



GST *Action Planning*

SEMINAR SERIES AND SUPPORT

COMMUNITY ORGANISATIONS
COURSE ONE:
GST INTRODUCTION
& REGISTRATION

COURSE WORKBOOK
1

IMPORTANT INFORMATION CONCERNING THIS MATERIAL - PLEASE READ

This material is provided under the Commonwealth's GST Start-Up Assistance Programme, and is designed to provide general information on the GST and on business skills, practices and processes necessary to operate with the GST, focused on small and medium enterprises and the community and education sectors. Because business circumstances can vary greatly, the material is not designed to provide specific GST or business advice for particular circumstances. Also, because aspects of the GST are complex and detailed, the material is not designed to comprehensively cover all aspects of the GST as it applies small and medium enterprises and the community and education sectors. Further, the laws implementing GST, and rulings and decisions under those laws, may change.

Before you rely on this material for any important matter for your business, you should:

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- As appropriate, seek your own professional advice relevant to that particular matter.

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INTRODUCTION

The introduction of the Goods and Services Tax on 1 July 2000 represents a major change to the Australian Tax System.

The introduction of any change that impacts on the conduct of a community based non profit organisation is often an area of concern for these organisations. The introduction of GST is no exception. Many people in the community based non profit sector are very concerned about how the introduction of GST will affect them and their operations.

In many respects those concerns are without foundation. The introduction of GST should not cause problems for a well-managed agency. GST basically is a simple tax and generally the records required to comply with it need not be complex.

Many of the management procedures that are needed to manage the GST process are based on good management practice.

This course is the first of a series of three.

- This introductory course discusses the basic principles of GST. It introduces GST terms and their implications in managing the GST process. It also considers GST registration options.
- The second course discusses GST systems. It is intended to assist organisations put in place simple systems to make the management of GST a relatively straightforward process.
- Course three looks at GST management issues. It is designed to assist organisations with decision making in the GST environment.

This course material has been written in the knowledge that it is being made available to peak bodies who wish to provide GST material and GST training for their members.

The material may also be used by other individuals and groups, who have a need for training material to assist them, and others, with the introduction of GST.

In making this material available for use, the authors are conscious that many of the GST terms used, and their particular meanings in a GST context are very important. In this first course time is taken to look closely at various 'GST terms' and their GST specific meanings. Initially some of the terms may seem difficult to grasp. We would urge everyone using this material to persevere and become familiar with both the correct technical term, and its GST specific meaning.

We trust you find the courses useful.

THE OBJECTIVE OF THIS COURSE

The objective of this course is to provide a basic introduction to the steps that should be taken by community based non profit organisations to help prepare them for the introduction of GST by:

- Introducing the basic concepts of GST
- Introducing key GST Terms
- Noting the importance of business systems and record keeping required to account for GST
- Mentioning some basic business risks that may arise as a consequence of GST
- Providing some elementary consideration of steps to be taken prior to the introduction of GST
- Assisting them to make appropriate basic decisions relating to GST registration.

TAX REFORM

A Better Tax System

All Australians can look forward to a better tax system from 1 July 2000.

The introduction of a new goods and services tax (GST) will enable the Government to progressively abolish hidden taxes and reduce personal income tax. Personal income tax will be cut by \$12 billion annually. It has been estimated that 80% of all Australians will be paying a top marginal income tax rate of 30% or less. There will also be increases in family assistance and government pensions and allowances, and provisional tax will be abolished.

Important changes

The most important changes under the new tax system are:

- A \$12 billion annual cut in personal income tax, increases in government benefits (such as the age pension and family assistance) and one-off bonuses for seniors, and
- The abolition of wholesale sales tax and the introduction of a GST

What the new tax system means for individuals

The massive cuts to personal income tax and the increases in family payments, pensions and allowances will compensate individuals for increases in the cost of living resulting from GST.

Self-funded retirees and pensioners with savings or investments will benefit from one-off untaxed bonuses to help maintain the value of their savings and retirement income. A further benefit is a new tax rebate for private health insurance, introduced in January 1999.

The following table shows the lower personal income tax thresholds and reduced income tax rates from 1 July 2000.

Today's tax rates		New tax rates	
Current scale Taxable income	Tax rate %	New scale Taxable income	Tax rate %
\$0 - \$5,400	0	\$0 - \$6,000	0
\$5,401 - \$20,700	20	\$6,001 - \$20,000	17
\$20,701 - \$38,000	34	\$20,001 - \$50,000	30
\$38,001 - \$50,000	43		
\$50,001 +	47	\$50,001 - \$60,000	42
		\$60,001 +	47

TAX REFORM

The Introduction of Goods and Services Tax

GST is a broad-based tax of 10% on the supply of most goods and services consumed in Australia. GST starts on 1 July 2000. It may affect some transactions entered prior to that date where performance occurs on or after 1 July 2000.

GST is a very visible tax. When goods and services which are subject to the 10% GST are purchased, it will be mandatory for the supplier to indicate that the price being paid is GST inclusive. This is unlike many of the existing taxes, such as wholesale sales tax, where tax may be included in the price of the goods, but which is not clearly visible to the purchaser. This is one of the benefits of the introduction of GST. Many existing, hidden, indirect taxes will be phased out and GST will replace them. See the section on the role of the ACCC for a listing of which taxes are being abolished and when.

For community based non profit organisations, which are registered for GST, many of their costs will drop as a result of the abolition of these taxes. For example, the cost of computer equipment by a community based non profit organisation may drop in price due to the abolition of the wholesale sales tax.

Cost savings arising from the abolition of these taxes must be passed on to the customer. This requirement will apply irrespective of whether or not the business is registered for GST. Organisations will have to take considerable care to ensure that this happens.

Although GST will replace some existing taxes, the GST charged to a community based non profit organisation by its suppliers, in many situations, will be recoverable from the ATO. One of the most fundamental principles of a GST system is that the tax is not an added cost for a 'GST registered' entity. This concept and its application will be discussed in greater detail later in this paper.

As from 1 July community based non profit organisations that are registered for GST will be required to include 10% GST in the prices of most of the goods and services they supply. Later in this paper we will look at the goods and services that are subject to GST and those that are not.

The key elements of the introduction of GST, as a component of the New Tax System, for a community based non profit organisation are therefore:

- The abolition of many indirect taxes; this will reduce the costs faced by the community based non profit organisation
- An organisation may be required to register for GST
- A registered organisation must include 10% GST in the price of 'taxable supplies'
- An organisation will find that GST is included in the prices charged to it by its suppliers for many of the goods and services it purchases.
- A registered organisation will be able to reclaim this GST from the ATO.

TAX REFORM

Impact of GST

GST is not simply an arithmetical exercise.

- **GST impacts on many aspects of community based non profit organisations.**

For example GST will impact on:

- Documentation received and produced
- The organisation's information and reporting systems
- Internal control procedures required
- Pricing of goods and services
- Tenders for the supply of some goods and services
- Grants
- Promotion of services
- Specific new clauses required when entering into contractual arrangements.
- Fundraising
- Incorrect handling of GST related matters can cause financial loss to an organisation
- Staff of a community based non profit organisation need to be informed on how GST affects their organisation, and trained in aspects that affect their work.

We touch on these issues later in this course.

TAX REFORM

Government Assistance Initiatives

New Tax System Advisory Board

To ensure the successful introduction of the new tax system the Government has put in place a large number of programmes to assist businesses, community groups, the educational sector, and the Australian public prepare for the changes arising from the new tax system.

To oversee the changes the Government has established The New Tax System Advisory Board. This “Board” has as one of its most important roles, the oversight of a major education programme about The New Tax System for all sectors of Australian society to assist them with preparations for the changes that will be necessary.

The role of the Australian Taxation Office

The Australian Taxation Office [ATO] has the role of providing guidance and assistance with technical changes that will arise from the introduction of The New Tax System.

The assistance provided by the ATO includes a range of publications from general purpose guides, to industry and sector specific publications directed at the specific issues to be addressed by specific industries and community groups. Among these publications are ones focused specifically on ‘Charities, Religious and Non-Profit Organisations’. These publications are available free of charge by calling the Infoline or can be downloaded from the ATO website.

The ATO is also providing a wide range of seminars to assist with the introduction and implementation of the changes.

To obtain details of publications, seminars and other assistance available from the ATO the following options are available:

- **Website** www.taxreform.ato.gov.au
- **The Business Tax Reform Infoline** Ph: 13 24 78
- **A Fax From Tax** Ph: 13 28 60
- **By mail** PO Box 9935 in all capital cities

TAX REFORM

The Role of the GST Start-Up Assistance Office

The Government has set aside \$500 million to assist small and medium enterprises, the community sector and educational bodies (SMECEs) adjust to the GST environment.

The GST Start-Up Assistance Office was established to administer these funds in consultation with The New Tax System Advisory Board and two advisory panels; one covering small and medium businesses and the other the community sector and educational bodies.

What kind of assistance is available?

The GST Start-Up Assistance Office has developed four programmes to help SMECEs adjust their business practices, namely:

1. Organisation-Delivered Assistance:

Selected industry and professional organisations will provide a broad range of education and information services to their members and non- members.

2. Business Skills Education:

The GST and Business Skills - an Action Guide is available now to help you become GST-ready.

The GST Business Assist Helpline (13 30 88) is open from 9am-9pm nationally to provide help on the necessary skills, practises and processes to prepare you for the GST.

3. Adviser Education:

An education programme for informal advisers who assist small business, community groups and educational bodies.

4. Direct Assistance:

Direct assistance will also be available to small and medium businesses and community organisations that register for GST. Redeemable certificates that can be exchanged for products or services acquired to assist in the implementation of the GST will be available.

These four programmes have the common goal of ensuring that SMECEs have the opportunity to access information and assistance to adjust their businesses to the GST environment.

Need more information?

To obtain more information on the role of the GST Start-Up Assistance Office visit their website www.gststartup.gov.au or call their enquiry line **02 6263 4490**.

To enquire about, or register for the Office's Adviser Education Programme, phone **1800 351 754**

TAX REFORM

The Role of the ACCC

The Australian Competition and Consumer Commission [ACCC] has specific legal powers to ensure that there is no price exploitation in relation to price changes brought about by the New Tax System.

Tax Changes Covered by the Price Exploitation Guidelines

The ACCC will ensure that there is no price exploitation in respect of the following taxation changes:

- A reduction in the Wholesale Sales Tax (“WST”) rate of 32 percent to 22 percent (29 July 1999);
- Introduction of the GST (1 July 2000);
- Abolition of WST (1 July 2000);
- Changes to excise on petrol and diesel and to the Diesel Fuel Rebate Scheme (1 July 2000);
- Changes to excise on alcoholic beverages (1 July 2000);
- Changes to excise on cigarettes (from 1 November 1999);
- Introduction of a ‘Luxury Car Tax’ (1 July 2000)
- Abolition of bed taxes (1 July 2000)
- Abolition of State taxes on bank transactions (financial institutions duty: 1 July 2001 and debits tax: by 1 July 2005) and stamp duties on marketable securities (1 July 2001) and remaining business stamp duties (date to be determined).

The Commission’s Focus in Evaluating Prices

It is the Government’s intention that consumers should benefit fully from reductions in indirect tax and should not be exposed to greater than necessary tax related price rises. There should be no price exploitation of consumers.

In line with the Government’s intention, the Commission will examine how prices move in relation to the New Tax System changes. The Commission’s focus is on prices set by individual organisations and is primarily on *changes* in prices resulting from the tax changes, not on the *level* of prices.

Example

Prior to 1 July 2000, the Anti Cancer Shop purchased an item of stocks of stationery for resale for \$100 (including WST). They typically added a 50% markup, and sold such items for \$150.

With the introduction of GST and the abolition of WST, a like item would be purchased for say \$88. The item would cost \$80 and there would be \$8 GST. This \$8 can be claimed back as an input tax credit if the community based non profit organisation is registered for GST, and **MUST** be subtracted from the purchase price before a margin is added.

In a GST environment, the pricing pattern would become:

Full purchase price	88.00
Less: GST	<u>8.00</u>
Net cost	80.00
Normal dollar margin	<u>50.00</u>
New selling value	130.00
Add: GST	<u>13.00</u>
New selling price	143.00

It is important that organisations assess not only the direct impact of the tax changes, but also the benefits they should expect to have passed on to them by their suppliers.

Whilst a key focus for the Commission will be consumer markets, there will also be active monitoring of businesses in upstream markets for compliance with the Guidelines.

The Guidelines that the ACCC will be enforcing, in summary, are:

- Prices should be reduced immediately to pass on the full effect of the tax reductions;
- Any increase in price based on the GST should include a full offset for other indirect tax reductions;
- No markup should be applied to the GST component of price;
- Prices should reflect only actual, not anticipated, tax increases; and
- Organisations should not take the opportunity to increase the amount of the existing dollar difference between cost and prices prior to adding GST (the dollar margin rule).

Size of price adjustments

The legislation does not prevent community based non profit organisations from adjusting prices to reflect the New Tax System changes. However, it seeks to prevent them from either raising prices too high or not reducing them enough. **This translates into a simple rule that organisations should not increase the net dollar margins on their goods and services as a result of the New Tax System changes alone.** Net margin is defined in unit terms as follows

Net margin per unit = sale price - the cost of goods sold - operating and selling costs.

We will discuss this matter in more detail in Course Two.

Any organisation operating a commercial type activity will not be allowed to increase the dollar margin it earns as a result of any increase in the price it pays its suppliers. This may mean its percentage margin on that activity will drop.

Transition Period

The transition period during which the ACCC will monitor prices commenced on 9 July 1999 and extends to July 2002.

When making purchases, organisations should make inquiries about price changes, especially if prices are not decreasing as expected; If unsatisfied with the supplier's response, businesses can call the Price Exploitation Hotline on 1300 302 502.

GST TERMS

Overview of GST

GST is a tax on goods and services

What is a GST? The main principles are that it is a tax:

- applied to the domestic consumption of goods and services; and
- it is paid by the final consumer.

The first key concept here is domestic consumption. That means the GST does apply to imports, but does not apply to exports.

As well, it is about the consumption of goods and services. So GST is a tax on goods and services and not on income. Therefore, an intention to make a profit is irrelevant in deciding whether an organisation must pay GST.

It follows that many organisations that are not currently considered to be carrying on a business for income tax purposes will nevertheless be included in the GST net. Such organisations (which the legislation calls entities) include charities, trusts, co-operatives, sporting and other clubs, statutory bodies and local authorities.

This broad base is one reason why so many entities are involved with GST. Those entities need to start preparing now to become accustomed to the system. It will seem difficult at first, but be assured that millions of businesses, charities and educational bodies all around the world already live and work with GST type systems. The only difference between them and you is experience! This course will help you get started.

Consumers, not businesses, pay the GST

The next step is to understand that even though the tax is collected at every stage of production, it is the consumer that actually pays the tax. This can be most readily shown with a simple example of the manufacture and sale of a dining table. The GST rate is 10%.

Table 1: GST on a dining table

	Purchase			Sale			Paid to ATO (e-b)
	Price paid (a)	GST (b)	Total (c)	Price charged (d)	GST (e)	Total (f)	
Logger				20	2	22	2
Timber mill	20	2	22	40	4	44	2
Furniture Manufacturer	40	4	44	80	8	88	4
Retailer	80	8	88	100	10	110	2
Consumer	100	10	110				
							10

Note: The total tax collected by the ATO is 1/11 (\$10) of the selling price to the consumer (\$110), or 10% of the price (before GST) paid for the goods.

As you can see, the GST is collected at each stage of the chain of production.

Each person in the chain:

- charges GST on their sales (column (e))
- claims back from the ATO, all GST paid on the goods they purchase as inputs to their sales (column (b))
- when they make their return to the ATO, they subtract the GST collected on their sales from the GST they have paid on their inputs, to calculate the net amount payable (last column).

Your organisation might be the retailer in this example, selling items of stationery to raise income for the services you provide. For you, the GST consequences are as follows:

- you purchase some stationery from the manufacturer for \$88. That includes \$8 GST
- you sell the stationery and charge the customer \$110. That includes \$10 GST
- the key points to note are that you must remember to charge and record the GST on your sales, and to keep a record of the GST you have paid on your inputs (the stationery)
- when you submit your GST return to the ATO you are able to claim back the GST on your purchases, but must submit the GST collected on your sales. It is the difference between these (\$10 collected from the customer less the \$8 paid to the manufacturer) that must be paid to the ATO. That is \$2.

Almost everything else that you will ever read, see or hear about GST will ultimately be related to how to derive the figures for your business in columns (b) and (e). If you understand what to do to get those figures you have got the GST licked! It is worth investing the time to get that straight now.

Because an organisation will claim back the GST on almost all their purchases (whether for resale or not), and collect the GST on their commercial sales to their customers, you can see that the GST is not a burden on the organisation.

Another way of showing this is, looking at the example as a whole, you can see that the total in the last column shows that businesses have paid \$10 to the ATO. But when you look at the bottom row of the table, you can see that the final consumer has actually paid that \$10. The input credit mechanism (that is only available to registered businesses and organisations, not consumers) means that the final GST cost is borne by the consumer, not the organisation.

There are four kinds of supply

In the example we have just looked at you charge GST on your sales - this is called a taxable supply. And you are entitled to claim back the GST on your business inputs - this is called an input tax credit. This example covers the situation that will apply for the supply of most goods and services.

However, there are two other kinds of supply that you need to be familiar with - these are GST-free supplies and input taxed supplies. GST-free supplies are especially important for community based non profit organisations as some of

the organisation's supplies will be GST-free.

GST-free supplies are different from taxable supplies because GST is not charged on sales. However, full credits are still available for all inputs to those supplies.

To demonstrate the difference between taxable supplies and GST-free supplies, we can use the example of a retailer who might get an order for stationery from a residential nursing home which provides services which qualify for GST-free status. The example would then look as follows.

Table 2: GST on stationery as input to GST-free supplies

	Purchase			Sale			Paid to ATO (e-b)
	Price paid (a)	GST (b)	Total (c)	Price charged (d)	GST (e)	Total (f)	
Logger				20	2	22	2
Timber mill	20	2	22	40	4	44	2
Furniture Manufacturer	40	4	44	80	8	88	4
Retailer	80	8	88	100	0	100	-8
Overseas sale	100	0	100				
							0

Because the organisation provides GST-free services the nursing home is entitled to input tax credits for the purchases made to provide those services. As you can see, GST-free is an appropriate way of naming these supplies because in net terms, no GST is finally collected by the ATO on these supplies.

Most organisations will be substantially involved with making and receiving taxable and/or GST-free supplies. The critical point to note is that in respect of both of these kinds of supply, you can claim back input tax credits for the purchases and services acquired to make these supplies. The major complication that may arise will be in ensuring that you know which goods and services are GST-free, so that you know when GST does not have to be charged on your services.

Input taxed supplies are the third category. These are different from the other kinds of supply because GST is not charged on the relevant services, and input tax credits cannot be claimed back on any acquisitions to make those supplies. This is the trickiest kind of supply because it means you have to worry not only about when you charge GST, but also when you can claim it back. However, there are only two kinds of input taxed supplies which may affect your organisation. These are residential rents and financial services.

This GST treatment of financial services means you won't be charged GST on your bank interest. Non profit organisations are highly unlikely to be providing input taxed financial services.

Some non profit organisations do provide accommodation for which they charge residential rents, this is an input taxed supply.

As the landlord, the organisation does not charge GST on the rent charged, and is not able to claim input tax credits for anything purchased in respect of the property. For example, the costs incurred in maintaining the property such as paint and wall paper will include GST, but the organisation cannot recover the GST included in these.

The fourth category of supply is that made by a non-registered person or business - there is no GST charged on the supply they make. They may not claim back GST included in the price of items they purchase.

Recapping the four kinds of supply

Taxable supplies

- charge GST on sales
- claim full input tax credits for GST paid on relevant purchases

GST-free supplies

- no GST charged on sales
- claim full input tax credits for GST paid on relevant purchases

Input taxed supplies

- no GST charged on sales
- no input tax credits for GST paid on relevant purchases

Supplies by non-registered persons

- no GST charged on sales
- no input taxed credits for GST paid on relevant purchases

To avoid any confusion later on, make a mental note now that **input taxed supplies** are not the same as **input tax credits**. Input taxed supplies have just been described. Input tax credits are the credits allowed for GST paid on business expenses incurred to enable you to provide taxable or GST-free supplies. The distinction is discussed more fully later in this course.

Clearing up a few queries

Now that you have come this far, you might have a number of queries. It is worthwhile emphasising a few points:

- when a community based non profit organisation buys things for its activities it is able to claim input tax credits, without waiting until it has used these things. The claim can be made in the next GST return. Say the organisation buys a year's stock of stationery for \$1100 (including \$100 GST). It can claim that \$100 in its next return, even though it won't use all the stationery for some time.
- Input tax credits are available for all relevant inputs. They are available to service providers in the same way that they are to providers of goods. For

example, if your agency provides counseling services you can claim the GST paid on the telephone bills, heating, electricity, room rental and so on.

- Input tax credits can be claimed for all operating expenses, including capital expenses, in the next GST return. So, even where you have to depreciate capital items over a period, GST paid on capital items can be claimed in the next return. For example, if the organisation buys a new building, purchase a computer for the office, or buy a new company car, it can claim back the GST on these items in its next GST return - even though these items will be used over a period of time. (Note, though, that there are special transitional rules for input tax credits on cars.)
- Wages and salaries paid to employees and superannuation contributions paid on behalf of employees are **not** subject to GST.
- By and large, the examples and the discussion here assume that the person making the supply is registered for GST - most non profit organisations will register. Only registered entities charge GST, and only registered entities can claim input tax credits. If an organisation is not registered, it can not charge GST on its commercial sales, but it can't claim input tax credits on all its acquisitions either. We cover registration later in the course materials.

What does this all mean for a community based non profit organisation?

Turning all this new language into what it means for your organisation comes down to a few key points. A “typical” organisation:

- Will pay GST on most of their acquisitions
- Will be entitled to input tax credits on those acquisitions
- Will need to substantiate claims for input tax credits with valid tax invoices
- Will charge GST on those outputs that are neither GST-free nor input taxed supplies.
- Will need to ensure that the GST consequences of every transaction in and out of the organisation are recorded, substantiated and can be readily retrieved.

The first steps that every organisation needs to take NOW to prepare GST involves:

- Identifying all your inputs to the running of your organisation
- Identifying all your outputs - services provided to the community
- Classifying those inputs and outputs according to their GST treatment (that is, are they taxable supplies, GST-free or input taxed?)
- Identify any areas of uncertainty - seek help from the ATO or a professional adviser if necessary
- Consider your record keeping systems to see if they are “up to scratch” in being able to track and record all of these transactions
- Now is the time to think of upgrading your business systems.

All this is a lot to absorb in one go, but please take your time and become familiar with these broad concepts and terms. They are the keys to

understanding the GST. If you can grasp these, then you will have a framework to sort through the details that follow.

It may also be of some comfort to know that this is as hard as it gets! The transition to a GST is the hardest part of all. That is why planning and preparation are so important now. It is much, much easier to invest the effort now to get it right, than to have to redo things later on because you got it wrong. A stitch in time really does save nine!

Be assured though, that if you work to get things right, it pays off later. Preparation is everything. Getting the systems in place and sorting through what GST means for your organisation isn't easy, but once it is done, it will be much simpler to cope from then on.

To help you through that process, we now go into a bit more detail on the common GST terms used, and how they apply using some rough rules of thumb.

OVERVIEW OF GST

It is important to become familiar with the key

GST concepts and correct GST terms

Understanding these terms and concepts is
the easiest way to start implementing GST in your organisation

This section is an overview of these terms and concepts

Remember: GST is a tax on domestic consumption
of goods and services

OVERVIEW OF GST

Remember: There are four kinds of GST supply:

taxable supply

GST-free supply

input taxed supply

supply by non-registered persons

All the GST details flow from these concepts

These are the keys to understanding GST

YOUR NOTES

GST TERMS

Enterprise

To register for GST you must be an entity conducting an enterprise. So both of these terms - enterprise and entity - are central to the operation of the GST, and are critical in determining if you are required to register for GST.

We look at these terms in turn.

Enterprise is about making things happen and getting things done.

Enterprise manifests itself in many ways. It may be parents grouping together to raise funds for the local school or it may be a community group providing a range of services for those in the community who are in need of special support and assistance.

Enterprise involves planning, organising, and managing. Enterprise involves both formal and informal structures. Enterprise involves people doing things, making things happen, and providing things. Enterprise involves everything from the activities undertaken by Australia's largest companies, to the facilities provided to residents by the local council. Enterprise, enterprising people, and enterprises deliver the things that society needs and wants.

In the GST legislation, the term enterprise is used to describe an activity, or a series of activities, undertaken by a person or an organisation. Enterprise is a very important term in the context of GST because enterprises that meet certain criteria are required to register for GST.

It is important to realise that enterprises that are required to register for GST may not be 'businesses' or 'organisations' in the way those terms are normally perceived.

Example

Michel is a university student who decides he should contribute something to the welfare of the community.

He decides to form a group who will spend a number of hours each week making wooden toys and other items. These will be sold at markets, all the proceeds being handed over to a local home for children with disabilities. The enterprise is very successful and continues to grow.

Michel and his friends may be undertaking an enterprise for GST purposes. If this is the case then:

- GST registration is required if GST registration turnover thresholds are breached, or
- If these thresholds are not breached, then registration is optional but Michel may see an advantage in registering.

GST TERMS

Entity

The concept of an entity is central to the operation of the GST. It is entities that register for GST. Each entity that registers receives an ABN.

An entity, in legal terms, is a person, a company, a trust, a charity or some other form of organisation that has a separate legal identity.

Example

Mary Ling is a wealthy business woman who operates a large retail business as a sole trader. In addition to the retail business Mary is the founder and a trustee of a large charitable foundation which provides grants to community based non profit organisations. The foundation's funds are largely provided out of the profits made by the retail business. In addition the foundation recently started up a separate trust which operates a business to provide employment for blind people.

In a GST context it is very important to appreciate that whereas Mary may be seen by the world at large to be operating one business, she is in fact operating through three quite separate legal entities. In this example the first entity is the retail business, the second entity is the foundation and the third entity is the trust. Although Mary is for all practical purposes the controller of all three entities, the fact that there are three separate legal entities, means that both Mary and the foundation and the new trust will be required to register separately for GST.

Where organisations own or control one or more separate legal entities, the GST issues are potentially more complex and assistance from the ATO or a professional adviser may be required.

The ATO has indicated that several related entities may be able to register for GST as one group. They will then be considered as one entity for GST purposes. These provisions are still being developed and assistance should be sought from the ATO in this area.

Typical situations that may fall into this category include:

- Trusts and the companies they own
- Trusts and beneficiaries of those trusts.
- Companies and their subsidiary companies
- Churches and their subsidiary organisations
- Organisations set up to provide a variety of different services

In all of the above situations it may be necessary to register more than one entity for GST purposes. However, if one entity consists of a range of enterprises, only one registration is required.

Example

ABC Services currently operates a café, a free food delivery service to elderly people in their homes and a shop selling new and second hand books to generate funds for the food delivery service. They all operate from different premises. Only one entity operates all of these business enterprises, so only one registration is required, and one ABN will cover all these activities.

GST TERMS

Australian Business Number

The Australian Business Number (ABN) is critical to the operation of the GST system, as every entity that is registered for GST will have an ABN and this is the number that must be quoted on all your tax invoices.

It is envisaged that all community based non profit organisations will apply for an ABN and most will register for GST.

ABN will enable organisations in Australia to deal with the ATO and a range of government departments or agencies using the one number.

Even where a non profit organisation chooses not to register for GST, it **must** still apply for an ABN. This is a prerequisite for obtaining endorsement from the ATO for **income tax exempt status** as well as for endorsement as a **deductible gift recipient (DGR)**. Both of these are required before July 1.

If an organisation does not register for GST, it will be unable to claim back the GST that it pays to its suppliers. This may increase its operating costs significantly so it is crucial that this option is considered carefully in respect of the organisation as a whole as well as its subsidiary activities.

Most of the services provided by community based non profit organisations will be GST-free supplies. Some organisations operate commercial type activities, supplying goods or services which would normally attract GST. If they do not provide an ABN to any business to whom they supply relevant goods and services, that business ordinarily will be required to deduct withholding tax from payments to those organisations. There are very limited exceptions to the rule.

This withholding tax will be at the rate of 48.5cents in the dollar.

Where an organisation is required to issue tax invoices these will not be valid for GST purposes unless an ABN appears on the invoices it issues. Its business customers will not be able to claim input tax credits and this could have adverse consequences for the organisation.

When an organisation has been allocated an ABN its details will be placed on the Australian Business Register, which will be administered by the Commissioner of Taxation.

GST TERMS

Business Activity Statement [BAS]

Every organisation that registers for GST will be required to submit a Business Activity Statement (BAS) that will show not just GST paid or due, but a range of other taxes as well. The BAS statement is your GST return - but it includes a lot more than GST.

With the BAS, most organisations will make one payment and one statement to the ATO per quarter. That is, most organisations will only be required to lodge four returns and make four payments per year. This will include:

- GST
- Wholesale Sales Tax (WST) - for the transition (if applicable)
- Income tax withholding (PAYG withholding)
- Income tax instalments (PAYE instalments)
- FBT instalments

For each tax period the organisation will receive from the ATO a single tax form, the BAS. This will usually be on a quarterly basis but organisations may choose to remit GST on a monthly basis. For some organisations they may be obliged to remit PAYE monthly (as part of the PAYG system).

A BAS will have to be filed when it is due, even if no tax liability exists for that tax period.

The BAS will be sent to the organisation, by the ATO, either through the mail as a paper form, or over the Internet as an electronic form.

The organisation will be required to lodge its BAS with the ATO 21 days after the end of the GST tax period.

The GST period will either be one month or three months as we will see later.

The organisation will be required to keep adequate records so it can accurately complete the GST section of the BAS to determine the amount of GST it will have to pay to the ATO or the amount that may be refunded, depending on its circumstances.

Any refunds of GST may be used to reduce other amounts of tax that may need to be paid (such as group tax) on the BAS for that period.

GST TERMS

Goods and Services

The GST is intentionally very broad in its coverage. It is intended to capture all forms of domestic consumption, so may include a range of things that you may not have thought of. It is important that you charge GST on all taxable supplies, so you need to have a good understanding of what we mean by goods and services.

If you don't charge GST when you should have, you as the supplier will still be required to pay 1/11th of the price charged to the ATO - so making a mistake can be very expensive!

Enterprises produce the huge range of goods and services that are available to consumers. Goods can be grown, made, or imported and can be bought and sold repeatedly.

Services also come in many different forms. Services can involve a plumber fixing a blocked drain, or the local swimming club teaching the kids to swim. The local Council, Federal Government, and the local Citizens Advice Bureau all provide services. Some services we use are costly, some cost nothing, and some organisations provide them in return for subscriptions and members' donations.

Some community based organisations are huge, highly structured, and are 'big businesses' to run. Other service organisations are less formal, less organised, and small. One thing is common to all enterprises that provide goods and services. They involve people in planning, organising, and managing the supply of the huge range of goods and services that people consume every day.

It is very important to appreciate that for GST to be payable, there must be a taxable supply of goods and services.

In most cases the goods or services supplied by community based non profit organisations will be GST-free, while some accommodation provided will be input taxed. These are not taxable supplies of goods and services and accordingly GST is not included in the price paid (we explain these terms later).

This course also looks at what is being supplied, when is it being supplied, what is the value of the supply. The relationships between enterprises, their customers, and the goods and services provided are considered.

GST TERMS

Taxable Supplies

Organisations that are registered for GST must charge GST on their taxable supplies. They will be entitled to input tax credits not only on the GST they have paid on purchases to make those supplies, but also the GST they have paid to make GST-free supplies.

It is critical that every registered organisation understands this. If you fail to charge GST when you should have, you will still have to account for 1/11th of the price charged to the ATO. If you fail to keep track of your purchases made in respect of taxable supplies and GST-free supplies, you could miss out on claiming back GST. That is real money down the drain!

Supplies of goods and services are made by organisations to the community and to some customers and clients. In broad terms supplies include all forms of supply of goods and services.

GST at the rate of 10% is added only to the value of taxable supplies.

A taxable supply specifically excludes supplies that are GST-free, and supplies that are input taxed. Consequently GST is not charged on either GST-free supplies or input taxed supplies. [These terms will be considered shortly.]

For the supply of goods or services to be a taxable supply, it must be connected with Australia. This means that, generally, anything done or made in Australia will be subject to GST. If you have transactions that relate to exports then the rules are more complex. You may need to seek advice from the ATO or a professional adviser.

To be a taxable supply the supply must involve consideration. In this context it is important to appreciate that a barter transaction, or an exchange of goods or services is a taxable supply, if one or either of the parties to the transaction is GST registered.

Finally it is important to appreciate the supply of goods or services is only a taxable supply if all of the above conditions apply and the organisation is, or should be, registered for GST.

GST TERMS

Input Tax Credits

Organisations can claim back from the ATO the GST that is included in the price of goods and services they acquire for the purpose of making taxable supplies and GST-free supplies.

These are called input tax credits.

It is critical that every registered organisation is able to keep track of these credits as they are real dollars. An unclaimed input tax credit is like an unclaimed income tax refund.

Working out how much GST to pay the ATO

If an organisation is registered for GST and makes taxable supplies or GST-free supplies, part of the price the organisation pays for most goods or services it procures is GST.

The GST portion of taxable supplies acquired by the organisation is available as an input tax credit, provided those goods or services were acquired for the purpose of making the taxable supplies or the GST-free supplies.

The registered organisation will offset its input tax credits against the GST it collects from its customers so that only the resultant net amount of GST is paid to the ATO. In many cases it will be entitled to a net refund from the ATO.

Example

Services Unlimited (Pty) Ltd provides employment for people who are unable to cope in commercial companies. The company provides a range of services to the public and charges customers for the services it provides. It incurs various operating costs. It has the ATO's approval to operate on a GST cash basis.

In a particular tax period, the company:

- Received monies from its customers for services it provided
\$33,000
- Paid its external suppliers
11,000
- Paid its employees
\$12,000

The monies it received from its customers, and the amount it paid its external suppliers, both are GST inclusive.

The company accounts to the ATO for GST as follows:

GST content of receipts from customers (1/11th of \$33,000)	\$3,000
less: GST content of payments to suppliers (1/11th of \$11,000)	<u>\$1,000</u>
Net GST to be paid to ATO	<u>\$2,000</u>

In this example, \$3,000 is the total GST collected from customers, and **\$1,000** is the total input tax credits.

Note that the example deals with *input taxed credits* which are not the same as *input taxed supplies*. An organisation cannot claim back GST that is included in the price of *input taxed* supplies that it acquires.

To be able to claim GST input tax credits the organisation must hold a valid tax invoice in respect of the goods or services at the time the input tax credits are claimed in the BAS.

GST TERMS

Input Tax Credits

GST is included in the price of
'taxable supplies' an organisation acquires

This GST can be claimed as an input tax credit
if those supplies were acquired for creditable purposes

An organisation must have a Tax Invoice
to claim the input tax credits

The aggregate of input tax credits is deducted
from GST collected from customers

The net GST is payable to the ATO, or a refund due

YOUR NOTES

GST TERMS

GST-free Supplies

GST is not charged, or payable to the ATO, on GST-free supplies.

Some major categories of GST-free supplies are listed below but it is important to realise that not all supplies falling into these categories will be GST-free:

- Food
- Community care
- Residential care
- Child care
- Education services
- Medical services
- Other health services
- Hospital treatment
- Religious services
- Private health insurance
- Education services

While these general categories of supply may be GST-free, each has a very specific meaning. Particular supplies by a community based non profit organisation need to fall into these very specific definitions to be GST-free. Remember - if you make a mistake and don't charge GST because you thought the supply was GST-free, but it later turns out to be taxable, the GST liability rests with you not the consumer.

Be sure you carefully check the details in respect of supplies that fall into these categories. You may want to seek advice on the impact of the GST-free rules for your particular organisation from the ATO or your Professional Adviser.

Remember that if an organisation makes GST-free supplies, it is still able to claim back GST input tax credits on the purchase of any goods and services acquired to allow it to make those GST-free supplies.

Example

A patient goes to the doctor at the local hospital for a consultation.

Though the hospital is providing a GST-free supply, it is still able to claim back the GST paid on the expenses of running the surgery such as telephone, stationery and power.

GST TERMS

Input Taxed Supplies

The major categories of input taxed supplies are:

- Residential rents
- Financial services

Most organisations won't make input taxed supplies, although some will be providing residential accommodation. They will almost all receive some. For example, financial services are input taxed, so interest (a financial supply) will not have GST charged on it. That means you cannot claim an input tax credit in respect of the interest.

An non profit organisation cannot charge GST on any input taxed supplies it makes, and cannot claim back any GST on purchases made to those supplies.

Example

A large religious organisation owns several residential properties which it rents out at market rentals to raise funds. As the landlord, it is making input taxed supplies. Because the landlord is providing an input taxed supply, it is unable to claim back any GST that may be included in the costs incurred in relation to those properties. This would include the price of repairs to the property, rates, or insurance. This is illustrated below.

Residential rent received by organisation		\$10,000
Plus: GST		n/a
		<u>\$10,000</u>
Less: Landlord's costs		
Repairs (including GST)	\$ 1,100	
Insurance (including GST)	<u>\$ 550</u>	
		\$ 1,650
Surplus		<u>\$ 8,350</u>

The \$1650 costs include \$150 GST (being 1/11th of \$1650). The landlord cannot recover the \$150 GST as an input tax credit. This is because the residential rent is treated as input taxed. The \$150 is therefore an added cost to the organisation.

GST TERMS

Consideration

For most non profit organisations, the consideration that they receive for their goods and services will be the money paid. However, the GST is intended to be very broad in its coverage, so consideration extends well beyond money to include things like barter transactions. A transaction must involve the giving and receiving of consideration to be a taxable supply.

It is important to remember that where a supply is made for consideration, even if that is not for money, the GST must be accounted for in the usual way.

In broad terms consideration is something given or received in return for the goods and services that are purchased or sold by an organisation. In most cases the consideration will be in money. In this context the money may be paid by way of cash, a cheque, or payment using a credit card.

In the case of barter transactions, goods may be supplied in return for other goods, or for services. The goods and services that are supplied in a barter transaction have value to the person providing them and they constitute 'consideration' for the person receiving them. In others words, in a barter transaction, value is both given and received.

If a transaction is entered into, and one party receives value in return for goods or services that are provided, that transaction may be a taxable supply even if no money changes hands.

Example

A non profit organisation arranges to purchase a new photocopier, and trade-in their old one.

Purchase price of new photocopier	\$5,000
Less: Trade-in of old photocopier	<u>1,000</u>
Cash paid to dealer	<u>\$4,000</u>

In this case the *consideration* received by the dealer is \$5,000, as is the *consideration* paid by the purchaser. Money or monies worth to the value of \$5,000 has been given and received in each case.

For GST purposes the dealer has made a taxable supply for *consideration* totalling \$5,000. A tax invoice must be issued to the purchaser of the new photocopier for that amount, not for the \$4,000 received in cash. 1/11th of the \$5,000 is GST payable to the ATO.

The organisation, assuming it is registered for GST, conversely has made a taxable supply of the old photocopier for *consideration* of \$1,000. The organisation must issue a tax invoice to the dealer for the supply of the old copier for \$10,00, and in due course account to the ATO for GST (being 1/11th of \$10,00) as part of its BAS for the relevant tax period.

Both parties to the transaction will be able to claim back the GST paid on the acquisition of the respective copiers as *input tax credits*, as they both would have been acquired for the purpose of making taxable or GST-free supplies and they hold tax invoices.

GST TERMS

Value

In a GST context, references to the value of something means the price of an item before GST is added. Thus, GST publications often make reference to adding GST to the value of the item to arrive at the 'GST inclusive price'. In the context of most GST taxable supplies, the use of the term value, means 10/11ths of the price. The other 1/11th is the GST component of the price.

Example

A foundation decides to purchase a portrait of the founder

They have it valued and are advised that it is worth \$1,200

The foundation pays the present owner, an art gallery, \$1,100 including GST

In a GST context the portrait has a value of \$1,000.

To this value 10% GST [\$100] is added, to arrive at a price of \$1,100.

From the foundation's perspective the item has a market value of \$1,200

GST TERMS

Attribution Rules

When, for any tax period, an organisation completes the GST section of the Business Activity Statement [BAS] it is required to include:

- The total amount of taxable supplies made by the organisation during the period; and
- The total amount of the taxable supplies it acquired during the period that relates to its taxable activity.

It follows that the organisation must determine in which tax period a particular transaction must be accounted for. This need is covered by the attribution rules. They determine to which period a GST supply should be attributed.

The attribution rules differ depending on whether the enterprise is GST registered on a 'cash basis' or an 'accruals basis'.

Cash Basis Attribution Rules

- Taxable supplies made by the entity
The GST collected is attributed to the GST period in which the entity receives a payment in respect of the taxable supply.
- Taxable supplies acquired by the entity
The GST claimed as an input tax credit is attributed to the GST period in which the entity makes a payment in respect of the taxable supply. A tax invoice must be held at the time of attribution.

Accrual Basis Attribution Rules

- Taxable supplies made by the entity
The GST collected is attributed to the first GST period in which the entity either receives a payment in respect of the taxable supply, or issues an invoice in respect of that supply.
- Taxable supplies acquired by the entity
The GST claimed as an input tax credit is attributed to the GST period in which the entity receives a tax invoice in respect of the supply.

In effect, the attribution rules are the equivalent of GST time of supply rules. They determine the period in which the supply is to be regarded as occurring and in relation to which the applicable GST is to be accounted for.

Example:

Wonderful Workshop (WW), an organisation providing woodwork training and employment is registered for GST on a cash basis. On 24 September it purchases timber from Jax Timber for \$3,300 (including \$300 GST). Jax Timber issued WW with a tax invoice for \$3,300 on 25 September. WW paid the \$3,300 on 4 October. WW's GST tax period ends on 30 September.

WW attributes the supply to the GST period commencing on 1 October, as it did not make a payment in the GST return period ended 30 September. This is the GST tax period in relation to which WW claims its input tax credit.

Jax Timber is registered for GST on an accruals basis and as it has issued an invoice in the GST return period ended 30 September, it must attribute the supply to that GST tax period and pay the GST to the ATO.

RULES OF THUMB

- Now that we have dealt with some of the technical details we want to show you how they are relevant to determining GST implications for your organisation.
- Every non profit organisation is different, and will have its own issues and challenges, but there are some rules of thumb that apply to all organisations. We have put together a number that might be helpful for you when you start preparing for GST.
- There is some new material here, but hopefully you will see some of it as familiar, as we have covered the points previously.

WORKING OUT YOUR GST

Rule of Thumb: Pay the difference

WORKING OUT YOUR GST

GST received from customers	\$ <input type="text"/>
Less: GST paid to suppliers	\$ <input type="text"/>
Equals: GST payable to (or refundable by) the ATO	\$ <input type="text"/>

When a registered organisation charges for supplies of goods and taxable services, GST has to be accounted for to the ATO. This is done using the BAS for the relevant tax period.

GST paid on taxable supplies acquired by the registered organisation for the purpose of making its own taxable and GST-free supplies may be recovered from the ATO. This also is done using the BAS for the relevant tax period.

Thus, in summary, the GST situation is as follows:

GST received from customers	\$ <input type="text"/>
Less: GST paid to suppliers	\$ <input type="text"/>
Equals: GST payable to (or refundable by) the ATO	\$ <input type="text"/>

*unless GST was paid on inputs to make input taxed supplies

There are a number of detailed rules, which modify this basic position. For example, most non profit organisations will not charge GST on many of their supplies. Most of their supplies will be GST-free supplies, while a few may be input taxed supplies. The organisations may also acquire GST-free supplies or input taxed supplies; they cannot claim back GST on input taxed or GST-free supplies they acquire.

They may also acquire things from non-registered persons. No input tax credits are available on those acquisitions as no GST will have been paid.

THE BASICS OF GST

Rule of Thumb: GST affects almost all transactions

- **GST will impact on all transactions an organisation makes.**

Under the GST legislation, transactions include the supply of goods (such as stationery, furniture, equipment etc) and the supply of services, (such as freight, telephones, electricity, etc).

If the supplier is a registered person, GST will be payable unless you are acquiring 'GST-free supplies' or 'input taxed supplies'.

- **The rate of GST that applies is 10%**

- If after 30 June 2000 you make a taxable supply that has a value of \$100 then, after 1 July 2000, 10% GST will be added to the value and the customer will be charged \$110. Similarly, if an organisation is purchasing a taxable supply for \$110 after 1 July 2000, then \$10 of that will be GST.

- **The GST content of the price is 1/11th of \$110 = \$10 GST.**

- The 1/11th is often referred to as the tax fraction.
- The GST is not a cost to non profit organisations

The GST is not a cost to non profit organisations, because any GST charged by an organisation on its taxable sales or services will be collected from its customers or clients.

Organisations will be paying GST on the goods and services that they pay for. However, if the acquisitions are for the purpose of making supplies, whether taxable or GST-free supplies, the GST can be claimed back in full from the ATO.

Taken together, this means that the GST is not a tax on organisations. A registered organisation collects GST from its customers, and claims back the GST on all of its acquisitions.

Example

Benevolent Enterprises makes baskets for sale to retail shops. It accounts for GST on a cash basis. In a particular tax period, the amount received from its customers was \$77,000 which included \$7000 GST. It paid its suppliers a total of \$33,000 (including GST) for raw materials etc. It also paid wages of \$15,000.

The organisation thus has to account to the ATO as follows:

GST on sales	\$7000
GST content of payments to suppliers	<u>\$3000</u>
GST to be paid to ATO	<u>\$4000</u>

It will be seen that the customers provided the \$7000 GST relating to sales made. The organisation has paid its suppliers the \$3000 GST on its purchases but gets this money back from the ATO. Thus, there is no GST cost to the organisation which, in effect, is merely handing over GST it has collected for the ATO.

THE BASICS OF GST

GST affects almost all transactions

GST will apply to transactions that are not GST-free or input taxed

If a transaction is a taxable supply,

GST is included in the price

The rate of GST is 10%

THE BASICS OF GST

GST affects almost all transactions

GST collected by organisations from customers
periodically gets paid to the ATO

In principle a registered organisation is able to get
back the GST it has to pay on its purchases

GST thus is not a tax on the organisation; it is not a business cost

YOUR NOTES

THE TAX FRACTION

Rule of Thumb: The GST is 1/11th of the price charged or paid

The tax fraction can be important:

- In isolating the GST content of a transaction; and
- In identifying the true 'income' and 'expenditure' of the organisation.
- **Total price includes GST**

When an organisation enters into a transaction that is a taxable supply, GST must be added to the value of the supply. In other words, whatever an organisation charges or has to pay for a taxable supply will have GST included in the price it charges or pays.

- **Total price includes cost**

Because 10% is added to the value of a taxable supply, the GST component of the GST inclusive price is 1/11th of that price; the rest (10/11ths) is the value before GST.

In relation to that supply, that remaining 10/11ths of the price is the supplier's real 'income' as the GST collected must be remitted to the ATO.

Similarly, for the acquirer of the supply, that remaining 10/11ths of the price is ordinarily the true cost of the taxable supply as the GST content is recoverable from the ATO. [There are some exceptions to this rule and these are discussed later].

With any taxable supply you typically would find:

GST exclusive price	\$10	[10/11th]
Plus GST 10%	<u>\$ 1</u>	[1/11th: The tax fraction]
GST inclusive price	<u>\$11</u>	

Example

Charity Unlimited, an organisation registered for GST, sells a table to Ann Jones, whose business is also registered for GST.

The value of the supply is \$150.00 and Charity Unlimited adds 10% GST [\$15] and charges Ann a price of \$165.00.

When the organisation completes the GST portion of the BAS it will disclose the total of its taxable supplies for the tax period. It will calculate 1/11th [the tax fraction] of the total which includes the price it charged Ann, so the 1/11th of that price [i.e. \$15] will be included in the total GST output tax that it reports to the ATO.

The remaining 10/11ths of the price [\$150.00] is the gross revenue that the organisation receives from the transaction.

When Ann completes the GST portion of the BAS she will disclose the total amount of her acquisitions. She will calculate 1/11th [the tax fraction] of the total acquisitions which give rise to input tax credits including the price she paid for the widgets. In this way she will claim back from the ATO the \$15 [1/11th of \$165.00] GST she was charged by the Charity Unlimited.

The remaining 10/11ths [\$150.00] is the actual acquisition cost of the item to Ann.

GST TRANSACTIONS

Rule of Thumb: Identify the GST implications of all transactions

- **For GST purposes transactions are called supplies**

Everything that happens in an organisation involves transactions.

Transactions that involve goods and services that come into, or go out of an organisation, are called supplies.

Some of these transactions may be easy to recognise.

- Purchase of stock for resale or use as consumables
- Sale of furniture
- Provision of services

Some transactions may be more difficult to recognise.

- A trade-in of a car
- Issuing a ticket for a fundraising event
- Barter transactions
- Sponsorship arrangements
- Franchise fees

Where these transactions are undertaken by a GST registered organisation, they generally will be taxable supplies. This means that the supplier must include 10% GST in the price.

In cases where the supply is not be a taxable supply, because it is GST-free or input taxed, GST will not be included in the price.

- **If you don't charge GST on your sales, you must have good reasons for doing so.**

These reasons may include (for example):

- Because your organisation is not required to be registered, and has not chosen to register for GST
- Because the supply is GST-free, or is an input taxed supply

- **The GST attribution rules determine the GST tax period in which:**

- GST included in any taxable supply acquired must be reported to the ATO; and
- GST input tax credits may first be claimed from the ATO (if a valid tax invoice is held).

CONTRACTS

Rule of Thumb: All contracts should address GST issues. If they don't the GST liability rests with the supplier

- **What is meant by contracts**

The word 'contract' often conjures up a vision of a formal legal agreement, with lots of clauses and conditions. However, you need to think of them as covering a wide range of agreements and arrangements, whether or not accompanied by formal legal documentation. Thus, in a GST context:

- Contracts may be written or oral, formal or informal.
- Contracts require at least two parties to them, a supply and a payment.
- Contract transactions that involve taxable supplies will have a GST implication.
- It is important that the GST implications of every contract are identified. If the organisation is contracting to supply a taxable supply, rather than a GST-free supply, then 1/11th of the contract price will be payable to the ATO, even if GST has not been included in the contract price.

If a contract does not pass the GST on to the customer, the organisation will wear the cost. It is most important to ensure that all relevant contracts include GST in the price or the organisation may end up paying GST to the ATO that it has not collected from its customer.

- In practice parties who encounter these situations will seek to renegotiate contract terms between themselves.
- **Special rules for contracts entered into before 1 July 2000, but completed on or after 1 July 2000**

If you conclude a contract before 1 July 2000, and it requires the supply of goods and services on or after 1 July 2000, there may be GST payable.

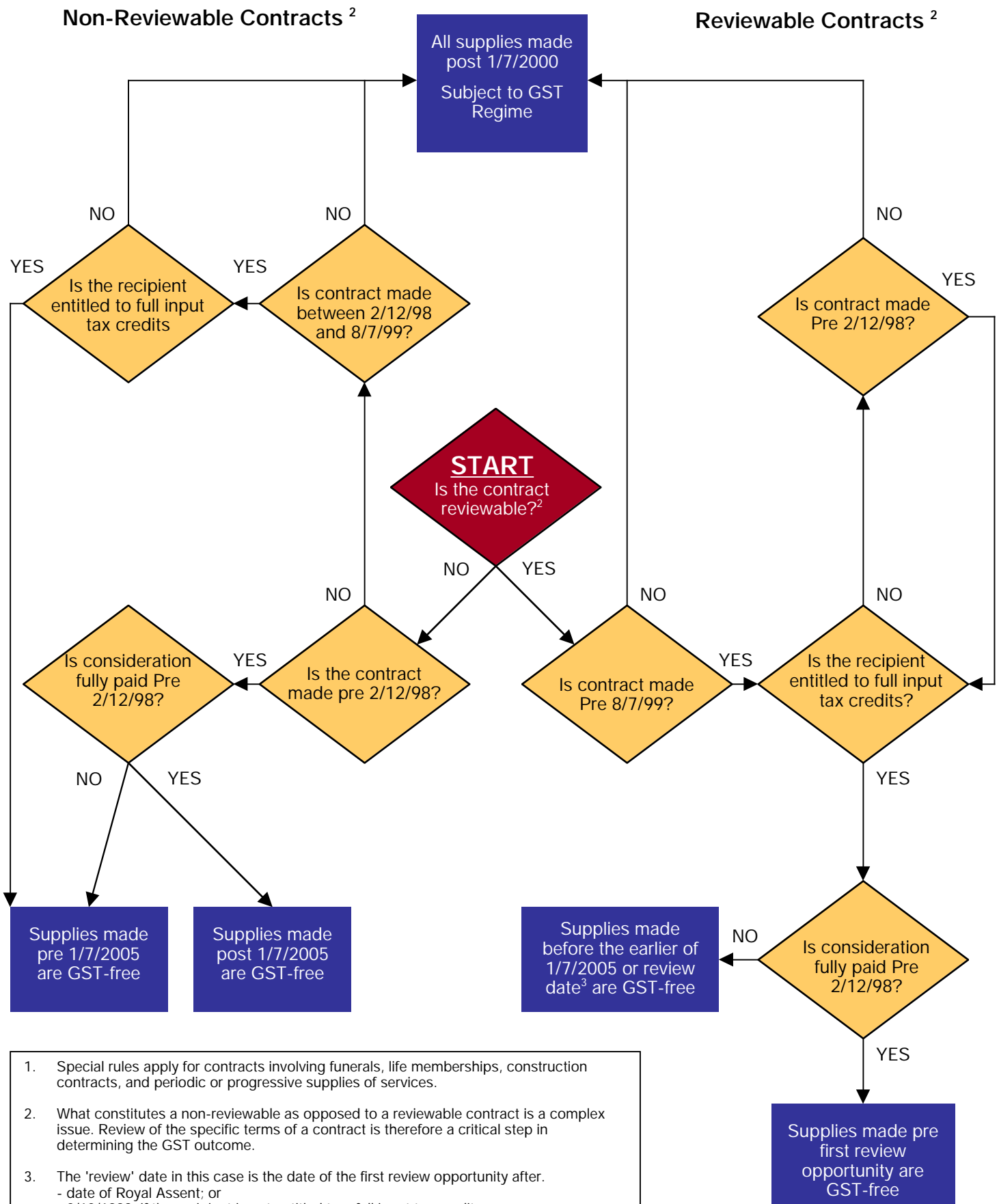
Example

On 25 June 2000 a fencing contractor agrees to repair a fence for \$1000, but does not actually repair it until after 30 June 2000. In this situation GST will be 1/11th of the agreed price (\$1,000), being \$90.90. This is payable to the ATO. The contractor thus will have only \$909.10 left instead of the \$1000 they expected to receive to cover the costs of the repair and make a profit. If the agreement had included a clause that allowed for the GST to be included in the price, then \$1,100 could have been charged.

If the business has already entered into contracts, which span 1 July 2000, there are a number of special rules that may help provide some relief from having to account for GST. The ATO has issued a fact sheet on the topic.

The ATO's flow chart on transitional rules for contracts that span 1 July 2000 is reproduced on the next page.

Transitional Contracts - a diagrammatic explanation ¹



1. Special rules apply for contracts involving funerals, life memberships, construction contracts, and periodic or progressive supplies of services.
2. What constitutes a non-reviewable as opposed to a reviewable contract is a complex issue. Review of the specific terms of a contract is therefore a critical step in determining the GST outcome.
3. The 'review' date in this case is the date of the first review opportunity after.
 - date of Royal Assent; or
 - 2/12/1998, if the recipient is not entitled to a full input tax credit

CONTRACTS

All contracts should address GST issues

If the contract is for a taxable supply and it doesn't pass the GST on to the customer, the organisation will wear the cost

Special rules provide relief from GST for some contracts entered into pre 1 July 2000 but completed after 1 July 2000

The ATO has released a fact sheet / charts which summarise these rules

YOUR NOTES

LIMITS ON INPUT TAX CREDITS

Rule of Thumb: There are some transactions for which you cannot claim input tax credits.

- **An organisation cannot claim GST input tax credits on input taxed supplies**
 - A GST registered organisation does not charge GST on input taxed supplies.
 - The rules do not allow organisations making input taxed supplies to claim back GST on the costs of making those supplies.
- **There are restrictions on input tax credits for specified expenses that are not deductible under income tax laws.**
 - Examples include non-compulsory uniforms and entertainment expenses
 - As well, input tax credits on motor vehicles are limited to the car depreciation limits in the income tax.
 - A registered organisation cannot claim GST on “private consumption”
 - An organisation cannot claim input tax credits not related to its operations.
 - A registered organisation can claim back GST paid on goods and services used in the running of the organisation but it cannot claim back GST on goods or services acquired for individual employees that are not work related
 - Where a transaction is partly related to the GST registered activity and partly to personal use, only the non-personal part of the GST is claimable as an input tax credit.

GST INCLUSIVE

Rule of Thumb: Taxable supplies should always be priced GST inclusive

- **Setting prices, quoting**

When a registered organisation is involved in any commercial type activities and it sets the prices of the goods or services it will supply, it must always include GST in that price.

Similarly, if quoting for work, the price quoted must be the total amount that has to be paid by the customer, including any GST.

Prices that are quoted without including GST are binding on the supplier. 1/11th of that price will be considered to represent GST, and will have to be paid to the ATO.

Example

A community organisation supplements its funding by offering certain services on a fee for service basis. It charges \$200 for a standard 5 hours of work. At the end of June 2000, upon enquiry by a potential client, it confirms that the fee would be \$200.

The client accepts and the service is provided in July. The organisation bills the client \$200 plus 10% GST. The client objects to the additional \$20 charge for GST. After discussion, the organisation acknowledges that it is incorrect, and is not allowed by law to recover the GST as an additional amount.

In due course the organisation still has to pay \$18 (ie. 1/11th of the \$200) to the ATO, as the \$200 is deemed to include GST.

- **Signs, advertisements, price tags, catalogues**

An organisation is not able to advertise prices of goods or services it is selling exclusive of GST. All prices shown on any sign, advertisement, price tag, catalogue or similar, must include GST.

Price lists and brochures etc, need to be looked at now, and reprinting done by 1 July.

If there is a chance that orders will be taken now but the goods or services will not be delivered, or available, until 1 July or later, there will be GST due on these goods, and the pricing must allow for this.

- **GST inclusive price**

All prices must have GST included. GST does not need to be shown as a separate part of the price. Showing only a GST inclusive price will cause less confusion to the general public.

- **Value of the supply plus the amount of GST stated in dollars**

The price can also be shown in two parts, the price before GST and the price including GST. Where this is done it is very important that the GST amount and the GST inclusive price are both shown in dollar terms.

Example:

GST Exclusive Price	\$125.00
Plus 10% GST	\$ 12.50
GST Inclusive Price	\$137.50

It will not be acceptable to set the price as \$125.00 plus GST. It is acceptable to say \$125.00 plus \$12.50 GST.

- Real risk of loss when this is wrong

If an organisation does not include GST in its price of any taxable supply, the GST will still have to come out of the amount it receives. This means the GST cost is borne by the organisation and reduces any surplus or increases any deficit budgeted for that activity.

GST INCLUSIVE

Taxable supplies should always be priced GST inclusive

Setting prices/quoting

Signs, advertisements, price tags, catalogues

Alternative of:

GST inclusive pricing, or

the 'value' of the supply plus the amount of GST stated in dollars

Real risk of loss if you get this wrong

YOUR NOTES

WHO CAN REGISTER FOR GST?

Rule of Thumb: To register for GST you must be an entity conducting an enterprise

- **Businesses, organisations and entities conduct enterprises.**

The most common form of entity to which the GST rules apply will be a business. Other entities, including all those in the community based non profit sector that do not conduct business with profit making as the main objective, may still be required to, or choose to, register for GST because they all acquire taxable supplies.

These entities can only register if they are conducting an enterprise. Enterprises include charities, not-for-profit and educational bodies and government bodies.

If an individual or partnership is carrying on an enterprise with the expectation of profit or gain, they will also be able to register for GST, and may be required to do so.

When an entity is registered for GST, the registration collectively extends to all of the enterprises or activities conducted by that entity.

Importantly, an enterprise does not include activities done as an employee, or private recreational pursuits or hobbies, or where an individual or partnership has no expectation of profit.

WHO CAN REGISTER FOR GST?

To register for GST you must be an entity conducting an enterprise

Businesses, organisations and entities conduct enterprises

YOUR NOTES

GST REGISTRATION

Rule of Thumb: Most organisations will register for GST

- **Many non profit organisations will be required to register for GST. Even if an organisation is not required to do so, it may choose to because:**

- Only registered organisations can claim input tax credits
- If you are below the registration threshold and do not register you are faced with monthly monitoring of the need to register
- Other businesses usually prefer to deal with registered organisations

Some of these points are further discussed below.

- **Can an organisation stay outside the GST loop?**

If a community based non profit organisation has a turnover of \$100,000 or more per year, then it is required by law to register for GST. Unconditional donations are not included in the calculation of turnover.

If an organisation has a turnover of \$100,000 or more, and does not register, it still will be liable to pay to the ATO 1/11th of what it receives from its customers for taxable supplies, regardless of it not having registered or having included GST in its prices.

In short, if the organisation has an annual turnover of \$100,000 or more it cannot stay out of the loop. It must register.

- **Does the organisation want to be outside of the loop?**

If an organisation has a turnover of less than \$100,000, it is not required to register for GST. If it chooses not to do so, it does not have to charge GST on its taxable supplies, but it is not able to claim any input tax credits either. Since many registered non profit organisations will not charge GST on most of their supplies anyway the advantage of registering is that you still get your input tax credits.

- **Last Registration date 31 May 2000 using ABN Registration Form**

All businesses that are required to register, or who choose to register, need to complete an application for an Australian Business Number and file that application by 31 May 2000.

If an organisation is not registered before 1 July 2000 it will not be able to claim back the Wholesales Sales Tax content of eligible trading stock it has on hand on 1 July 2000.

- **Consider 'cash basis' or 'accrual basis'**

One question asked in the ABN application form is whether the organisation will complete its GST return on a cash or accruals basis.

In short, a cash basis means that cash transactions are used to establish the GST payable, while an accruals basis takes into account all of the transactions entered into regardless of whether or not payment has been made. Charities can account on a cash basis regardless of what their turnover is. These concepts will be looked at later.

- **Consider monthly or quarterly basis**

Another important question in the ABN application form is whether the organisation wants to register on a monthly basis or a three monthly basis.

- Registering on a three monthly basis will require the business to complete four GST returns a year. It is expected most organisations will register on this basis.
- Registering on a monthly basis will require the organisation to complete twelve GST returns a year. The monthly basis often provides cash flow and other commercial benefits particularly for those whose output comprises largely GST-free supplies as is the case with this sector.

This issue will also be looked at later.

- **The withholding tax trap**

Even if an organisation does not register for GST, it could be worthwhile applying for an ABN. This is because if the organisation does not have an ABN, any payment made to that organisation by another business customer attracts a withholding tax. The customer is required to withhold 48.5% from each such payment.

CASH BASIS OF REGISTRATION

Rule of Thumb: The cash basis allows simpler accounting systems

One advantage of accounting for GST on a cash basis is that you only have to account for GST on 'cash in' and 'cash out'. The option to use the cash basis is not affected by the accounting methods the non profit organisation might use.

- **Threshold**

Most businesses with an annual turnover of \$1 million, or more, are required to register on an accruals basis. However, non profit organisations can account on a cash basis regardless of the level of their annual turnover.

- **Only pay the GST included in payments received.**

Where an organisation is registered on the cash basis, it does not have to account to the ATO for the GST collected on its supplies until it has actually been received in cash.

So for any GST tax period the total bankings for the period, (plus any payments received but not banked), for taxable supplies will be the maximum amount that will be due to the ATO in that GST return period.

- **Only claim the GST included in payments made.**

Where a registered business acquires taxable supplies of goods and services the price of these will include GST. If that business is registered on the cash basis it will only be able to claim as input tax credits 1/11th of the GST inclusive payments it has actually made in the GST period. Always remember however, that an organisation cannot claim back any GST unless and until it has received a tax invoice from the supplier. Also, it cannot claim back the GST content of input taxed or GST-free supplies it acquires.

To claim an input tax credit on the cash basis the business must have:

- Paid the bill; and
- Hold the tax invoice that supports the fact that an input tax credit claim is available.

If the bill is part paid, a partial claim can be made.

ACCRUAL BASIS OF REGISTRATION

Rule of Thumb: Use the 'accrual basis' only if required to, or it provides substantial cash flow or other commercial advantages

- **To calculate GST collected on an accrual basis include accounts owed to the business.**

The accrual basis means the business needs to account for the GST on all transactions in the GST period in which the transactions happen. So, in calculating the GST payable to the ATO, not only do you need to take into account the cash and other payments received for taxable supplies made during the period, but also the GST included in taxable supplies that have been made but not yet paid for.

- **To calculate input tax credits on an accruals basis include amounts owed by the non profit organisation.**

The GST you are entitled to claim as a refund from the ATO is not only the GST content of the cash purchases that have been made during the period, but also the GST content of purchases of goods and services that have been acquired by way of 'credit' transactions.

So the GST input tax credits you can claim for the period are the sum of the GST content of the payments made for 'cash' purchases in the period, plus the GST content of invoices issued to you in respect of credit purchases in the period.

In short, GST input tax credits can be claimed even if payment has not been made, provided always that a tax invoice is held.

Note however that input tax credits cannot be claimed on input taxed supplies at any time, regardless of the registration process.

- **Accrual basis available to all.**

All community based non profit organisations are able to register on an accruals basis if they choose. An organisation which is not deemed to be a "charity" and that has an annual turnover in excess of \$1million must use the accrual basis unless the Commissioner agrees otherwise.

QUARTERLY OR MONTHLY GST RETURNS

Rule of Thumb: Non profit organisations have the option of making quarterly or monthly returns

- **For some organisations, the monthly option will be best**

Some non profit organisations will find they are usually entitled to a net GST refund, rather than having to pay GST to the ATO. This will arise because most of the supplies made are GST-free. In such cases, there may be a definite cash flow advantage from filing monthly statements with the ATO, even though the compliance costs may be a little higher.

Some organisations may prefer to deal with GST and get it out of the way when month-end accounting work is undertaken, rather than have to deal with GST reporting when a quarter-end arrives.

- **For organisations making mainly taxable supplies quarterly returns are best.**

If typically, the GST collected on account of sales exceeds the GST input tax credits that can be claimed, there clearly is a cash flow advantage to the organisation. The longer it can hold onto the cash, the greater the advantage.

The net GST collected can be used to reduce overdraft interest in the periods it is held before paying it to the ATO. Alternatively, it could be put in an interest earning account. However, organisations should not commit it to any other purpose than the payment of GST.

When an organisation completes the GST portion of the BAS on a quarterly basis, only four returns a year are required. This reduces the compliance requirements. With quarterly returns the GST calculations and payments are due to be filed at the ATO on or before the 21st of the month following the end of the GST period.

The GST quarters are fixed. They are:

Period	Date Due By:
1 January to 31 March	21 April
1 April to 30 June	21 July
1 July to 30 Sept	21 Oct
1 Oct to 31 Dec	21 January

TAX INVOICE

Rule of Thumb: Always make sure a Tax Invoice is obtained

If an organisation wants to recover from the ATO any GST it is charged for goods and services acquired, the general rule is it must hold a tax invoice covering that supply. A tax invoice thus can be compared to a cash requisition.

- **A tax invoice is a valuable document**

If an organisation is registered for GST and makes a transaction related to business purchases, then the tax invoice provided by the supplier can be turned into money by claiming back the GST content from the ATO.

Generally, if an organisation does not hold a tax invoice from the supplier, it cannot claim GST input tax credits for the goods or services charged to that business.

- **A tax invoice is not just any invoice**

For an invoice to constitute a tax invoice, it must contain certain legally required information. If it does not meet these requirements then it is not a tax invoice and the business cannot claim back the GST content as input tax credits.

- **Different tax invoice requirements exist**

Tax invoices for up to \$50 (before GST)

For registered persons if the transaction is \$50 or less (excluding GST), an organisation does not need an actual tax invoice. It only needs to hold a suitable receipt for what it bought, to enable it to claim an input tax credit.

Tax invoices for more than \$50 and no more than \$1,000 (before GST)

The invoice must contain the words “Tax Invoice” and show:

- The suppliers name and ABN
- The date the invoice was issued
- A description of the goods supplied
- The GST inclusive price of the taxable supply

And:

If the GST amount payable is 1/11th of the total price either

- A statement along the lines “the total price includes GST”; or
- The GST amount

Or:

If the GST amount payable is not 1/11th of the total price

- The amount payable for the supply, and
- The GST amount

Tax invoices for over \$1,000 (before GST)

A tax invoice for a total consideration in excess of \$1,000 must contain all of the above information and:

- The name of the recipient
- The address or ABN of the recipient and
- The quantities of the goods supplied

Tax invoices for taxable and non-taxable supplies

If a tax invoice is for a taxable supply and either a GST-free or input taxed supply, the tax invoice must also show:

- Each taxable supply
- The amount of GST payable (in relation to the taxable supplies) and
- The total amount payable for the supply

TAX INVOICE**Always make sure a Tax Invoice is obtained**

A tax invoice is your voucher to get money from the ATO

Needs to contain certain information

Different tax invoice levels exist

Up to \$50 (before GST)

More than \$50 and up to \$1,000 (before GST)

Greater than \$1,000 (before GST)

YOUR NOTES

RECORDS

Rule of Thumb: Keep a record of all transactions to keep track of GST

- **Record all outflows**

For an organisation to prosper in a GST environment, it must make sure that it accurately records all outflows (supplies of goods and services). This will enable it to readily isolate and identify the GST payable to the ATO.

This includes all goods and services that flow out of the organisation, including capital assets sold.

- **Record all inflows**

Inflows are when resources (goods and services) are brought into the organisation. All of these inflows must be recorded for GST purposes. With the introduction of GST the organisation needs to be able to identify the GST content so the business is able to get the maximum GST input tax credit, at the first available opportunity. If the organisation fails to record any inputs it won't get the input tax credit.

- **File tax invoices received**

To make a GST input tax credit claim an organisation must hold a tax invoice (unless the price excluding GST does not exceed \$50). It is very important that tax invoices are carefully filed and easily found. They may be filed in cheque number order, (especially by those who account for GST on a cash basis). Others may file them in date order, or by supplier. The method chosen will depend on whether the organisation is on a cash or accruals basis, for GST. This decision will be discussed in detail in the next course.

- **Keep all bank statements**

Most organisations will have a bank account. As a result the bank statement is often a very important source of information. In addition to using the bank statement for bank reconciliations, for many organisations the bank statement might be used to facilitate the calculations of the GST owed to the ATO, by being adapted to identify the GST content of payments made. It is very important that all Bank Statements are kept readily available.

- **Record Debtors and Creditors**

Records of the amounts owed to the organisation, or that are owed by the organisation, are important to the success of the organisation. Keeping an accurate record of these is important for establishing the financial state of affairs of the organisation. If the organisation is registered on an accrual basis for GST, then these records will also be needed to calculate the GST liability, even if the invoices issued or received have not been paid.

SYSTEMS

Rule of thumb: Make sure the GST information needed to complete the BAS return is readily available

- **Ensure that the required information is readily available**

Good business systems are those which, on a timely and cost efficient basis, are able to generate the information required to meet the needs of the organisation. If an organisation has good systems, then the information needed to calculate the GST amount payable for inclusion on the BAS should be produced as a by-product of general system activity.

Do not set up complex systems for their own sake. In broad terms all that needs to be done is to have a system that identifies: the GST amounts charged to customers that have to be accounted for in the taxable period; and the GST included in amounts charged by suppliers that form the basis of input tax credit claims in the taxable period.

- **Accurate Information**

It is very important that the information available is accurate. If it is wrong there is the risk of paying too much GST, or not paying enough.

Always take care in recording the GST information.

- **Update GST records regularly**

To be of use, the information must be readily available when needed to complete the BAS. The BAS will be due 21 days after the end of the monthly or three monthly GST return periods. The system must be such that transactions are recorded as soon as possible after they occur.

This will avoid problems when the BAS is due to be completed.

Avoid getting behind in the recording and processing of transactions - you don't want to find that it is necessary to record three months transactions before the GST portion of the BAS form can be completed!

- **Setting up systems to manage GST**

Because of the information required by the ATO in the BAS, it will be necessary for an organisation to ensure its systems collates this information appropriately

The second course in this series deals specifically with systems to assist an organisation account for GST.

CONTROLS

Rule of Thumb: Always have checks in place to make sure GST is calculated correctly

- **Make sure you get it right - nothing missed - nothing wrong**

One reason for maintaining GST controls within an organisation is to make sure the organisation is paying the right amount of GST or getting the correct refund. Nothing more, nothing less. The organisation needs to make sure that all the GST it has collected is paid to the ATO, after deducting the input tax credits it is entitled to claim.

- **Automatic checks and balances**

The most successful business systems contain automatic checks and balances. These need not be complex to be worthwhile. Reconciliation of the chequebook and the bank account will ensure that no payments have been missed. A period end reconciliation of the amount owed to the organisation by its customers with invoices issued and the payments customers make, will ensure that GST owing to the ATO is not missed.

- **No tax invoice, no payment**

A very basic but worthwhile control is to have a policy of not paying a supplier until a valid tax invoice is held. This is a very effective way of making sure that the organisation holds a tax invoice for all payments. For those registered on a cash basis this will be of particular help in simplifying the completion of a return, and ensure the input tax credit claim is valid.

CONTROLS

Always have checks in place to make sure GST is calculated correctly

Make sure you get it right

Nothing missed - Nothing wrong

Automatic checks and balances

No tax invoice from a supplier - no payment!

YOUR NOTES

RISKS

Rule of Thumb: Always remember GST!

We have already mentioned some of the risks associated with GST - we summarise a few of these

- **Not identifying transactions that constitute taxable supplies to customers or clients**

Normally day to day business supplies of goods and services will be either taxable supplies, GST-free supplies or input taxed supplies. However, organisations from time to time enter into 'unusual' or 'non-standard' contracts or arrangements. More often than not these will carry GST implications.

Organisations need to be alert to this and be able to identify them and the GST implication at the first opportunity. Failure to do so may result in GST default, and loss to the organisation

- **Misclassifying a taxable supply as a GST-free supply**

An organisation may not charge GST on a GST-free supply. Because there is likely to be a mix of taxable and GST-free supplies there is a danger that taxable supplies are incorrectly treated as GST-free.

Organisations need to commit time to identify whether or not each type of supply they make is a taxable supply or a GST-free supply. Do not hesitate to seek advice from a professional adviser or the ATO to resolve uncertainties

- **Charging GST and not paying it to the ATO**

When an organisation is registered for GST 1/11th of the price received is GST (unless GST-free supplies or input taxed supplies are made). This GST needs to be paid to the ATO by the due date.

It is very important that at all times an organisation remains aware of its exposure to GST liabilities, to make sure it records the GST owed to the ATO, and to ensure it is subsequently paid by the due date.

- **Not including GST in prices**

When an organisation is registered, GST is always payable on the sales of taxable goods and services. It will always have to pay the GST out of the amount it receives from its customers, regardless of whether or not it has included GST in the price.

If an organisation does not add GST to the price of taxable supplies, the organisation ends up paying the GST.

- **Not collecting tax invoices**

Every organisation must make sure that when it prepares its BAS and calculates its input tax credit claims, that it holds valid tax invoices to support the total input tax credit to be claimed.

Incorrectly claiming input tax credits can expose an organisation to penalties

- **Not identifying GST input tax credits and not claiming refunds**

Failure to identify GST input tax credit entitlements or to claim them back from the ATO at the first opportunity will cost the organisation money

- **Claiming a GST input tax credit in respect of costs of making input taxed supplies**

You are not entitled to make refund claims for the GST content of acquisitions which relate to supplies which are input taxed. To make a claim to which you are not entitled can attract penalties.

- **Spending GST owing to the ATO**

When an organisation is registered for GST, it is in effect acting as a collection agent for the ATO. It is entitled to claim back the GST it pays on its expenses (as input tax credits), but the balance is due to the ATO. The organisation effectively holds that money on behalf of the Government. In many respects it is similar to PAYE deducted from its employees, it is not the organisation's money!

TRANSITION

Rule of Thumb: entered into before 1 July 2000 and spanning that date can have tax implications

We already have noted that though GST commences 1 July 2000, contracts entered into before that date and performed wholly or partly after that date may have GST and other tax implications. We summarise some of the issues we have previously mentioned.

- **Contracts in force on 1 July 2000**

An organisation will need to look at all contracts that are, or will be in place on 1 July 2000. This is because each one of these contracts could have a GST component.

If, under these contracts, an organisation makes a supply after 1 July 2000, there may be GST payable. In these circumstances it will depend on the contract details and the transition rules as to whether the organisation can add this GST to the price it charges its customer.

Please refer to the copy of the ATO's decision chart reproduced earlier.

- **Need to check out your contracts now**

GST is fast approaching. Existing contracts need to be looked at to see if changes can be made, or need to be made, to deal with GST.

Procedures need to be put in place to ensure that new contracts allow for GST.

- **Some WST may be refundable**

With the start of GST on 1 July 2000, WST will finish.

If an organisation has bought goods for resale (not goods used for manufacture) prior to 1 July 2000, and it is holding them on 1 July 2000, the organisation should be able to get back any WST included in the cost of those goods as long as they have applied for registration by 31 May 1999.

PLANNING ITEMS

Rule of Thumb: The planning for GST starts now

- **Register for GST**

Organisations should register for GST now and get the ABN application form off their desk. They just need to decide whether the cash or accruals approach best suits their activity, and how often they want to file returns.

These decisions are important, and once made, will help the organisation start its planning to deal with GST.

- **Printing invoices, price lists and promotional materials**

Before GST starts, an organisation will need to alter its stationery.

- Tax invoices may need to be reprinted showing the information required [this includes your ABN, so you will need to register first] but existing invoices can be manually adjusted if you have stock on hand.
- Price lists will need to be printed showing the new prices. The earlier this process is started, the less likely the organisation is to get caught up in the pre-GST printing rush, and it will be sure to have the new stationery by 1 July 2000.
- Promotional brochures and materials referring to price will need to be adapted.
- New GST inclusive pricing signs will be required.
- Advertising prepared before 1 July 2000 for use on or after that date needs to reflect post-GST pricing disclosures.
- Products on the shelf require to be marked with prices applicable after the introduction of GST. This may require dual pricing in the lead up period. Where an organisation uses price scanning equipment the pricing database will need to be prepared and ready for the advent of GST.

- **Point of sale recording**

Point of sale recording enables the organisation to record its sales at the time they occur.

To assist with GST record keeping, it is very important to make sure that at the time of sale the GST component is identified.

The organisation will need to be able to:

- Record which sales have GST included and those that do not
- Produce a tax invoice that meets the regulatory requirements
- To get a summary of its transactions and the GST included

For some organisations this may mean that new equipment may be required, for others, it may be possible to upgrade the existing equipment.

