounts paid out using s74A of the PGPA Act. S74A allows certain limited by amount appropriation balances to be increased only for GST obligations, but it is not additional funding and should not be disclosed in the appropriation note.
- GST refunds from the Australian Taxation Office (ATO) are retainable under s74 where suppliers were paid using departmental appropriations. These are an increase to an existing appropriation and must be disclosed in the appropriation note.

### Quick Summary

GST Transaction	Section 74	Section 74A
<b>Purpose</b>	Retain Business Activity Statement refunds from the ATO or GST collected on sales	Increase limited appropriation to pay GST
<b>Typically Applies to</b>	Departmental transactions	Administered transactions
<b>CBMS Receipt Type</b>	Appropriation Receipts (s74)	Administered Receipt <sup>1</sup>
<b>Appropriation Note</b>	Include as adjustment to appropriation	Exclude from appropriation disclosure

<sup>1</sup> GST refunds received from the ATO are returned to the Official Public Account

## 1. Why does GST matter in appropriation notes?

Appropriation Acts are GST-exclusive, so GST is not included in the amounts appropriated. This means entities must have appropriate legal authority to pay GST and disclose GST amounts correctly in financial statements.

## 2. When purchasing GST-inclusive goods or services

For departmental expenditure:

- entities should drawdown money from the Central Budget Management System (CBMS) using their departmental operating appropriation to pay for their supplier payables, which include GST.
- when entities lodge their departmental Business Activity Statement (BAS), any GST refunds from the ATO are retained and recorded in CBMS as a 's74 receipt'.

For administered expenditure:

- entities generally drawdown from their *s74A GST Increase to Appropriations budgets* to pay for GST components of their supplier payments.
- when entities lodge their administered BAS, any GST refunds from the ATO must be remitted to the Official Public Account (OPA) as an 'administered receipt'.

## 3. When selling GST-inclusive goods or services

For departmental activities:

- when entities collect GST from selling goods and services, they may retain the GST by recording the receipts against the most recent departmental operating appropriation item in CBMS, which increases their departmental appropriation.
- entities may also use departmental operating appropriation to pay net GST payable to the ATO when they lodge their BAS.

For administered activities:

- when entities collect GST from selling administered goods and services, these amounts are not generally retainable and are required to be remitted to the OPA as an 'administered receipt' in CBMS.
- the *s74 Administered GST owed to the ATO Cash budget* is used to pay the ATO for any net GST payable when entities lodge their BAS.

## 4. GST and Special Accounts and Special Appropriations

- Special accounts may be used to pay GST-inclusive supplier payables where the purpose provisions are broad enough to permit the expenditure. Special accounts may receive and retain GST related amounts where this is permitted under the crediting provisions of the

special account. These receipts are required to be recorded in CBMS as a 'special account receipt'.

- As special accounts are limited by amount, s74A may be used to increase the special account balance for GST payments. Where s74A was used to pay GST, they are required to be remitted to the OPA as an 'administered receipt' in CBMS.
- Special Appropriations, both limited in nature or unlimited, may be used where the purpose provisions in the Act are broad enough to allow for GST payments to be made using the special appropriation. S74A can only be used to increase limited by amount special appropriation.
  - Special Appropriation - Limited in nature – a s74A GST cash budget can be established for entities to increase the special appropriation for the GST component of supplier payables to be paid. To the extent that s74A was used to pay GST, the GST related receipts are not retainable and are required to be remitted to the OPA as an 'administered receipt' in CBMS.
  - Special Appropriation - Unlimited – GST related receipts are not retainable and are required to be remitted to the OPA as an 'administered receipt' in CBMS. This is because unlimited special appropriation balances may be increased at any time to make payments in line with the appropriations provisions.

## 5. What authority is needed to retain receipts?

For departmental activities and special accounts, the PGPA Act and more specifically s27 of the PGPA Rule, allows certain receipts to be retained to increase appropriations. For special accounts and special appropriations, their legislated purposes are relevant.

## 6. What goes in the appropriation note in financial statements?

### **Include:**

- GST-inclusive payments made using departmental appropriations (appropriation applied) or special accounts where permitted.
- GST refunds from the ATO retained under s74 (adjustments to appropriation).
- GST related amounts retained when selling goods and services under s74 (adjustments to appropriation)
- Net GST payable to the ATO on BAS lodgement paid from departmental appropriations (appropriation applied)

### **Exclude:**

- Amounts credited under s74A (since these are not appropriations).
- Administered GST receipts (remit to the OPA).

## 7. Types of cash inflows an entity might receive

### Annual Departmental

Type of Cash Inflow	Covered under s74 of the PGPA Act? <sup>2</sup>	Appropriation Note Treatment	Why / Conditions / Examples
Sale of goods / services (incl. GST) <sup>3</sup>	Yes	Adjustment to appropriation	Allowed under subsection 27(2) Item 1 of the PGPA Rule for amounts that offset costs (e.g. training fees, publications).
Prepayments for goods/services	Yes	Adjustment to appropriation	Subsection 27(2) item 1 of the PGPA Rule permits retaining prepayments for services to be provided.
Selling or hiring out goods / sub-leasing	Yes	Adjustment to appropriation	Leasing office space, hiring equipment.
Services provided to another entity	Yes	Adjustment to appropriation	Staff presenting at seminars, secondments, HR services.
Litigation / dispute resolution receipts	Yes	Adjustment to appropriation	Subsection 27(2) item 1 of the PGPA Rule permits retention for legal services provided.
Sponsorships, subsidies, gifts, bequests	Yes, if <sup>4</sup>	Adjustment to appropriation if item 2 of s27(2)	Subsection 27(2) item 2 of the PGPA Rule permits retention if expressly for departmental activities and not already funded.
Gifts / bequests from non-Commonwealth parties	Yes, if <sup>4</sup>	Adjustment to appropriation if item 2 of s27(2)	Must be for departmental purposes; otherwise remit to OPA.
BAS refund	Yes	Adjustment to appropriation	Subsection 27 (2A) allows entities to retain GST related refunds from the ATO

### Annual Administered

Type of Cash Inflow	Covered under s74 of the PGPA Act?	Appropriation Note Treatment	Why / Conditions / Examples
Repayments/ Overpayments and refunds	Yes	Adjustment to appropriation	S74 (re-crediting of repayments only), e.g. repayments from suppliers or due to incorrect bank details or overpaid salaries to administered staff. Repayments are receipted to the same limited appropriation that funded the original payment, to the extent that appropriation remains in force.
S74A Recoverable GST	No	Not adjustment to appropriation	S74A amounts are excluded from the appropriation note because it is prepared on a recoverable GST-exclusive basis.

<sup>2</sup> Yes = Permitted under s27 of the PGPA Rule and not in excess of actual cost.

<sup>3</sup> If an entity receives more than the actual cost of delivering a good or service, the surplus cannot be retained. It must be either: Remitted to the OPA as general government revenue and recorded as an administered receipt in CBMS, or repaid to the client, where appropriate.

<sup>4</sup> Yes, if permitted within the entity's policy authority.