



GST *Action Planning*

SEMINAR SERIES AND SUPPORT

GST Pointers



1. 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

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2. 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.



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3. Important Messages

- 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 counselling services you can claim the GST paid on the telephone bills, heating, electricity, room rental and so on.
- 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 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, purchases 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.
- 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.

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4. Remember a “typical” organisation registered for GST:

- 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.

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5. The first steps that every organisation needs to take NOW to prepare for this 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.

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6. Rules of Thumb:

- Pay the difference
- **GST affects almost all transactions**
 - GST collected by organisations from its customers
 - 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
- **The GST is 1/11th of the price charged or paid**
- **Identify the GST implications of all transactions**
 - 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
- **All contracts should address GST issues. If they don't the GST liability rests with the supplier**
- **There are some transactions for which you cannot claim input tax credits.**
- **Taxable supplies should always be priced GST inclusive**
- **To register for GST you must be an entity conducting an enterprise**
- **Most non profit organisations should register for GST**
 - Last registration date 31 May using ABN registration form
 - Consider cash or accrual basis
 - Consider monthly or quarterly returns
 - Choices exist for some businesses
 - There is withholding tax exposure for organisations without an ABN



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7. Rules of Thumb (continued):

- The cash basis allows simpler accounting systems
- Use the 'accrual basis' only if required to, or it provides substantial cash flow or other commercial advantages
- Non profit organisations have the option of making quarterly or monthly returns
- Most organisations not making significant GST-free supplies will find that quarterly returns are best.
- Always make sure a Tax Invoice is obtained
- Keep a record of all transactions to keep track of GST
- Make sure the GST information needed to complete the BAS return is readily available
- Always have checks in place to make sure GST is calculated correctly
- Always remember GST!
- Transactions entered into before 1 July 2000 and spanning that date can have tax implications

The planning for GST starts now!