



Goods and services tax (GST) was introduced from 1 July 2000 and is a tax of 10% on most goods, services and other items sold or consumed in Australia. Registered businesses include GST in the price of sales to their customers and claim credits for the GST included in the price of their business purchases. While GST is paid at each step in the supply chain, businesses do not actually bear the economic cost of the tax. The cost of GST is borne by the final consumer.

If you carry on a business you must register for GST if your GST turnover is at or above the threshold which is \$75,000 or more. The threshold for non-profit organisations is \$150,000 or more. Registration below these thresholds are voluntary however you are generally required to be registered for at least twelve months unless you cease business.

If you are not registered or required to be registered for GST, you do not include GST in the price of your sales and you can not claim credits for any GST included in the price of your purchases, even if they are for your business. But if you are able to claim the business expense as an income tax deduction, you can claim the entire expense, including GST, on your income tax return.

If you are registered or required to be registered for GST, you include GST in the price of most goods and services you sell. There are three classifications of sales - taxable sales, GST-free sales and input taxed sales. Taxable sales include GST, these are the most common type of sales as they relate to sales in the course of operating your business with Australia. GST-free sales do not include GST but you can still claim the GST credits included in the price of the taxable purchases. Examples of GST-free items are most basic food, some medical services, aids and appliances, health and care services, childcare, etc. Input taxed sales do not include GST and you can't claim the GST credits included in the price of the taxable purchases. Two most common input taxed sales for small businesses are financials supplies and renting or selling certain supplies of residential premises.

A requirement of being registered is the completion of an Business Activity Statement (BAS) on a monthly, quarterly or annual basis. The tax period applicable will depend on your individual circumstances.

## Monthly

- GST turnover of \$20 million or more
- must report and pay GST monthly and lodge your BAS electronically
- due for lodgement and payment of any amount owing is 21 days after the end of each month

## Quarterly

- GST turnover of less than \$20 million
- report and pay your GST quarterly
- due date for lodgement and payment of any amount owing is the 28th day of the month after the end of the quarter - 28th October, 28th February, 28th April and 28th July

## Annually

- voluntarily registered for GST (turnover is less than \$75,000)
- not elected to pay GST by instalments
- report and pay annually
- due date for lodgment and payment of any amount owing is the date your income tax return is due

If you account for GST on a non-cash basis (accrual), you account for the full amount of GST on sales or purchases. The GST reported in the period is GST payable on sales invoices and GST credit on supplier issued invoices. If you account for GST on a cash basis, you account for the GST on sales and purchases in the same reporting period you receive or make the payment. If you receive or make a part payment in a reporting period, you only account for the GST that relates to that part of the sale or purchase. The criteria to be eligible to account for GST on a cash basis is:-

- entity with a GST turnover of \$2 million or less
- account for your income tax on cash basis
- endorsed charitable institution, trustee of an endorsed charitable fund, gift-deductible entity or government school, regardless of your GST turnover.

Accounting & Taxation

Self Managed Superannuation

Auditing

Financial Planning

Finance Broking

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**McConachie Stedman**

Accountants, Taxation Advisers & Financial Planners