



A Guide to the GST for Art Centres

This document is intended to provide guidance only on the application of the GST law. We encourage Art Centres to seek independent advice if they are uncertain about any of the information contained in this Guide.

Contact

For further information about this guide, please contact sam@desart.com.au.

VERSION: 12th September 2016

Contents

GST and Selling Artworks	3
Agent Arrangement.....	3
Buy-Sell Arrangement.....	4
Financial Comparison.....	5
Non-Art Sales	5
International Customers	5
GST and SAM Database.....	6
Consignments.....	7
Background on GST.....	8
Does Your Art Centre Need To Be Registered For GST?	8

Overview

Art Centres conduct business in the following two ways:

1. As agents, charging an Artist commission for selling the Artist's work.
2. By buying art from Artists and then selling art to customers.

Each of these arrangements requires a different GST approach.

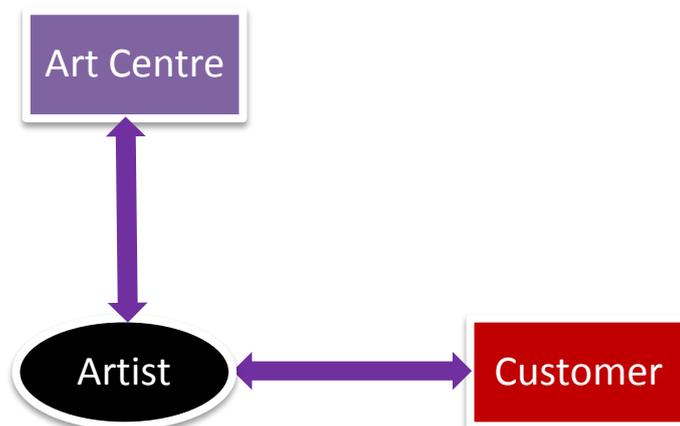
GST and Selling Artworks

The key issue for an Art Centre when determining how to levy GST is to focus on what the Art Centre is actually selling.

Agent Arrangement

Commonly, Artists leave finished art with Art Centres to promote and sell. In these cases, the Art Centre acts as agent for the Artist. This means that the Artist retains ownership of the art, and the Art Centre sells the art on the Artist's behalf. Therefore:

- ▶ the Artist is actually selling his or her artwork to the customer via the Art Centre as agent;
- ▶ the Art Centre is supplying an agency service to the Artist by selling on the Artist's behalf; and,
- ▶ the Art Centre is not actually selling anything to the customer other than as agent for the Artist.



From an Art Centre's perspective, the relevant part of the arrangement for GST purposes is the commission charged by the Art Centre to the Artist. For example, if the Art Centre charges 40% commission to the Artist, this would include GST of 10%.

Examples of the Art Centre as Agent commission rates and GST component.

Total Price of Art	Art Centre Commission Rate as Agent	Commission	GST is calculated by dividing the commission by 11	The GST component	Total Commission minus GST for the Art Centre	Artist receives
\$1,000	40%	\$400	\$400 / 11	\$36.36	\$363.64	\$600
\$1,000	45%	\$450	\$450 / 11	\$40.91	\$409.09	\$550
\$1,000	50%	\$500	\$500 / 11	\$45.45	\$454.55	\$500
\$1,000	52.38%	\$523.80	\$523.80 / 11	\$47.62	\$476.18	\$476.20

The GST amount is recorded in the Art Centre's Business Activity Statement (BAS).

SAM and the GST for the Agent arrangement

The SAM (Stories Art Money) Database deals with agency arrangements in the following way:

- SAM generates a tax invoice for the Art Centre to give to the customer showing the Artist selling their artwork with \$0 GST. This is because the Artist is not registered for GST.
- SAM generates a tax invoice for the agency commission from the Art Centre to the Artist (for the Art Centre's agency services).

Under an agent arrangement, Art Centres are not prevented from making advances to Artists.

Some customers who operate their own businesses dislike these agency arrangements because they cannot claim GST credits to offset their own GST liabilities. This is because GST is not charged in the sale price paid by the customer because the Artist is not registered for GST.

Buy-Sell Arrangements

An Art Centre can buy an Artist's work at any time, including at the moment just before a sale is made to a customer. This means ownership of the art moves from the Artist to the Art Centre and then onto the customer.



In this case, a GST-registered Art Centre includes GST in the price of the artwork. When GST is charged on the sale price, the GST amount is shown on the customer's tax invoice.

© Desart Inc. The I.P. and copyright remain with Desart. Any reproduction of this information must be done with the express permission from Desart.

Financial Comparison

The following table compares the different GST outcomes based on a \$1,100 sale, and uses the example of an Art Centre charging a 40% commission.

	Agent	Buy-Sell
Sale Price	\$1,100*	\$1,100 includes \$100 GST
Artist Share	\$660	\$600
Art Centre Share	\$440	\$400
GST Paid	\$40	\$100

* No GST on the agency sale because the Artist is not registered for GST.

Generally, agency arrangements result in less GST being paid to the ATO and a higher return to artists.

Refer to the Resale Royalty website for information relating to royalties to be charged and collected by Art Centres on subsequent sales of art work using the Buy-Sell method (<http://www.resaleroyalty.org.au>).

Non-Art Sales

For all other items that an Art Centre sells (t-shirts, books, domestic freight, packaging, etc), the buy-sell arrangement generally applies. This is because the Art Centre has generally purchased the products or is responsible for the payment of the goods or services. GST is included in the sale price of items and is shown on the tax invoice. SAM will automatically make these calculations.

International Customers

Exports are GST-free. However, an export is only GST-free if the goods are exported within 60 days after payment or invoicing.

If an Art Centre buys and sells art to overseas customers, no GST is payable if the above applies.

Similarly, international tourists can claim back the GST that they pay on art when they leave Australia if the art forms part of their personal baggage and they present a tax invoice to customs.

If an Art Centre acting as a commission agent exports art, then the freight charges, or any other goods and services to which GST would apply, will be GST-free.

When an Art Centre ticks 'O.S. Customer' in SAM, the appropriate GST calculations will be made.

GST and SAM Database

SAM will manage GST automatically for you. SAM deals with both the agent and buy-sell arrangements, recognises different sale types and generates all the paperwork that you, your customer and Accountant/Auditor need.

While there is nothing you need to do on a day-to-day basis regarding GST, the following information shows where GST appears in SAM.

Sales - Receipt

Here is a typical sale, using the example of a 40% commission (green rectangle), of two paintings and one book, using the 'agent' method:

Listed	Catalog No	Category	Product	Description	Quant.	Unit \$	GST \$	Sale \$	C. Rate	C. GST \$	C. \$	Disc. Rate
<input checked="" type="checkbox"/>	8-16	Painting		Lots of sand dunes	1	600.00	0.00	600.00	0.400	21.82	240.00	0.00
<input checked="" type="checkbox"/>	7-15	Painting		Lots of waterholes	1	400.00	0.00	400.00	0.400	14.55	160.00	0.00
<input type="checkbox"/>		Books	Red Book	Its all about Red	1	90.00	9.00	99.00	0.000	0.00	0.00	0.00
Total:							9.00	1099.00			400.00	

Add Transaction Detail Total records: 3

- ▶ The orange rectangle shows the sale price.
- ▶ The red rectangle shows the GST for each item. In this sale, there is \$9 of GST on the customer's invoice.
- ▶ The black rectangle shows the amount of GST the Art Centre collects on its services. For example, of the \$240 commission (40% of \$600) earned by the Art Centre, \$21.82 is GST (\$240 divided by 11).

Sales - Invoice

The SAM sales page shows this detail so you have a full set of information about each sale. When producing an invoice for a customer, SAM will deal with GST in either the Agent Arrangement or Buy-Sell Arrangement.

Agent Arrangement:

Helicopter West				Ref: 185-1		
481 Parramatta rd ALICE SPRINGS						
NT, 0872						
Catalogue	Category	Description	Qty	Unit Price	GST	Total Price
53-15	Painting	Helicopter West /20 x 30cm	1	\$200.00	\$0.00	\$200.00
Sub Total:						\$200.00
					Total GST:	\$0.00
					Total including GST:	\$200.00
					Total Payments:	\$0.00
					Balance:	\$200.00

Buy-Sell Arrangement:

Test Art Centre				Ref: 186-AC		
481 Parramatta rd						
ALICE SPRINGS						
NT, 0872						
Catalogue	Category	Description	Qty	Unit Price	GST	Total Price
56-15	Painting	Reid, Bella/50 x 80cm/Wild Brumbies	1	\$200.00	\$20.00	\$220.00
Sub Total:						\$220.00
					Total GST:	\$20.00
					Total including GST:	\$220.00
					Total Payments:	\$0.00
					Balance:	\$220.00

Consignments

The consignment page on SAM looks and works very similarly to the receipts and invoices pages – the same columns are shown and the same information is entered. While this level of information is not needed for a consignment (all that is printed on the consignment note is the actual price), all of this information is created in SAM because consignments are often turned directly into sales.

Background on GST

The Goods and Services Tax (GST) is a consumption tax that is levied on most goods and services sold in Australia. The amount of GST can be determined in one of two ways:

- ▶ if a price is expressed as including GST, then the amount of GST is 1/11 of the price; or
- ▶ if an amount is expressed as excluding GST, then the GST adds 10% to the final price.

Art Centres collect GST and then pay the GST to the Australian Tax Office (ATO). If Art Centres own and sell artwork then Art Centres will include the GST in the price.

Art Centres will also pay GST embedded in the cost of goods and services purchased from businesses that are registered for GST. In these circumstances, Art Centres that are registered for GST will obtain what is called a GST input tax credit (or 'credit' in this guide) which is deducted from any GST that an Art Centre has collected. Therefore, the actual amount of GST paid to the ATO is the difference between the amount of GST that an Art Centre collects from sales and the amount of GST that an Art Centres pays when making purchases.

This calculation will generally be made quarterly (but possibly monthly or annually as required by the ATO) on an Art Centre's Business Activity Statement (BAS).

For example, if an Art Centre purchases art supplies with a GST-inclusive price of \$55 (\$5 inclusive of GST), and sells art with a GST-inclusive price of \$110 (\$10 of GST), then the Art Centre will need to pay \$5 (\$10 - \$5) of GST to the ATO.

Does Your Art Centre Need To Be Registered For GST?

Any business with a turnover of \$75,000 or more (\$150,000 or more for non-profit organisations) must be registered for GST. A business with a turnover of less than \$75,000/\$150,000 can be registered for GST if the business owner wants to be registered.

Virtually no remote Aboriginal Artists are registered for GST because they do not meet the turnover test. Those Artists must not include GST in their pricing, nor can they claim credits for GST paid.