

GST & BAS ISSUES

Goods and Services Tax is a broad based tax of 10% on the sale of most goods and services consumed in Australia.

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GST TERMINOLOGY

Business	Enterprise/Entity
Sales	Supplies
Purchases	Acquisitions
GST Credit	Input Tax Credit

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Example of how GST works:

	Gross	GST	Net
Sales/Supplies	1100	100	1000
Purchases/ Acquisitions	660	60	600
Net Income	440	40	400
	(i)	(ii)	(iii)

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- (i) Appears in bank records
- (ii) Net \$40 paid to Tax Office
- (iii) Appears in Profit and Loss Account

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CASH vs ACCRUALS BASIS

GST paid to Tax office –

- Income received & payments made;
- Income earned & expenses incurred.

Cash basis easier for cash flow but reconciliation needed.

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Reconciliation at any date: -

- GST payable on Accruals basis;
- Less GST included in Accts Receivable;
- Plus GST included in Accts Payable.

Equals GST payable on Cash basis.

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REGISTERING FOR GST: -

Non-profit organisations > \$150,000
(Voluntary if < \$150,000)

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GST turnover calculated as annual gross turnover, excluding:

- GST itself (ie income net of GST);
- Input Taxed Sales (Incl. Fund-raising income);
- Sales not connected with Australia;
- Donations received (not consideration for supply).

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GST Turnover calculated monthly IF turnover near \$150,000;

- Income of current month + past 11 months AND income of current month + forecast of next 11 months;
- If income > \$150,000, registration must occur within 21 days.

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What does GST registration mean?

- 1) Organisation pays all GST from sales to ATO;
- 2) Can claim GST credits for GST incl. in purchases;
- 3) Must complete BAS either monthly, quarterly or annually to report GST calculated.

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Taxable Sales

Sale price deemed to include GST = 1/11 of sale price IF the sale is: -

- For consideration;
- Part of organisation's activities;
- Connected with Australia;
- Not GST-free or input-taxed.

Organisation can then claim GST credits included in these purchases.

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GST – Free Sales

- Basic food items;
- Most education, child care, health services;
- Some exports;
- Religious services **IF** supplied by religious institution and integral to practice of that religion.

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GST – Free sales – cont.

- Non-commercial activities (GST concession for charities);
- Income from raffles & bingo (GST concession for charities);
- Sales of donated second-hand goods (GST concession for charities)

Organisation can claim GST credits incl. In these purchases.

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INPUT TAXED SALES

- Sale of residential property (unless new);
- Leasing of residential property;
- Financial transactions (e.g providing loan);
- Income form fund-raising events (GST concession for charities).

No GST credit claim in purchases.

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GIFTS & DONATIONS RECEIVED: -

Gift to non-profit entity NOT subject to GST. Gift means: -

- i) Must be voluntary;
- ii) Donor cannot receive material benefit.

Often confusion in this area.

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**GRANTS & SPONSORSHIPS
RECEIVED**

- MAY pay GST on Grant if supply made on that funding;
- IF sponsor receives benefit, then GST payable on sponsorship.

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You are not registered for GST?

	Gross	GST	Net
Sales/Supplies	1000	-	1000
Purchases/Acquisitions			
	660	-	660
Net Income	340	-	340
	(i)	(ii)	(iii)

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Not registered for GST – cont. –

- (i) Appears in bank records;
- (ii) Nil paid to Tax Office;
- (iii) Appears in Profit & Loss Account.

In effect – entity \$60 worse off by not being registered – but clients pay \$100 less for same goods and services.

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GST BRANCHES

Entity operating through branch structure, each registered separately for GST

Each branch liable for GST on sales and entitled to GST credits on purchases.

Transactions between branch and parent entity subject to GST.

GST GROUPS

Non-profit entities members of same non-profit assn can form GST Group. Treated as single entity for GST purposes.

No GST payable nor credits claimable on inter-group transactions.

One group representative for GST for whole group. BUT each group member individually registered for GST.

GST RELIGIOUS GROUPS

Non-profit organisations that are tax-exempt charities can form GST religious group.

No GST payable/no credits between group members.

Registration for GST still required individually and individual BAS required for transactions external to group.

NON-PROFIT SUB-ENTITIES

Main organisation registered for GST.

- Sub-entity separate for GST only – PAYG, FBT and income tax (if applicable) not affected.
- Maintain independent accounting and be separately identifiable. Minute to record decision.
- If turnover > \$150,000 – must register separately.

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NON-COMMERCIAL ACTIVITIES

Commercial activities taxable BUT non-commercial can be GST-free IF amount charged is:

< 50% GST incl. market value

OR

< 75% costs incurred in supply of service.

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Where sale is supply of accommodation, sale is GST-free IF amount charged is:

➤ < 75% GST incl. market value OR

➤ < 75% costs of providing accommodation.

Calculations used to determine non-commercial activity should be recorded with evidence of market valuations.²⁴

GST CONCESSIONS FOR CHARITIES

Fund-raising events	Input taxed
Religious Services	GST-free
Non-commercial activities	GST-free
Income –raffles/bingo	GST-free
Sale of donated second-hand goods	GST-free

GST concessions – cont. –

- GST credits claimable on reimbursements to volunteers;
- Accounting for GST on cash basis (regardless of turnover);
- GST religious groups;
- Non-profit sub-entities.
