



# Queensland Government

Department of **Local Government,  
Sport and Recreation**

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## Local Government Collaboration

27 May 2008

Ref: 06/08

## Local Government Bulletin

### Interim GST Certificates for 2007-08 by Local Governments

#### *Purpose*

The purpose of this Bulletin is to advise those Councils, which are continuing or adjusted councils, of:

- the requirements for interim certificates confirming compliance with the GST arrangements to be sent to the Department by **Monday 2 June 2008**, and
- the interim GST advice required to be given to the Commonwealth this year by Friday 6 June 2008 by the Queensland Treasury.

The requirements for the annual GST Certificates for 2007-08 will be advised by the Department in June by Local Government Bulletin. The annual GST Certificate requirements for 2007-08 will include those for both abolished and new Councils as well as continuing and adjusted Councils.

For the purposes of the provision of the Interim and Annual GST Certificates for 2007-08, each local government is categorised as one of the following:

- **Continuing Local Government:** a local government whose external boundaries were not changed.
- **Adjusted Local Government:** a local government whose local government area was changed by the inclusion of an area in it, or exclusion of an area from it (Banana, Gold Coast, Ipswich and Logan).
- **Abolished Local Government:** a local government which ceased to exist on 14 March 2008.
- **New Local Government:** a new local government area which consists of wholly or partly abolished old local government areas (i.e. regional councils).

## **Background**

The *Local Government Act 1993* (LGA), in the definitions (Schedule 1), calls the GST amount that a local government may pay under the GST Act Section 5 “notional GST”.

In order to ensure local governments pay the notional GST, the Commonwealth, in Section 15(aa) of the *Local Government (Financial Assistance) Act 1995 (Cwlth)*, has legislated to require the State to withhold, from Financial Assistance Grant (FAG) payments to local governments, amounts equivalent to notional GST which the local governments have not paid.

This Commonwealth requirement is reflected in Section 200(2) of the LGA which requires the State not to distribute to a local governing body any amount equal to notional GST the body has not paid.

## **Confirmation Process**

In order that the State can meet its obligations under the legislation, it needs to ensure a local government has paid notional GST. The term “has paid notional GST” is interpreted as meaning “has paid all notional GST due”, or in other words “voluntary GST payments”.

Please note the term “paid all notional GST due” goes hand in hand with the ability to claim GST input tax credits. That is, while government bodies may in fact receive net GST credits, this can only occur after accounting properly for all gross GST input tax credits and gross GST payments.

The primary method the State uses to ensure a local government has paid notional GST is to require a certificate of confirmation to be supplied to the Minister by each local government. This certificate is required under Section 21 of the *Local Government Finance Standard 2005* (LGFS) and for Brisbane City Council under Section 5A of the *City of Brisbane Regulation 1993*. This certificate is also required for Aboriginal Shire Councils, under the *Local Government (Community Government Areas) Finance Standard 2004*.

Whilst the certificate is seen as evidence that a local government has paid notional GST, it could be displaced by evidence to the contrary. This might be provided by auditors or may come from other sources.

If no certificate is provided, the State would need to ascertain by other means whether the GST which the local government may pay under the GST Act has been paid. If the GST had not all been paid by a local government, the amount would need to be quantified before the FAG could be paid to that local government. Otherwise the State could be in breach of the Commonwealth legislation.

Section 21 of the LGFS provides:

### **“21 Certificate about payment of notional GST**

A local government must, no later than 15 September in each financial year, give the Minister an official certificate of the local government stating the local

government has paid notional GST for the most recently completed financial year.”

### **Interim GST Advice**

*By 6 June this year, the Commonwealth seeks from members of the GST Administration Subcommittee (GSTAS) interim advice on voluntary GST payments by local government bodies. Queensland Treasury is required, as Queensland's GSTAS member, to provide this advice.*

The timing of the request is to allow the Commonwealth Commissioner of Taxation to make a determination concerning the amount of GST collected in the financial year in question.

Information sought by the Commonwealth is simply instances of where voluntary payments should have been, but were not paid by local government bodies. This year, this interim advice is to be for the period 1 July 2007 to 31 May 2008 for continuing and adjusted councils only.

Accordingly, local governing bodies are requested to provide the Department with this interim advice by Monday, 2<sup>nd</sup> June this year. This advice will then be provided to Queensland Treasury for confirmation with the Commonwealth.

### **Form of Interim GST Certificate**

The form of the interim certificate is not prescribed. The following form will meet the interim requirements for **continuing and adjusted councils**:

Executive Director  
Local Government Collaboration  
Department of Local Government, Sport and Recreation  
PO Box 15031  
City East, Queensland, 4002

#### **Interim Certificate about payment of notional GST**

To assist compliance with Section 21 of the *Local Government Finance Standard 2005* for the financial year ending 30 June 2008, we certify that notional GST has been paid by (*name of Council*) for the period 1 July 2007 to 31 May 2008.

XYZ  
Mayor  
Dated: (before 2 June 2008)

ABC  
Chief Executive Officer

The following form will meet the interim requirements for **continuing Aboriginal Shire Councils**:

Executive Director  
Local Government Collaboration  
Department of Local Government, Sport and Recreation  
PO Box 15031  
City East, Queensland, 4002

**Interim Certificate about payment of notional GST**

To assist compliance with Section 18 of the *Local Government (Community Government Areas) Finance Standard 2004*, for the financial year ended 30 June 2008, we certify that notional GST has been paid by (*name of Council*) for the period 1 July 2007 to 31 May 2008.

XYZ  
Mayor  
Dated: (before 2 June 2008)

ABC  
Chief Executive Officer

**Possible Future Changes**

The Minister has been asked by the Commonwealth to supply information on the level of compliance and the amount of unpaid GST by local governments. This information is not available from the data held by the Department and it may be necessary at some time to require the certificate to contain additional information to meet this need.

**Requirements for Annual GST Certificates**

The annual GST Certificate requirements for 2007-08 will require continuing and adjusted Councils to submit their annual GST certificate consistent with previous years. For both abolished and new Councils, the new Council will be required to prepare an annual GST certificate in the name of the new Council for the period 15 March 2008 to 30 June 2008 as well as individual annual GST certificates in the names of the abolished Councils for the period 1 July 2007 to 14 March 2008.

Further advice and suggested forms for the annual GST Certificates will be provided by the Department in June by Local Government Bulletin.

***Further information***

Any further enquiries on this matter should be addressed to Natalee Jennings, Governance Branch, Local Government Collaboration, Phone 3225 8653, Fax 3225 1350, or email [Natalee.Jennings@dlgpsr.qld.gov.au](mailto:Natalee.Jennings@dlgpsr.qld.gov.au).

The Department's postal address is PO Box 15031, Brisbane City East, Queensland, 4002.

All recent Local Government Bulletins issued by the Department are available on our website at <http://www.lgp.qld.gov.au/Default.aspx?ID=3295>. You can also subscribe free of charge on the Department's website to receive email notification of each new Bulletin published.

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**Local Government Collaboration**