1. Statement
This Standard describes the processes and GST treatment for allowances and reimbursements.

2. Scope
Compliance with this standard is mandatory.

This standard shall apply to all employees, contractors and consultants within the Department of Health divisions and commercialised business units as well as Hospital and Health Services.

3. Requirements

Introduction
Queensland Health (QH) employees can be compensated either by allowances or reimbursed on actual expenses they incur on behalf of the department.

Consultants/Contractors and patients (under the Patient Travel Subsidy Scheme) can also seek compensation for expenses they incur on behalf of Queensland Health. The GST treatment of these expenses paid to consultants/contractors as well as patients differs to that of reimbursing employees.

The word ‘allowance’ is defined in the Macquarie Dictionary as “a definite sum of money allotted or granted to meet expenses or requirements”. An allowance will usually consist of the payment of a definite predetermined amount to cover an estimated expense, and will be paid regardless of whether the recipient incurs the expected expense.

An allowance includes payment to be made for a particular purpose, which does not carry with it any liability to account. It is an amount determined arbitrarily and set as a top limit.

The Macquarie Dictionary defines the word ‘reimburse’ as a repayment for expense or loss incurred, or a refund. The ordinary meaning of the word ‘reimburse’ implies that the recipient is to be compensated exactly for an expense already incurred.

For the information below to be of assistance it is important to first establish if the reimbursement is being paid to an employee, volunteer, a consultant/contractor or a patient for expenses incurred on behalf of QH. Refer to PAYG Standard Employee v Contractor if in doubt as to the employment status of a person:

- Patient is a client of Queensland Health. They do not act as an agent for QH.
- Volunteer provides services for no remuneration but may be reimbursed for expenses incurred whilst providing these services. This procedure refers to volunteers at hospitals only.
- Employee is a staff member who is on the Queensland Health payroll and has a payroll number.
• Consultant/contractor (e.g. a contract nurse or doctor) will not have a payroll number and Queensland Health will receive an invoice for their services.

In Summary
An Allowance is always coded to P9 if paid via Accounts Payable – no matter who it is paid to.

The general GST treatment for expense reimbursements to employees is as follows:
• P0 for a taxable supply where a compliant tax invoice is received from the employee (therefore Queensland Health is able to claim the input tax credit back from the ATO)
• P5 for a GST-free supply (a receipt/invoice is sufficient; does not have to be a compliant tax invoice)
• P9 for an out of scope supply
• P2 for a taxable supply where a compliant tax invoice is not provided and the amount is greater than $82.50 (GST inclusive)
• P1 for reimbursement to staff of electricity expenses, etc. while in QH owned or rented accommodation where related to residential accommodation – no ITC is claimable.

The GST treatment for expense reimbursements to consultants/contractors is as follows:
• P0 where a GST registered consultant provides a compliant tax invoice in their name and adds 10% to the GST exclusive value of the expenses
• P9 where a GST registered consultant seeks reimbursement of expenses at the GST exclusive value only. No GST is charged.
• P9 where a non-GST registered consultant provides receipts of expenses as they cannot issue a tax invoice in their own name (GST inclusive value paid)
• For more scenarios – refer to body of procedure.

Summary of Tax Codes

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALLOCATIONS</td>
<td></td>
</tr>
<tr>
<td>An allowance paid via Accounts Payable – to employees, consultants, patients, volunteers</td>
<td>P9</td>
</tr>
<tr>
<td>REIMBURSEMENTS PAID</td>
<td></td>
</tr>
<tr>
<td>Reimbursement to Employees and hospital Volunteers for taxable supplies</td>
<td>P0*</td>
</tr>
<tr>
<td>Excess to Employee Travel Allowance (with compliant tax invoice for total taxable supplies) and at the discretion of the authorising officer</td>
<td>P0*</td>
</tr>
<tr>
<td>Reimbursement to Employees for private telephone (with original compliant tax invoice) – Telephone account can be in associate’s name</td>
<td>P0*</td>
</tr>
<tr>
<td>Relocation costs such as Motel expenses, removalist costs or kennel costs</td>
<td>P0*</td>
</tr>
<tr>
<td>Reimbursement to Employees for GST-Free supplies subject to Fringe Benefits Tax.</td>
<td>P5</td>
</tr>
<tr>
<td>Reimbursement to GST Registered Consultants/Contractors (taxable supply)</td>
<td>P0*</td>
</tr>
<tr>
<td>Reimbursement to GST Registered Consultants/Contractors where exclusive value only</td>
<td>P9</td>
</tr>
<tr>
<td>Description</td>
<td>Tax Code</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>claimed</td>
<td></td>
</tr>
<tr>
<td>Reimbursement (for expenses only) to Consultants/Contractors with ABN only</td>
<td>P9</td>
</tr>
<tr>
<td>Reimbursement to VMO’s for Professional Indemnity Insurance – if registered for GST – reimburse exclusive value only</td>
<td>P9</td>
</tr>
<tr>
<td>Reimbursement to VMO’s for Professional Indemnity Insurance – if <strong>not</strong> registered for GST – reimburse inclusive value</td>
<td>P0*</td>
</tr>
<tr>
<td>Reimbursement to a patient for travel expenses which they have booked and paid for</td>
<td>P9</td>
</tr>
<tr>
<td>* For taxable supplies, where a compliant tax invoice is not held for amounts &gt;$82.50 (GST incl.)</td>
<td>P2</td>
</tr>
<tr>
<td>REIMBURSEMENTS RECEIVED</td>
<td></td>
</tr>
<tr>
<td>Reimbursement to QH by employee for excess of Fringe Benefit Expense (if taxable supply) see below for further explanation</td>
<td>S0</td>
</tr>
<tr>
<td>Reimbursement to QH by external body (ABN &amp; GST) for travel or other expense</td>
<td>S0</td>
</tr>
</tbody>
</table>

**Allowances – employees, contractors/consultants, patients, volunteers**

This Standard is based on the GST legislation and does not claim to be an authority on which allowances should be paid via Accounts Payable and which should be paid via Payroll. These issues are covered in the PAYG BPs, in particular PAYG BP– Allowances Travel & Overtime Meal.

Where allowances are paid via AP the tax code will always be P9 – out of scope

(Refer to Appendix for a flow-chart on Employee Allowances and Reimbursements)

**Employee Reimbursements**

If the employee pays for the expenses out of his/her own pocket obtaining receipts/tax invoices, QH is entitled under Division 111, to reimburse an employee for a taxable supply and claim the Input Tax Credits, providing QH holds the tax invoice.

A compliant tax invoice is required to claim the Input Tax Credits where incurred expenses are greater than $82.50 (GST inclusive); if less than this, supporting documentation is sufficient to claim the GST; e.g. a Statutory Declaration, subject to certain stipulations.

Refer to the GST Standard – Tax Invoices for further information regarding requirements for Statutory Declarations for expenses other than travel. Please see Travel Reimbursements note (below) regarding Statutory Declarations on Travel.

**Travel – Reimbursements (Actu**als**)**

Queensland Health’s Financial Management Practice Manual (FMPM) states that a statutory declaration is not sufficient to support travel expense claims (no matter how much the claim is for). If a statutory declaration is produced, to evidence that travel had occurred and expenditure had been incurred, a travel allowance may be paid instead of an expense reimbursement. In this case, the travel allowance should be coded to -

P9 - Out of Scope for GST

Where the tax invoice/receipt is for an amount lower than the amount allowed under the directives and IRM and as long as there is a compliant tax invoice/receipt, then the actual amount of the tax invoice/receipt (not the higher Directive amount) is to be reimbursed to the employee.
Under exceptional circumstances the employee pays for accommodation, meals and incidentals out of his/her pocket and seeks a reimbursement from Queensland Health by obtaining receipts/tax invoices.

At the discretion of the authorising officer, the employee can claim back the actual expenses incurred whether they be lower or higher than the Directive/IRM amount, as long as original compliant tax invoices/receipts are attached to the claim. Similarly, the documentation should be for the total expenditure, not merely any excess.

The employee returns from overseas travel where he/she has paid for accommodation out of his/her pocket and seeks a reimbursement from Queensland Health by producing receipts/invoices. Currency conversion rates will need to be applied to claims.

**Telephone Reimbursements**

An employee receives a telephone account (in their name) to which they are entitled to be reimbursed for part of the rental and the cost of business calls. Queensland Health can reimburse telephone accounts when they are incurred by the employee or an associate of the employee, and can claim back the input tax credits (as long as the partner or spouse are not entitled to input tax credits in their own right). The original telephone account must be provided to support this reimbursement.

**Employee Expenses – Subject to Fringe Benefits Tax**

Where the employee pays for expenses out of their own pocket obtaining receipts/tax invoices, and at the discretion of the authorising officer, the employee can claim for actual expenses. An example of these expenses would be relocation costs which may also include kennel fees, motel expenses, and removalist costs.

The following tax codes would be used when reimbursing the employee -
Employee Contribution to Reduce a Fringe Benefit

Where QH pays an expense payment fringe benefit and seeks reimbursement from the employee, QH is liable for GST of 1/11th of the value of employee cash contributions if the benefit is a taxable supply. This is the case even if QH were unable to claim the Input Tax Credit as in the case of an expense to provide an Input Taxed Supply (e.g. residential premises). The invoice to seek reimbursement from the employee should be raised with the following tax code –

S0 – 10% GST payable to the ATO by QH

Example 1: Reimbursement by Employee for excess cost in providing electricity for residential premises

QH pays for electricity for residential premises (this is an expense payment fringe benefit), using P1 as no Input Tax Credit available to QH. The employee reimburses QH for the cost of the electricity as reflected in the ledger.

The receipt of monies from the employee should be coded to tax code S7.

Example 2: Reimbursement by Employee for the excess (over the IRM Allowance) of a motor vehicle lease.

QH pays for a Motor Vehicle Lease, however, the employee chooses a more expensive motor vehicle than set by IRM. The employee is required to reimburse QH for the excess amount over the IRM Allowance. The Motor Vehicle Lease is a taxable supply and therefore a “taxable” fringe benefit. The ‘excess’ amount paid by the employee should be receipted against Tax Code S0 – 10% GST must be remitted to the ATO.

Consultant/Contractor Reimbursements

Reimbursements to Consultants/Agencies who are registered for GST

A consultant may incur expenses while providing a service to QH. The consultant will normally pay the supplier directly for the expenses and claim back the input tax credits (GST) from the ATO via their Business Activity Statement (BAS). As the supply is to the consultant, not to the department, QH cannot claim the GST based on the original invoices for the expenses. However, copies should be requested to substantiate the amount of the expenses claimed.

The consultant should then supply a tax invoice to QH for their total services plus the GST exclusive value of out of pocket expenses and then add 10% GST. The department can claim the GST on the consultant’s tax invoice to QH as this is the GST being charged by the consultant for their services and business expenses.

Refer to a clause from the standard consultancy agreement in the GST Standard – Contracts (Appendix) below.

Where a party is required under this Agreement to pay or reimburse an expense or outgoing of another party, the amount to be paid or reimbursed by the first party will be the sum of the amount of the expense or outgoing less any input tax credits in respect of the expense or outgoing to which the other party is entitled.
Example: Reimbursement to Consultants who are registered for GST

Consultant pays $66.00 for accommodation.
Consultant claims Input Tax Credit of $6.00 from ATO
Department invoices the department for reimbursement of $60.00 plus 10% GST = $66.00
Consultant pays consultant $66.00 – Tax Code P0
Consultant forwards $6.00 GST to ATO
Department claims Input Tax Credit of $6.00 from ATO

P0 – 10% GST

If QH reimburses an entity that is GST-registered but there is no supply to QH by the entity (e.g., QH agree to reimburse a local Council for half the cost of a fridge purchased by the Council to hold vaccines), then no GST should be charged and no ITC claimed. The entity should claim the available ITC and charge QH the GST-exclusive amount.

P9 – Out of Scope (No Supply)

A contractor (employed by QH via an employment agency) may be requested by QH to purchase something to be used by the department, for the furtherance of the department’s enterprise. When this expense is to be reimbursed, QH will be able to claim the related Input Tax credits, subject to availability of a compliant tax invoice for purchases greater than $82.50. This is because the contractor is acting as an agent for QH and incurring the expense on QH’s behalf. Please note that this is different to an expense that the contractor has incurred whilst providing a service to QH.

Example: An employee of Company A (registered for GST) pays for car parking to attend a meeting for Queensland Health and seeks reimbursement of this out of pocket expense.

Company A Employee pays $22.00 for Car Parking
Company A reimburses employee and claims Input Tax Credit of $2.00 (as they now hold the compliant invoice)
Company A Sends a tax invoice to QH for $20.00 plus GST of 10%
QH pays $22.00 to Company A and claims Input Tax Credit of $2.00 – Tax Code P0

Reimbursement to Consultants who have an ABN only

If a consultant has an ABN only and is not registered for GST, then that person will pay GST in their expenses and will not be able to claim back the Input Tax Credits.

QH would then reimburse the GST inclusive amount and again, no Input Tax Credit will be available to QH.
**Example: Reimbursement (for expenses only – no services) to Consultant with ABN but no GST registration**

Consultant pays $66.00 for accommodation (expense)
Consultant cannot claim Input Tax Credit
Consultant invoices the department for reimbursement of $66.00 (expenses only)
Department pays consultant $66.00 – **Tax Code P9**
Department cannot claim Input Tax Credit

**Reimbursement to Queensland Health by an Enterprise/Business**

It may be possible that an enterprise (registered for GST) reimburses QH for an expense incurred by QH on their behalf.

**Example: An employee of QH pays parking fees while delivering training to staff of Company B.**

| QH EMPLOYEE PAYS $88.00 CAR PARKING | QH reimburses employee and claims Input Tax Credit of $8.00 | QH Sends a tax invoice to Company B for $80.00 plus GST of 10% - **Tax Code S0** | Company B pays $88.00 to QH and QH pays GST of $8.00 to ATO |

**Reimbursement to Visiting Medical Officers for Professional Indemnity Insurance**

Some Visiting Medical Officers (VMOs) provide medical services as independent contractors and employees.

VMOs can seek reimbursement for a percentage of their Professional Indemnity Insurance. This percentage is agreed upon when agreements are signed.

If the VMO is registered (in their own right) for GST, the amount reimbursed to the VMO would be the GST exclusive amount, as the VMO would be entitled to claim an Input Tax Credit under their own ABN and GST registration. The reimbursement for the expense should be coded to -

**P9 – Out of Scope**

If the VMO is not registered for GST, the reimbursement made to the employee would be the GST inclusive amount and should be coded to –

**P0 – When a Compliant Tax Invoice is held by QH**

**P2 – No invoice or a Non-compliant Tax Invoice provided**

In the above situation, QH would be able to claim the Input Tax Credit under Division 111 of the GST Legislation as the VMO would have been classified as an employee.

For further information see the GST Standard on - Visiting Medical Officers and GST
Reimbursement to other Individuals

QH cannot claim any input tax credits on any reimbursements of expenses incurred by individuals who are not QH employees, associates, agents or volunteers of QH. Patients fall into the category of ‘other’.

However, where QH has ordered goods/services and is directly liable for payment it would be considered the ‘supply’ to QH and therefore QH can claim the GST credit.

Patient Travel Reimbursements and Allowances

For full comprehensive explanation on the patient travel reimbursements and allowances see GST Standard – Patient Travel Subsidy Scheme (PTSS)

TAX CODES FOR PATIENT TRAVEL SUBSIDY SCHEME

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments direct to suppliers of accommodation or travel under the PTSS, which have been booked directly by QH and include GST in the price</td>
<td>P0</td>
</tr>
<tr>
<td>Payments direct to suppliers of accommodation or travel under the PTSS, which have been booked directly by QH and do not include GST in the price (GST free)</td>
<td>P5</td>
</tr>
<tr>
<td>Reimbursement to a patient for the cost of accommodation or travel which has been directly booked and paid for by a patient (even if compliant Tax Invoice produced or is GST-Free)</td>
<td>P9</td>
</tr>
<tr>
<td>Travel Warrant issued to a patient for travel on public transport. QH makes payment on receipt of compliant tax invoice in QH’s name from transport supplier</td>
<td>P0</td>
</tr>
<tr>
<td>Air/Bus/Rail Travel claims paid directly to a patient (even where compliant Tax Invoice produced)</td>
<td>P9</td>
</tr>
<tr>
<td>Mileage Allowance claims paid to patient</td>
<td>P9</td>
</tr>
<tr>
<td>Patient stays with friends or relatives in private accommodation. QH reimburses an amount per night (No GST applies in these cases)</td>
<td>P9</td>
</tr>
<tr>
<td>Patient does not qualify for travel by air but elects to so travel. QH will reimburse to the extent of the cheapest form of public transport.</td>
<td>P9</td>
</tr>
</tbody>
</table>
4. Related legislation and documents

- A New Tax System (Goods and Services Tax) Act 1999
- GSTR 2001/3: GST and How it applies to Supplies of Fringe Benefits
5. Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST Act</td>
<td>A New Tax System (Goods and Services Tax) Act 1999</td>
</tr>
</tbody>
</table>

Version Control

<table>
<thead>
<tr>
<th>Version</th>
<th>Date</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>29/10/2003</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>29/03/2004</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>11/10/2005</td>
<td>Alexandra Kellner</td>
</tr>
<tr>
<td>4</td>
<td>10/11/2005</td>
<td>Alexandra Kellner</td>
</tr>
<tr>
<td>5</td>
<td>22/03/2007</td>
<td>Colleen Horrobin / Nerissa Stanley</td>
</tr>
<tr>
<td>6</td>
<td>16/02/2009</td>
<td>Shayari Singh/C.Geoghegan</td>
</tr>
<tr>
<td>7</td>
<td>15/03/2011</td>
<td>Richard Baker</td>
</tr>
<tr>
<td>8</td>
<td>01/06/2015</td>
<td>Policy Rationalisation Project</td>
</tr>
</tbody>
</table>