

Goods and Services Tax

Taxable sales: GST is a tax of 10% in Australia on most goods, services, and other consumables. If you are a registered business, you need to pay GST on most goods and services you sell or supply.

Other registered businesses will include GST in the price of items you purchase for your business. You may be entitled to claim input tax credits from the ATO if you are registered for GST and the acquisitions are obtained for the purpose of carrying on your enterprise. Although the liability for paying GST rests with GST-registered entities, the end consumer bears the economic cost.

GST-free sales: You don't include GST in the price if your product or service is GST-free. You can still claim credits for the GST included in the price of purchases you use to make your GST-free sales. Things that are GST-free include most basic food, some education courses, course materials and related excursions or field trips, some medical, health and care services, some medicine, some childcare services, water, etc.

Input-taxed sales: Input-taxed sales are sales of goods and services that don't include GST in the price. You can't claim GST credits for the GST included in the price of your 'inputs'. The most common input-taxed sales are financial supplies (such as lending money or the provision of credit for a fee) and selling or renting out residential premises.

The reporting periods for GST are called tax periods and can be annually, quarterly or monthly. Quarterly tax periods are three months long, ending 30 September, 31 December, 31 March, and 30 June. Monthly tax periods end on the last day of each calendar month.

- Monthly – if your GST turnover is \$20 million or more.
- Quarterly – if your GST turnover is less than \$20 million – and we have not told you that you must report monthly.
- Annually – if you are voluntarily registered for GST. That is, you are registered for GST; and your GST turnover is under \$75,000 (\$150,000 for not-for-profit bodies).

The rules for attributing GST payable and input tax credits to tax periods differ according to whether GST is accounted for on a cash or accrual basis. You can account for GST on a cash basis if you meet one of these requirements:

- Are a small business with an annual turnover of less than \$10 million. This includes the turnover of your related entities.
- Are not running a business, but are carrying on an enterprise with a GST turnover of \$10 million or less.
- Account for income tax on a cash basis.
- Carry on an enterprise the commissioner has determined can account for GST on a cash basis regardless of your GST turnover.
- Are an endorsed charitable institution regardless of your GST turnover.
- Are a trustee of an endorsed charitable fund, gift-deductible entity, or government school, regardless of your GST turnover.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

Liability limited by a Scheme approved under the Professional Standards Act 1994 (NSW)

Entities running an enterprise must register for GST if their annual turnover is at or above the registration turnover threshold of \$75,000. This threshold is \$150,000 for non-profit organisations. Entities below this threshold can also register for GST. If they do, the registration must continue for 12 months.

If you are not registered for GST, you cannot include GST on anything you sell or provide. You also cannot claim back any GST included in the price you pay for goods or services used in your business.

Simpler BAS

GST is reported through the BAS lodging system. From 1 July 2017 the ATO is introducing "Simpler BAS" for small business entities with a GST turnover of less than \$10 million. These entities will have less information to report on their BAS.

Small Businesses will only need to report:

G1 Total Sales

1A GST on sales

1B GST on purchases

The following GST information is no longer required:

G2 Export Sales

G3 GST-free sales

G10 Capital purchases

G11 Non-capital purchases

Simpler BAS does not affect how other taxes are reported (e.g. PAYG income tax instalments or PAYG tax withheld), or how often you lodge your BAS.

Records will still need to be kept, such as tax invoices, as proof of any claims you make in the BAS and income tax return lodgements.

Please Note: Many of the comments in this publication are general in nature and anyone intending to apply the information to practical circumstances should seek professional advice to independently verify their interpretation and the information's applicability to their particular circumstances.

Liability limited by a Scheme approved under the Professional Standards Act 1994 (NSW)