1. **Statement**
This Standard describes the processes for GST implications and tax codes for staff secondments.

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**
Interdepartmental and entity to entity secondments are considered to be a supply between two registered entities. The original department or entity is considered to be supplying a service to the other department or entity in the form of the officer’s skills and knowledge etc. Secondments within the department or between members of the Queensland Health GST Group (QH and the Hospital and Health Services) will be out of scope transfers.

Due to changes to the Appropriation section of the GST Act, secondments between government related entities may be either out-of-scope or taxable supplies depending on the situation.

   **Accounting treatment**
From 1st of July 2010, all secondments are to be treated as salary recoveries, coded to Expense Accounts (5*) upon being invoiced. This is a legislative requirement, as per the Australian Accounting Standards and within the Queensland Treasury guidelines. Please contact Financial Accounting (**FAT@health.qld.gov.au**) for a list of account codes.

As the requirement is to use Expense Accounts for the recovery of salaries, i.e. secondments, consequently the corresponding ‘P’ tax codes also needs to be used.

   **Summary of Tax Codes**

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax Code Between GRE*</th>
<th>Tax Code Not Between GRE**</th>
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<tbody>
<tr>
<td>QH Staff Seconded to another Australian entity (QH Raises a Tax Invoice)</td>
<td>P9</td>
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<td>QH Staff Seconded to an Overseas Entity (QH Raises an Invoice)</td>
<td>P5</td>
<td>-</td>
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<td>External Staff Seconded to QH (QH Receives compliant Tax Invoice)</td>
<td>P9</td>
<td>P0</td>
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<td>External Staff Seconded to QH (QH Receives Non-compliant Tax Invoice)</td>
<td>P9</td>
<td>P2</td>
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<tr>
<td>External Staff Seconded to QH (QH Receives Invoice with no GST in price)</td>
<td>P5</td>
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Secondments and appropriations

The Appropriation section of the GST Act is intended to exclude certain types of payments from the definition of ‘consideration’. It gives effect to the policy that government payments made from appropriated funds to pay for the non-commercial activities of government should be excluded from GST.

GST Standard – Appropriations gives full discussion to this topic and explanation of the four elements (between two GREs, paid from appropriated funds, meets a non-commercial test and not specified in regulations). The important part that applies to secondments though is the “non-commercial test” portion.

Non-Commercial Test

The non-commercial test is set out in Section 9-17 (3) (c) of the GST legislation as follows

\[(c) \text{ the payment is calculated on the basis that the sum of:}
\]

i) the payment (including the amounts of any other such payments) relating to the supply; and

ii) anything (including any payment for any act or forbearance) that the other government related entity receives from another entity in connection with, or in response to, or for the inducement of, the supply, or for any other related supply;

\text{does not exceed the supplier's anticipated or actual costs of making those supplies.}

So if a supplier of seconded staff is paid an amount from the receiving government related entity for their salary and ages and on costs and the supplier also receives an amount from another source as well (e.g. subsidy from Commonwealth program) then this will not meet the non-commercial test.

When calculating on-costs (i.e. accrued leave etc.) a reasonable amount needs to be calculated. So if an on-cost rate of 20% is calculated for a nurse, this rate may not be appropriate for other staff as their on-costs may calculate to another percentage. So if a blanket 20% is adopted for all staff, this can no longer be excluded as an appropriation payment.

Also, if the salaries and wages paid to the seconded staff member by the GRE is less than that paid by Queensland Health to the GRE (possibly due to award rate differences), then this will also not meet the non-commercial test.

Should an “administration fee” be charged for the secondment the non-commercial test will again fail.

When this non-commercial test fails GST will apply to the transaction and 10% needs to be added to the value of the supply and tax code P0 used. A Tax Invoice will also need to be received to claim the GST back from the ATO.
Long secondments

If an employee is seconded for a long period of time (more than 3 months), it is common practice for the department or entity to take over paying the employee and the original department or entity to discontinue paying the employee for the period of the secondment.

There is no requirement to issue any tax invoices or reimburse salary and on-costs unless there is any long period before employee is transferred off the payroll of the original department / entity.

Other secondments

Secondments to an Overseas Entity

It is possible that QH staff can be seconded to an overseas entity to fill a position outside of Australia. As this would be considered an export of services as defined under S38-190, the tax code to use when QH raises a tax invoice to the overseas entity would be:

P5 – GST 0%

In this case, GST would not be added to the invoice amount.

Secondments from an Overseas Entity

It is possible that employees who are employed by an overseas entity can be seconded to QH to fill a position in Australia. As this would be considered as an importation of services from a non-resident entity outside of Australia, GST would not apply. The tax code to use when QH pays the overseas entity’s invoice would be:

P5 – GST 0%

Secondments with no GST in the price

QH may receive a tax invoice or traditional invoice from an Australian entity requesting payment for a staff member seconded to QH. Some entities may fail to charge GST on their tax invoice in error or due to an oversight. In this situation, the entity should be contacted to verify if they should be charging GST and providing a compliant tax invoice.

QH may also receive an invoice from an Australian entity that may not be registered for GST. In either situation, the tax code to use when making the payment would be:

P5 – GST 0%

Receipting of Fund-Raising

For information related to the receipting of fund-raising activities, please refer to the General Trust Fund policy on QHEPS.

4. Related legislation and documents

- A New Tax System (Goods and Services Tax) Act 1999
- GST Standard – Tax Invoices
- GST Standard – Appropriations
5. Definitions

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<th>Term</th>
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<tr>
<td>GST Act</td>
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Version Control

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